BEAZER HOMES USA INC
Form 424B5
May 03, 2010
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FILED PURSUANT TO RULE 424 (B)(5)
REGISTRATION NO: 333-163110

The information in this prospectus supplement is not complete and may be changed. We may not sell these securities until the prospectus supplement is delivered in final form. This prospectus supplement is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED MAY 3, 2010

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated January 4, 2010)

3,000,000 % Tangible Equity Units

Beazer Homes USA, Inc.

This is an offering of tangible equity units, or Units, of Beazer Homes USA, Inc. Each Unit has a stated amount of $25.

Each Unit is comprised of a prepaid stock purchase contract and a senior amortizing note due August 15, 2013 issued by Beazer Homes, which has an initial principal amount of $ per amortizing note and a scheduled final installment payment date of August 15, 2013.

Unless settled earlier as described herein, on August 15, 2013, each purchase contract will automatically settle and we will deliver a number of shares of our common stock based on the applicable market value, which is the average of the daily closing prices of the common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding August 15, 2013, as follows (subject to adjustment):

- if the applicable market value equals or exceeds $, you will receive shares;

- if the applicable market value is greater than $ but less than $, you will receive a number of shares having a value, based on the applicable market value, equal to $25; and

- if the applicable market value is less than or equal to $, you will receive shares.

At any time prior to the third trading day immediately preceding August 15, 2013, you may settle your purchase contract early, and we will deliver shares of our common stock. In addition, if a fundamental change (as defined herein) occurs and you elect to settle your purchase contracts early in connection with such fundamental change, you will receive a number of shares of our common stock based on the fundamental change early settlement rate, as described herein. We may elect to settle all outstanding purchase contracts prior to the August 15, 2013 settlement date at the early mandatory settlement rate (as defined herein), upon a date fixed by us upon not less than five business days notice. Except for cash in lieu of fractional shares, the purchase contract holders will not receive any cash distributions under the purchase contracts.

The amortizing notes will pay you equal quarterly installments of $ per amortizing note, which in the aggregate will be equivalent to a % cash payment per year with respect to each $25 stated amount of Units. The amortizing notes will be our unsecured senior obligations and will rank equally with all of our other unsecured senior indebtedness. If we elect to settle the purchase contracts early, you will have the right to require us to repurchase your amortizing notes, except in certain circumstances as described herein.

Each Unit may be separated into its constituent purchase contract and amortizing note after the initial issuance date of the Units, and the separate components may be combined to create a Unit.

We have applied to list the Units on the New York Stock Exchange under the symbol BZU, and we expect trading on the New York Stock Exchange to begin within 30 days after the Units are first issued. However, we will not initially apply to list the separate purchase contracts or the separate amortizing notes on any securities exchange or automated inter-dealer quotation system, but we may apply to list such separate purchase contracts and separate amortizing notes in the future as described herein. Prior to this offering, there has been no public market for the Units. Our common stock is listed on the New York Stock Exchange under the symbol BZH. On April 30, 2010, the last reported sales price of our common stock on the New York Stock Exchange was $6.57 per share.

The underwriters have the option to purchase up to an additional 450,000 Units from us to cover over-allotments, if any, at the price to public less the underwriting discount and commissions.

Concurrently with this offering of Units, pursuant to separate prospectus supplements, we are offering 12,500,000 shares of common stock (or 14,375,000 shares if the underwriters exercise their over-allotment option in full) and $300 million aggregate principal amount of % senior notes due 2018. The completion of this offering is not contingent on the completion of either of the concurrent offerings, and neither of the concurrent offerings is contingent on the completion of the other concurrent offering or this offering.

Investing in the Units involves risks. See **Risk Factors beginning on page S-12.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Unit	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to Us (before expenses)	$	$

The underwriters expect to deliver the Units to purchasers on or about May , 2010 through the book-entry facilities of The Depository Trust Company.

Joint Book-Running Managers

Citi **Credit Suisse**

Joint Lead Manager

Deutsche Bank Securities

Co-Manager

Moelis & Company

, 2010

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone else to provide you with different or additional information. You should not rely upon any information or representation not contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We are not, and the underwriters are not, making an offer to sell these securities or soliciting an offer to buy these securities in any jurisdiction where the offer, sale or solicitation is not permitted. You should assume that the information contained in this prospectus supplement and the accompanying prospectus is accurate only on the date set forth on the front of this prospectus supplement or the date of incorporation by reference, as applicable, even though this prospectus supplement and the accompanying prospectus may be delivered or securities may be sold on a later date.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of Units and also adds to and updates information contained in the accompanying prospectus as well as the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information about securities we may offer from time to time, some of which information does not apply to the Units we are offering. To the extent any inconsistency or conflict exists between the information included in this prospectus supplement and the information included in the accompanying prospectus, the information included or incorporated in this prospectus supplement updates and supersedes the information in the accompanying prospectus. This prospectus supplement incorporates by reference important business and financial information about us that is not included in or delivered with this prospectus supplement.

