BEAZER HOMES USA INC
Form 10-Q
August 05, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the Quarterly Period Ended June 30, 2010

or

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

Commission File Number 001-12822

BEAZER HOMES USA, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	58-2086934
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer Identification no.)

1000 Abernathy Road, Suite 1200, Atlanta, Georgia 30328
(Address of principal executive offices) (Zip Code)
(770) 829-3700
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days.

YES þ NO o

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

YES o NO o

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

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

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

YES o NO þ

Class	Outstanding at July 31, 2010
Common Stock, $0.001 par value	75,677,360 shares

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

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FORWARD-LOOKING STATEMENTS

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

These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of our control, that could cause actual results to differ materially from the results discussed in the forward-looking statements, including, among other things, the matters discussed in this quarterly report in the section captioned Management s Discussion and Analysis of Financial Condition and Results of Operations. Additional information about factors that could lead to material changes in performance is contained in Part I, Item 1A Risk Factors of our Annual Report on Form 10-K for the fiscal year ended September 30, 2009. Such factors may include:

- the final outcome of various putative class action lawsuits, multi-party suits and similar proceedings as well as the results of any other litigation or government proceedings and fulfillment of the obligations in the Deferred Prosecution Agreement and other settlement agreements and consent orders with governmental authorities;
- additional asset impairment charges or writedowns;
- economic changes nationally or in local markets, including changes in consumer confidence, unemployment rates, volatility of mortgage interest rates and inflation;
- continued or increased downturn in the homebuilding industry;
- estimates related to homes to be delivered in the future (backlog) are imprecise as they are subject to various cancellation risks which cannot be fully controlled;
- continued or increased disruption in the availability of mortgage financing or number of foreclosures in the market;
- our cost of and ability to access capital and otherwise meet our ongoing liquidity needs including the impact of any further downgrades of our credit ratings or reductions in our tangible net worth or liquidity levels;
- potential inability to comply with covenants in our debt agreements, or satisfy such obligations through repayment or refinancing
- increased competition or delays in reacting to changing consumer preference in home design;
- shortages of or increased prices for labor, land or raw materials used in housing production;
- factors affecting margins such as decreased land values underlying land option agreements, increased land development costs on communities under development or delays or difficulties in implementing initiatives to reduce production and overhead cost structure;
- the performance of our joint ventures and our joint venture partners;
- the impact of construction defect and home warranty claims including those related to possible installation of drywall imported from China;

- the cost and availability of insurance and surety bonds;
- delays in land development or home construction resulting from adverse weather conditions;
- potential delays or increased costs in obtaining necessary permits as a result of changes to, or complying with, laws, regulations, or governmental policies and possible penalties for failure to comply with such laws, regulations and governmental policies;
- effects of changes in accounting policies, standards, guidelines or principles; or
- terrorist acts, acts of war and other factors over which the Company has little or no control.

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

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

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

	June 30, 2010	September 30, 2009
ASSETS		
Cash and cash equivalents	$ 471,958	$ 507,339
Restricted cash	42,608	49,461
Accounts receivable (net of allowance of $3,573 and $7,545, respectively)	33,910	28,405
Income tax receivable	40,936	9,922
Inventory		
Owned inventory	1,235,073	1,265,441
Consolidated inventory not owned	43,285	53,015
Total inventory	1,278,358	1,318,456
Investments in unconsolidated joint ventures	8,679	30,124
Deferred tax assets, net	11,583	7,520
Property, plant and equipment, net	23,266	25,939
Other assets	44,787	52,244
Total assets	$ 1,956,085	$ 2,029,410
LIABILITIES AND STOCKHOLDERS EQUITY		
Trade accounts payable	$ 67,034	$ 70,285
Other liabilities	198,325	227,315
Obligations related to consolidated inventory not owned	24,359	26,356
Total debt (net of discounts of $24,485 and $27,257, respectively)	1,211,636	1,508,899
Total liabilities	1,501,354	1,832,855
Stockholders equity:		
Preferred stock (par value $.01 per share, 5,000,000 shares authorized, no shares issued)		
Common stock (par value $0.001 per share, 180,000,000 shares authorized, 75,677,360 and 43,150,472 issued and 75,677,360 and 39,793,316 outstanding, respectively)	76	43
Paid-in capital	616,712	568,019
Accumulated deficit	(162,057)	(187,538)
Treasury stock, at cost (0 and 3,357,156 shares, respectively)		(183,969)
Total stockholders equity	454,731	196,555
Total liabilities and stockholders equity	$ 1,956,085	$ 2,029,410