In this prospectus supplement, we, us, our, the Company or Beazer Homes refer to Beazer Homes USA, Inc. and its subsidiaries, unless we s otherwise or the context indicates otherwise.

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SUMMARY

This summary highlights selected information about us contained elsewhere or incorporated by reference in this prospectus supplement. It may not contain all the information that may be important to you in deciding whether to invest in the Units. You should carefully read this entire prospectus supplement and the accompanying prospectus, together with the information to which we refer and the information incorporated by reference herein, including the financial data and related notes and the Risk Factors section, before making an investment decision.

Beazer Homes USA, Inc.

We are a geographically diversified homebuilder with active operations in 16 states. Our homes are designed to appeal to homeowners at various price points across various demographic segments and are generally offered for sale in advance of their construction. Our objective is to provide our customers with homes that incorporate exceptional value and quality while seeking to maximize our return on invested capital over time.

Our principal executive offices are located at 1000 Abernathy Road, Suite 1200, Atlanta, Georgia 30328, telephone (770) 829-3700. We also provide information about our active communities through our Internet website located at http://www.beazer.com. Information on our website is not a part of and shall not be deemed incorporated by reference in this prospectus supplement.

Recent Developments

Second Quarter Results

For our second fiscal quarter ended March 31, 2010, we reported a 48.8% year-over-year increase in net new home orders from continuing operations and experienced cancellation rates of 17.6% compared to 29.8% for the same period of the prior year. The changes in both net new home orders and cancellation rates for the three and six months ended March 31, 2010 and 2009 are set forth below:

Unit Data by Segment

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

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

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Gross margins for the three and six months ended March 31, 2010 were 13.1% and 10.9% (18.3% and 15.4% without impairments and abandonments) compared to gross margins of -11.9% and -2.5% (11.1% and 11.2% without impairments and abandonments) for the comparable periods of the prior year, respectively. Gross margins for the three and six months ended March 31, 2010, benefited from warranty-related subcontractor recoveries, a reduction in non-cash pre-tax inventory impairments and option contract abandonments, as well as from cost reductions related to our cost control initiatives including renegotiated vendor pricing where possible.

We expect that 2010 will remain challenging. Accordingly, there can be no assurances that key metrics of our business such as new orders, cancellations and gross margin for the remainder of fiscal 2010 will reflect the levels we experienced during the first six months of the year.

Continued Emphasis on Capital Structure Improvements

During fiscal 2009, we made it a priority to maintain a strong financial position by focusing on three primary objectives: (i) generating and protecting liquidity; (ii) reducing our total debt; and (iii) increasing our net worth. Even as we begin to see signs of stabilization and improvement in our business, we remain focused on our execution of these objectives. This focus has resulted in a smaller asset base, but one we believe provides us with greater financial stability and will better position us to achieve our goal of generating profitable growth and increased value to our stakeholders over an entire housing cycle. In fiscal 2009, we repurchased $385 million of our outstanding debt at a discount. These repurchases resulted in a gain from the extinguishment of debt of $130 million, and a corresponding increase to our tangible net worth. By the end of fiscal 2009, we had reduced our total indebtedness by approximately $238 million and already during fiscal 2010, we have successfully raised approximately $160 million through public offerings of common stock and mandatory convertible subordinated debt, which we used to redeem $127 million in outstanding debt and to provide us with additional liquidity. We also completed a partial exchange of $75 million of our junior subordinated notes for which we recorded a $54 million gain, and a corresponding increase in our tangible net worth. This offering, along with the Concurrent Offerings (as defined below) and the proposed redemption of certain of our senior notes described below, is a continuation of our commitment to address our capital structure and position Beazer Homes for the long term.

Concurrent Offerings

Concurrently with this offering, pursuant to a separate prospectus supplement, we are offering 12,500,000 shares (14,375,000 shares if the underwriters exercise their over-allotment option with respect to that offering in full) of common stock in an underwritten public offering (the Common Stock Offering). Assuming no exercise of the underwriters over-allotment option with respect to the Common Stock Offering, we estimate that the net proceeds of the Common Stock Offering, after deducting the underwriting discount and estimated expenses, will be approximately $ million, although we may, in our discretion, increase or decrease the size of such offering. In addition, there can be no assurance that the Common Stock Offering will be completed.

Concurrently with this offering, pursuant to a separate prospectus supplement, we are also offering $300 million aggregate principal amount of % senior notes due 2018 (the Senior Notes) in an underwritten public offering (the Senior Notes Offering and together with the Common Stock Offering, the Concurrent Offerings). We estimate that the net proceeds of the Senior Notes Offering, after deducting the underwriting discount and estimated expenses, will be approximately $ million, although we may, in our discretion, increase or decrease the size of such offering. In addition, there can be no assurance that the Senior Notes Offering will be completed or what the terms of the Senior Notes will be.

Completion of this offering is not contingent on the completion of either of the Concurrent Offerings and neither of the Concurrent Offerings is contingent on the completion of the other Concurrent Offering or this offering.

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Redemption of our Senior Notes due 2012 and Convertible Senior Notes due 2024

We intend to redeem in full all of our outstanding 8 $^{3}/8$% Senior Notes due 2012 (the 2012 Notes) prior to the closing of the Senior Notes Offering (the 2012 Notes Redemption). The aggregate redemption price for the 2012 Notes will be equal to 100% of the outstanding principal amount of the 2012 Notes plus accrued interest to the redemption date. As of April 30, 2010, $303.6 million in aggregate principal amount of 2012 Notes was outstanding.

We also intend, following the closing of this offering and the Common Stock Offering, to issue a notice for the redemption in full of our outstanding 4 5/8% Convertible Senior Notes due 2024 (the 2024 Notes) on June 16, 2010 (the 2024 Notes Redemption). The aggregate redemption price for the 2024 Notes will be equal to 100.661% of the outstanding principal amount of the 2024 Notes plus accrued interest to the redemption date. As of April 30, 2010, $154.5 million aggregate principal amount of the 2024 Notes was outstanding.

We intend to use the net proceeds from this offering and the Concurrent Offerings to fund (or replenish the cash used to fund) the 2012 Notes Redemption and the 2024 Notes Redemption.

The Offering

Issuer	Beazer Homes USA, Inc.
Number of Units offered	3,000,000 Units. We have also granted the underwriters an option, for a period of 30 days from the date of this prospectus supplement, to purchase up to an additional 450,000 Units, solely to cover over-allotments.
Stated amount and initial offering price of each Unit	$25 for each Unit.
Components of each Unit	Each Unit is comprised of two parts:

- a prepaid stock purchase contract (a purchase contract); and
- a senior amortizing note issued by Beazer Homes (an amortizing note).

Unless settled earlier at the holder s or our option, each purchase contract will automatically settle on August 15, 2013 (the mandatory settlement date), and we will deliver not more than shares and not less than shares of our common stock, subject to adjustment, based upon the applicable settlement rate and applicable market value of our common stock, as described below under Description of the Purchase Contracts Delivery of Common Stock.

No fractional shares of our common stock will be issued to holders upon settlement of purchase contracts. In lieu of fractional shares, holders will be entitled to receive a cash payment of equivalent value calculated as described herein. Other than cash payments in lieu of fractional shares, the purchase contract holders will not receive any cash distributions under the purchase contracts.

Each amortizing note will have an initial principal amount of $, will bear interest at the rate of % per annum and will have a scheduled final installment payment date of August 15, 2013. On each August 15, November 15, February 15 and May 15, commencing on August 15, 2010, we will pay equal installments of $ on each amortizing note. Each installment will constitute a payment of interest and a partial repayment of principal, allocated as set forth on the amortization schedule set forth under Description of the Amortizing Notes Amortization Schedule.

The return to an investor on a Unit will depend upon the return provided by each component. The overall return will consist of the value of the shares of our common stock delivered upon settlement of the purchase contracts and the cash installments paid on the amortizing notes.

Each Unit may be separated into its components	Each Unit may be separated into its constituent purchase contract and amortizing note on any business day during the period beginning on, and including, the business day immediately following the date of initial issuance of the Units to, but excluding, the third business day immediately preceding the mandatory settlement date or any early mandatory settlement date, as defined below. Prior to separation, the purchase contracts and amortizing notes may only be purchased and transferred together as Units. See Description of the Units Separating and Recreating Units.
A Unit may be recreated from its components	If you hold a separate purchase contract and a separate amortizing note, you may combine the two components to recreate a Unit. See Description of the Units Separating and Recreating Units.
Trading	We have applied to list the Units on the New York Stock Exchange under the symbol BZU, and we expect trading on the New York Stock Exchange to begin within 30 days after the Units are first issued. However, we will not initially apply to list the separate purchase contracts or the separate amortizing notes on any securities exchange or automated inter-dealer quotation system, but we may apply to list such separate purchase contracts and separate amortizing notes in the future as described under Description of the Units Listing of Securities. Prior to this offering, there has been no public market for the Units. Our common stock is listed on The New York Stock Exchange under the symbol BZH.
Use of proceeds	We expect to receive net proceeds from this offering of approximately $ million (or approximately $ million if the underwriters exercise their over-allotment option in full). We intend to use the net proceeds from this offering of Units, together with the proceeds from the Concurrent Offerings, if completed, (i) to fund (or to replenish cash that has been used to fund) repurchases of our outstanding senior notes we may make from time to time, including the 2012 Notes Redemption and the 2024 Notes Redemption and (ii) for other general corporate purposes. Pending the application of the net proceeds, we may invest the proceeds in short-term, interest bearing instruments and other investment-grade securities.