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	**2010**	2009
Total revenue	**$ 339,942**	$ 224,071	**$ 756,911**	$ 628,864
Home construction and land sales expenses	**294,751**	206,458	**647,360**	565,857
Inventory impairments and option contract abandonments	**5,052**	11,792	**24,049**	67,111
Gross profit (loss)	**40,139**	5,821	**85,502**	(4,104)
Selling, general and administrative expenses	**54,573**	49,623	**145,251**	169,807
Depreciation and amortization	**3,620**	4,960	**9,791**	12,934
Goodwill impairment				16,143
Operating loss	**(18,054)**	(48,762)	**(69,540)**	(202,988)
Equity in loss of unconsolidated joint ventures	**(12,492)**	(3,428)	**(21,314)**	(13,191)
(Loss) gain on extinguishment of debt	**(9,045)**	55,214	**43,901**	55,214
Other expense, net	**(16,383)**	(22,291)	**(53,951)**	(59,714)
Loss from continuing operations before income taxes	**(55,974)**	(19,267)	**(100,904)**	(220,679)
(Benefit from) provision for income taxes	**(28,382)**	6,150	**(124,091)**	(7,364)
(Loss) income from continuing operations	**(27,592)**	(25,417)	**23,187**	(213,315)
(Loss) income from discontinued operations, net of tax	**(224)**	(2,559)	**2,294**	(9,859)
Net (loss) income	**$ (27,816)**	$ (27,976)	**$ 25,481**	$ (223,174)
Weighted average number of shares:				
Basic	**68,310**	38,815	**55,079**	38,666
Diluted	**68,310**	38,815	**65,276**	38,666
Basic (loss) earnings per share:				
Continuing operations	**$ (0.41)**	$ (0.65)	**$ 0.42**	$ (5.52)
Discontinued operations	**$**	$ (0.07)	**$ 0.04**	$ (0.25)
Total	**$ (0.41)**	$ (0.72)	**$ 0.46**	$ (5.77)
Diluted (loss) earnings per share:				

Continuing operations	**$**	**(0.41)**	$	(0.65)	**$**	**0.38**	$	(5.52)
Discontinued operations	**$**		$	(0.07)	**$**	**0.03**	$	(0.25)
Total	**$**	**(0.41)**	$	(0.72)	**$**	**0.41**	$	(5.77)