Certain of the proceeds from the Common Stock Offering (and none of the proceeds from this offering) will be used to fund (or replenish cash used to fund) the redemption in full of 2024 Notes held by Citigroup Global Markets Inc., Deutsche Bank Securities, Inc. and/or their respective affiliates. As a result, each of (i) Citigroup Global Markets Inc., who is participating in the Common Stock Offering, and/or its affiliates and (ii) Deutsche Bank Securities Inc., who is participating in the Common Stock offering, and/or its affiliates will receive more than 5% of the net proceeds of the Common Stock Offering, not including underwriting compensation, and the Common Stock

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Offering is being conducted in compliance with Rule 2720 of Financial Industry Regulatory Authority (FINRA). Pursuant to that rule, the appointment of a qualified independent underwriter is not necessary in connection with the Common Stock Offering, as the shares of common stock have a bona fide independent market (as such terms are defined in Rule 2720).

United States federal income tax considerations	Although there is no authority directly on point and therefore the issue is not entirely free from doubt, each Unit will be treated as an investment unit composed of two separate instruments for U.S. federal income tax purposes, and the amortizing notes will be treated as indebtedness for U.S. federal income tax purposes. Under this treatment, a holder of Units will be treated as if it held each component of the Units for U.S. federal income tax purposes. By acquiring a Unit, you will agree to treat (i) a Unit as an investment unit composed of two separate instruments in accordance with its form and (ii) the amortizing notes as indebtedness for U.S. tax purposes. If, however, the components of a Unit were treated as a single instrument, the U.S. federal income tax consequences could differ from the consequences described herein.

Holders should consult their tax advisors regarding the tax treatment of an investment in Units and whether a purchase of a Unit is advisable in light of the investor s particular tax situation and the tax treatment described under Material U.S. Federal Income Tax Considerations.

The Purchase Contracts

Mandatory settlement	On the mandatory settlement date, August 15, 2013, each purchase contract will automatically settle and we will deliver a number of shares of our common stock, based on the applicable settlement rate, unless such purchase contract has been previously settled.
Settlement rate	The settlement rate for each purchase contract will be not more than shares and not less than shares of our common stock, depending on the applicable market value of our common stock, calculated as described below.

If the applicable market value equals or exceeds $ (the threshold appreciation price), you will receive shares of common stock per purchase contract (the minimum settlement rate).

If the applicable market value is greater than $ (the reference price), but is less than the threshold appreciation price, you will receive a number of shares per purchase contract equal to $25, *divided by* the applicable market value.

If the applicable market value is less than or equal to the reference price, you will receive shares of common stock per purchase contract (the maximum settlement rate).

The settlement rate is subject to adjustment as described below under Description of the Purchase Contracts Adjustments to the Fixed Settlement Rates.

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The applicable market value means the average of the daily closing prices (as defined below) of our common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the mandatory settlement date. The threshold appreciation price represents a % appreciation over the reference price.

No fractional shares of our common stock will be issued to holders upon settlement of purchase contracts. In lieu of fractional shares, holders will be entitled to receive a cash payment of equivalent value calculated as described herein. Other than cash payments in lieu of fractional shares, the purchase contract holders will not receive any cash distributions.

The following table illustrates the settlement rate per purchase contract and the value of our common stock issuable upon settlement on the mandatory settlement date, determined using the applicable market value shown, subject to adjustment.

Applicable Market Value of Our Common Stock	Settlement Rate	Value of Common Stock
Less than or equal to $		Less than $25
Between $ and $	Number of shares equal to $25, divided by the applicable market value	$25
Greater than or equal to $		Greater than $25

Early settlement at your election

At any time prior to the third trading day immediately preceding the mandatory settlement date, you may settle any or all of your purchase contracts early, in which case we will deliver a number of shares of our common stock equal to the minimum settlement rate, which is subject to adjustment as described below under Description of the Purchase Contracts Adjustments to the Fixed Settlement Rates. That is, the market value of our common stock on the early settlement date will not affect the early settlement rate. Your right to settle your purchase contract prior to the mandatory settlement date is subject to the delivery of your purchase contract.