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

	Nine Months Ended June 30, 2010	Nine Months Ended June 30, 2009
Cash flows from operating activities:		
Net income (loss)	**$ 25,481**	$ (223,174)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	**9,795**	13,079
Stock-based compensation expense	**8,398**	8,865
Inventory impairments and option contract abandonments	**24,281**	76,320
Goodwill impairment		16,143
Deferred income tax benefit	**(4,063)**	(1,893)
Excess tax benefit from equity-based compensation	**2,057**	2,267
Equity in loss of unconsolidated joint ventures	**24,045**	13,795
Cash distributions of income from unconsolidated joint ventures	**75**	2,991
Gain on early debt extinguishment	**(44,602)**	(58,788)
Provision for doubtful accounts	**(3,972)**	(2,786)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	**(1,533)**	23,156
(Increase) decrease in income tax receivable	**(31,014)**	159,543
Decrease in inventory	**20,442**	90,833
Decrease in other assets	**6,728**	21,832
Decrease in trade accounts payable	**(3,251)**	(13,910)
Decrease in other liabilities	**(31,626)**	(126,760)
Other changes	**(464)**	(13)
Net cash provided by operating activities	**777**	1,500
Cash flows from investing activities:		
Capital expenditures	**(6,658)**	(5,484)
Investments in unconsolidated joint ventures	**(5,122)**	(9,042)
Increases in restricted cash	**(26,250)**	(21,958)
Decreases in restricted cash	**33,103**	10,353
Net cash used in investing activities	**(4,927)**	(26,131)
Cash flows from financing activities:		
Repayment of debt	**(617,133)**	(91,154)
Proceeds from issuance of new debt	**373,238**	
Debt issuance costs	**(9,296)**	(1,311)
Common stock redeemed	**(134)**	(22)
Proceeds from issuance of common stock	**166,719**	
Proceeds from issuance of TEU prepaid stock purchase contracts	**57,432**	
Excess tax benefit from equity-based compensation	**(2,057)**	(2,267)

Net cash used in financing activities	**(31,231)**	(94,754)
Decrease in cash and cash equivalents	**(35,381)**	(119,385)
Cash and cash equivalents at beginning of period	**507,339**	584,334
Cash and cash equivalents at end of period	**$ 471,958**	$ 464,949

See Notes to Unaudited Condensed Consolidated Financial Statements.

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

(1) Summary of Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements of Beazer Homes USA, Inc. (Beazer Homes or the Company) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Such financial statements do not include all of the information and disclosures required by GAAP for complete financial statements. In our opinion, all adjustments (consisting solely of normal recurring accruals) necessary for a fair presentation have been included in the accompanying financial statements. For further information and a discussion of our significant accounting policies other than as discussed below, refer to our audited consolidated financial statements appearing in the Beazer Homes Annual Report on Form 10-K for the fiscal year ended September 30, 2009 (the 2009 Annual Report). Results from our mortgage origination business and our exit markets are reported as discontinued operations in the accompanying unaudited condensed consolidated statements of operations for all periods presented (see Note 13 for further discussion of our Discontinued Operations).

We evaluated events that occurred after the balance sheet date but before the financial statements were issued or are available to be issued for accounting treatment and disclosure in accordance with Accounting Standards Codification (ASC), *Subsequent Events* (ASC 855).

Inventory Valuation Held for Development. Our homebuilding inventories that are accounted for as held for development include land and home construction assets grouped together as communities. Homebuilding inventories held for development are stated at cost (including direct construction costs, capitalized indirect costs, capitalized interest and real estate taxes) unless facts and circumstances indicate that the carrying value of the assets may not be recoverable. We assess these assets no less than quarterly for recoverability in accordance with the provisions of SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (ASC 360). Generally, upon the commencement of land development activities, it may take three to five years (depending on, among other things, the size of the community and its sales pace) to fully develop, sell, construct and close all the homes in a typical community. However, the impact of the recent downturn in our business has significantly lengthened the estimated life of many communities. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted cash flows expected to be generated by the asset. If the expected undiscounted cash flows generated are expected to be less than its carrying amount, an impairment charge is recorded to write down the carrying amount of such asset to its estimated fair value based on discounted cash flows.

We conduct a review of the recoverability of our homebuilding inventories held for development at the community level as factors indicate that an impairment may exist. Events and circumstances that might indicate impairment include, but are not limited to, (1) adverse trends in new orders, (2) higher than anticipated cancellations, (3) declining margins which might result from the need to offer incentives to new homebuyers to drive sales or price reductions or other actions taken by our competitors, (4) economic factors specific to the markets in which we operate, including fluctuations in employment levels, population growth, or levels of new and resale homes for sale in the marketplace and (5) a decline in the availability of credit across all industries.

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

- Actual Net Contribution Margin (defined as homebuilding revenues less homebuilding costs and direct selling expenses) for homes closed in the current fiscal quarter, fiscal year to date and prior two fiscal quarters. Homebuilding costs include land and land development costs (based upon an allocation of such costs, including costs to complete the development, or specific lot costs), home construction costs (including an estimate of costs, if any, to complete home construction), previously capitalized indirect costs (principally for construction supervision), capitalized interest and estimated warranty costs. Direct selling expenses include commission, closing costs, and amortization related to model home furnishings and improvements;
- Projected Net Contribution Margin for homes in backlog;
- Actual and trending new orders and cancellation rates;
- Actual and trending base home sales prices and sales incentives for home sales that occurred in the prior two fiscal quarters that remain in backlog at the end of the fiscal quarter and expected future homes sales prices and

sales incentives and absorption over the expected remaining life of the community;

A comparison of our community to our competition to include, among other things, an analysis of various product offerings including the size and style of the homes currently offered for sale, community amenity levels, availability of lots in our community and our competition s, desirability and uniqueness of our community and other market factors; and

Other events that may indicate that the carrying value may not be recoverable.

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

For assets in communities for which the undiscounted future cash flows are less than the carrying value, the carrying value of that community is written down to its then estimated fair value based on discounted cash flows. The carrying value of assets in communities that were previously impaired and continue to be classified as held for development is not written up for future estimates of increases in fair value in future reporting periods. Market deterioration that exceeds our estimates may lead us to incur additional impairment charges on previously impaired homebuilding assets in addition to homebuilding assets not currently impaired but for which indicators of impairment may arise if the market continues to deteriorate.

The fair value of the homebuilding inventory held for development is estimated using the present value of the estimated future cash flows using discount rates commensurate with the risk associated with the underlying community assets. The discount rate used may be different for each community. The factors considered when determining an appropriate discount rate for a community include, among others: (1) community specific factors such as the number of lots in the community, the status of land development in the community, the competitive factors influencing the sales performance of the community and (2) overall market factors such as employment levels, consumer confidence and the existing supply of new and used homes for sale. The assumptions used in our discounted cash flow models are specific to each community tested for impairment. Historically we did not include market improvements except in limited circumstances in the latter years of long-lived communities. Beginning in the fourth quarter of fiscal 2009, we assumed limited market improvements in some communities beginning in fiscal 2011 and continuing improvement in these communities in subsequent years. We assumed the remaining communities would have market improvements beginning in fiscal 2012.

For the nine months ended June 30, 2010, we used discount rates of 14.2% to 20.0%, in our estimated discounted cash flow impairment calculations. During the three and nine months ended June 30, 2010, we recorded impairments of our inventory in our continuing operations of $4.5 million and $22.4 million, respectively for land under development and homes under construction. For the three and nine months ended June 30, 2009, we recorded impairments of our inventory by our continuing operations of $6.3 million and $53.3 million, respectively for land under development and homes under construction.

Due to uncertainties in the estimation process, particularly with respect to projected home sales prices and absorption rates, the timing and amount of the estimated future cash flows and discount rates, it is reasonably possible that actual results could differ from the estimates used in our historical analyses. Our assumptions about future home sales prices and absorption rates require significant judgment because the residential homebuilding industry is cyclical and is highly sensitive to changes in economic conditions. We calculated the estimated fair values of inventory held for development that were evaluated for impairment based on current market conditions and assumptions made by management relative to future results. Because our projected cash flows are significantly impacted by changes in market conditions, it is reasonably possible that actual results could differ materially from our estimates and result in additional impairments.

Inventory Valuation   Land Held for Future Development. For those communities for which construction and development activities are expected to occur in the future or have been idled (land held for future development), all applicable interest and real estate taxes are expensed as incurred and the inventory is stated at cost unless facts and circumstances indicate that the carrying value of the assets may not be recoverable. The future enactment of a development plan or the occurrence of events and circumstances may indicate that the carrying amount of an asset may not be recoverable. Annually, we evaluate the potential development plans of each community in land held for future development to determine if changes in facts and circumstances occurred which would give rise to a more detailed analysis for a change in the status of a community to active status or held for development.