In addition, if a fundamental change (as defined herein) occurs and you elect to settle your purchase contracts early in connection with such fundamental change, you will receive a number of shares of our common stock based on the fundamental change early settlement rate as described under Description of the Purchase Contracts Early Settlement Upon a Fundamental Change.

Early settlement at our election

We may elect to settle all outstanding purchase contracts early at the early mandatory settlement rate (as described under Description of the Purchase Contracts Early Settlement at Our Election) upon a date fixed by us upon not less than five business days notice (the early mandatory settlement date).

The early mandatory settlement rate will be the maximum settlement rate, unless the closing price of our common stock for 20 or more trading days in a period of 30 consecutive trading days

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ending on the trading day immediately preceding the notice date (as defined below) exceeds 130% of the threshold appreciation price in effect on each such trading day, in which case the early mandatory settlement rate will be the minimum settlement rate.

If we elect to settle all the purchase contracts early, you will have the right to require us to repurchase your amortizing notes, except in certain circumstances, on the repurchase date and at the repurchase price as described under Description of the Amortizing Notes Repurchase of Amortizing Notes at the Option of the Holder.

The Amortizing Notes

Initial principal amount of each amortizing note	$
Installment payments	Each installment payment of $ will be paid in cash and will constitute a partial repayment of principal and a payment of interest, computed at a rate of % per year. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Payments will be applied first to the interest due and payable and then to the reduction of the unpaid principal amount, allocated as set forth on the amortization schedule set forth under Description of the Amortizing Notes Amortization Schedule.
Installment payment dates	Each August 15, November 15, February 15 and May 15, commencing on August 15, 2010, with a scheduled final installment payment date of August 15, 2013.
Ranking of the amortizing notes	The amortizing notes will be senior unsecured obligations of Beazer Homes. The indebtedness evidenced by the amortizing notes will: rank senior in right of payment to any of our existing and future subordinated indebtedness; rank equally in right of payment with all of our existing and future senior indebtedness; be effectively subordinated in right of payment to our existing and future secured indebtedness, including under our outstanding senior secured notes and our revolving credit facility, to the extent of the value of the security; and be structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries (other than indebtedness and liabilities owed to us).
Repurchase of amortizing notes at the option of the holder	If we elect to settle the purchase contracts early, holders will have the right to require us to repurchase their amortizing notes for cash at the repurchase price, except in the circumstances and subject to the conditions, described under Description of the Amortizing Notes Repurchase of Amortizing Notes at the Option of the Holder.

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Summary Historical Consolidated Financial and Operating Data

Our summary historical consolidated financial and operating data set forth below as of and for each of the three years ended September 30, 2007, 2008 and 2009 and the six months ended March 31, 2009 and 2010 are derived from our audited consolidated financial statements and our unaudited condensed consolidated financial statements, respectively. These historical results are not necessarily indicative of the results to be expected in the future. You should also read our historical financial statements and related notes in our Annual Report on Form 10-K for the fiscal year ended September 30, 2009 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2010, as well as the sections in our Annual Report on Form 10-K for the fiscal year ended September 30, 2009 and our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2010 entitled Management s Discussion and Analysis of Financial Condition and Results of Operations, which are incorporated herein by reference.

	Fiscal Year Ended September 30,			Six Months Ended March 31,	
	2007	2008	2009	2009	2010
			($ in millions)		
Statement of Operations Data(1)**:**					
Total revenue	$ 3,037	$ 1,814	$ 1,005	$ 405	$ 417
Gross (loss) profit	(109)	(234)	21	(10)	45
Operating loss	(548)	(616)	(242)	(154)	(51)
Net (loss) income from continuing operations	(372)	(801)	(178)	(188)	51
Operating Statistics:					
Number of new orders, net of cancellations	8,377	5,403	4,205	1,657	2,401
Units in backlog at end of period(2)	2,612	1,318	1,193	1,278	1,781
Number of closings(3)	10,160	6,697	4,330	1,697	1,813
Average sales price per home closed (in thousands)	$ 286.7	$ 252.7	$ 230.9	$ 237.7	$ 226.9
Balance Sheet Data (end of period):					
Cash, cash equivalents, and restricted cash	$ 460	$ 585	$ 557	$ 571	$ 568
Inventory	2,775	1,652	1,318	1,484	1,318
Total assets	3,930	2,642	2,029	2,247	2,025
Total debt	1,857	1,747	1,509		