Asset Valuation Land Held for Sale. We record assets held for sale at the lower of the carrying value or fair value less costs to sell. The following criteria are used to determine if land is held for sale:

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

the sale of the land is probable within one year;

the property is being actively marketed at a reasonable sale price relative to its current fair value; and

it is unlikely that the plan to sell will be withdrawn or that significant changes to the plan will be made.

Additionally, in certain circumstances, management will re-evaluate the best use of an asset that is currently being accounted for as held for development. In such instances, management will review, among other things, the current and projected competitive circumstances of the community, including the level of supply of new and used inventory, the level of sales absorptions by us and our competition, the level of sales incentives required and the number of owned lots remaining in the community. If, based on this review and the foregoing criteria have been met at the end of the applicable reporting period, we believe that the best use of the asset is the sale of all or a portion of the asset in its current condition, then all or portions of the community are accounted for as held for sale.

In determining the fair value of the assets less cost to sell, we considered factors including current sales prices for comparable assets in the area, recent market analysis studies, appraisals, any recent legitimate offers, and listing prices of similar properties. If the estimated fair value less cost to sell of an asset is less than its current carrying value, the asset is written down to its estimated fair value less cost to sell. During the three and nine months ended June 30, 2010, we recorded inventory impairments on land held for sale by our continuing operations of $0 and $1.1 million, respectively, compared to $4.4 million and $10.0 million, respectively, for the three and nine months ended June 30, 2009.

Due to uncertainties in the estimation process, it is reasonably possible that actual results could differ from the estimates used in our historical analyses. Our assumptions about land sales prices require significant judgment because the current market is highly sensitive to changes in economic conditions. We calculated the estimated fair values of land held for sale based on current market conditions and assumptions made by management, which may differ materially from actual results and may result in additional impairments if market conditions continue to deteriorate.

Goodwill. Goodwill represents the excess of the purchase price over the fair value of assets acquired. Historically we tested goodwill for impairment annually as of April 30 or more frequently if an event occurs or circumstances indicated that the asset might be impaired. During the quarter ended December 31, 2008 we impaired our remaining goodwill of $16.1 million and the Company had no goodwill remaining at June 30, 2010 or September 30, 2009.

Stock-Based Compensation. For the three and nine months ended June 30, 2010, our total stock-based compensation expense, included in selling, general and administrative expenses (SG&A), was approximately $3.0 million ($2.0 million net of tax) and $8.4 million ($5.7 million net of tax), respectively. For the three and nine months ended June 30, 2009, our total stock-based compensation expense was approximately $2.6 million ($1.9 million net of tax) and $8.9 million ($6.3 million net of tax), respectively. During the nine months ended June 30, 2010, employees surrendered 27,310 shares to us in payment of minimum tax obligations upon the vesting of stock awards under our stock incentive plans. We valued the stock at the market price on the date of surrender, for an aggregate value of approximately $134,000. There were no shares surrendered during the three months ended June 30, 2010.

Compensation cost arising from nonvested stock awards granted to employees and from non-employee stock awards is recognized as an expense using the straight-line method over the vesting period. Unearned compensation is included in paid-in capital. As of June 30, 2010 and September 30, 2009, there was $11.4 million and $9.6 million, respectively, of total unrecognized compensation cost related to nonvested stock awards. The cost remaining at June 30, 2010 is expected to be recognized over a weighted average period of 2.6 years. Activity relating to nonvested stock awards for the three and nine months ended June 30, 2010 is as follows:

	Three Months Ended June 30, 2010		Nine Months Ended June 30, 2010	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value

Beginning of period	902,250	$	24.28	1,126,880	$	27.66
Granted	1,006,145		5.69	1,006,145		5.69
Vested				(153,098)		40.39
Forfeited	(17,647)		34.11	(89,179)		41.34
End of period	1,890,748	$	14.29	1,890,748	$	14.29

There were 1,006,145 options granted in the three and nine months ended June 30, 2010 at an exercise price of $5.69 per option. These options had an average fair value of $2.55 per option as estimated on the date of grant using the Black-Scholes option-pricing model. This fair value computation utilized an expected volatility of 50%, a 0% dividend rate, a risk-free interest rate of 2.33% and an expected life of the options of 4.8 years. The expected volatility is based on the historic returns of our stock and the implied volatility of our publicly-traded options. We assumed no dividends would be paid since our Board of Directors has suspended the payment of dividends indefinitely. The risk-free interest rate is based on the term structure of interest rates at the time of the option grant and we have relied upon a combination of the observed exercise behavior of our prior grants with similar characteristics, the vesting schedule of the current grants, and an index of peer companies with similar grant characteristics to determine the expected life of these options.

The following table summarizes stock options and stock-based stock-settled appreciation rights (SSARs) outstanding as of June 30, 2010, as well as activity during the three and nine months then ended:

	Three Months Ended June 30, 2010		Nine Months Ended June 30, 2010	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	1,581,359	$ 33.41	2,108,914	$ 33.07
Granted	1,006,145	$ 5.69	1,006,145	$ 5.69
Expired/Forfeited			(61,622)	24.73
Cancelled			(465,933)	33.04
Outstanding at end of period	2,587,504	$ 22.63	2,587,504	$ 22.63
Exercisable at end of period	558,925	$ 55.90	558,925	$ 55.90
Vested or expected to vest in the future	2,306,984	$ 20.53	2,306,984	$ 20.53

During the quarter ended December 31, 2009, certain executive officers and directors elected to relinquish 465,933 vested and outstanding options that had exercise prices above $20 per share in order to provide additional shares for use in a public offering of common shares that was completed in January 2010 (see Note 6 for further discussion). At June 30, 2010, the weighted-average remaining contractual life for all options/SSARs outstanding, currently exercisable, and vested or expected to vest in the future was 5.3 years, 2.7 years and 5.4 years, respectively.

At June 30, 2010, the aggregate intrinsic value of SSARs/options outstanding, vested and expected to vest in the future and SSARs/options exercisable based on the Company s stock price of $3.63 as of June 30, 2010 was $0 million. The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the stock option. There were no option/SSAR exercises during the three or nine months ended June 30, 2010.

Other Liabilities. Other liabilities include the following:

(in thousands)	**June 30, 2010**	September 30, 2009
Income tax liabilities	**$ 57,884**	$ 50,850
Accrued warranty expenses	**25,373**	30,100
Accrued interest	**18,472**	32,533
Accrued and deferred compensation	**25,299**	29,379
Customer deposits	**5,736**	5,507

Other		**65,561**		78,946
Total	**$**	**198,325**	$	227,315

Recently Adopted Accounting Pronouncements. In September 2006, the FASB issued SFAS 157, *Fair Value Measurements (ASC 820)*. SFAS 157 (ASC 820) provides guidance for using fair value to measure assets and liabilities. SFAS 157 (ASC 820) applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. SFAS 157 (ASC 820) includes provisions that require expanded disclosure of the effect on earnings for items measured using unobservable data. In February 2008, the FASB issued FASB Staff Position (FSP) 157-2, *Effective Date of FASB Statement No. 157 (ASC 820)*, delaying the effective date of certain non-financial assets and liabilities to fiscal periods beginning after November 15, 2008. The company adopted SFAS 157 (ASC 820) on October 1, 2009 as discussed in Note 10.

In February 2007, the FASB issued SFAS 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (ASC 825). SFAS 159 (ASC 825) permits companies to measure certain financial instruments and other items at fair value. We have not elected the fair value option applicable under SFAS 159 (ASC 825).

In December 2007, the FASB issue