

KB HOME
Form S-3/A
December 21, 2001

Table of Contents

As filed with the Securities and Exchange Commission on December 20, 2001

Registration No. 333-71630

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

**Pre-Effective Amendment
No. 1 to
FORM S-3**

Registration Statement
Under
The Securities Act of 1933

KB HOME

(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

**10990 WILSHIRE BOULEVARD
LOS ANGELES, CA 90024
(310) 231-4000**
(Address, including zip code, and
telephone number, including area code, of
registrant's principal executive offices)

95-3666267
(I.R.S. Employer Identification No.)

Kimberly N. King
Director, Corporate Legal Affairs
KB HOME
10990 Wilshire Boulevard
Los Angeles, CA 90024
(310) 231-4000
(Name, address, including zip code, and telephone number,
including area code, of agent for service)

Copies to:

Michael J. O. Sullivan
Munger, Tolles & Olson LLP
355 South Grand Avenue, 35th Floor
Los Angeles, California 90071
(213) 683-9100

Eric S. Haueter
Sidley Austin Brown & Wood LLP
555 California Street
San Francisco, California 94104
(415) 772-1200

Approximate date of commencement of proposed sale to the public: **From time to time after the effective date of this Registration Statement, as determined by the Registrant in light of market conditions.**

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. []

Edgar Filing: KB HOME - Form S-3/A

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [X]

Table of Contents

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. []

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. []

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Aggregate Offering Price (1)(2)	Amount of Registration Fee
Debt Securities			
Common Stock, including Preferred Stock			
Purchase Rights(3)			
Preferred Stock(3)			
Warrants			
Stock Purchase Contracts(3)			
Stock Purchase Units(3)			
Depository Shares(3)	\$ 700,000,000(4)	\$ 700,000,000(4)	\$ 172,800(4)(5)

(1) Not specified as to each class of securities to be registered pursuant to General Instruction II.D of Form S-3. Securities registered hereunder may be sold separately, together or in units with other securities registered hereby or other securities. If any debt securities are issued at an original issue discount, then there is registered hereunder such greater amount of debt securities as may be sold for an aggregate initial offering price of up to the proposed maximum aggregate offering price. Subject to Rule 462(b) under the Securities Act, in no event will the aggregate initial offering price of the securities issued under this Registration Statement and the registration statement referred to in Note (4) below exceed \$750,000,000, or if any securities are issued in any foreign currencies or currency units, the U.S. dollar equivalent of \$750,000,000.

(2) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(o) under the Securities Act.(3) In addition to any preferred stock, depository shares or common stock that may be issued directly under this registration statement, there are being registered hereunder an indeterminate number of shares of preferred stock, depository

shares and common stock as may be issued upon conversion or exchange of debt securities, preferred stock or depositary shares, as the case may be. No separate consideration will be received for any shares of preferred stock, depositary shares or common stock so issued upon conversion or exchange. There are also being registered hereunder an indeterminate number of shares of common stock as may be issued upon settlement of stock purchase contracts or stock purchase units, as the case may be. The preferred stock purchase rights are not presently exercisable and do not trade separately from the common stock.(4) Pursuant to Rule 429 under the Securities Act of 1933, the prospectus included in this registration statement also relates to \$50,000,000 aggregate initial offering price of securities previously registered under Registration Statement on Form S-3 (File

No. 333-41549) which have not been issued and for which a filing fee of \$14,750 was paid. Such registration statement was initially filed on December 5, 1997. Accordingly, this registration statement shall, upon its effectiveness under the Securities Act of 1933, also constitute post-effective amendment No. 1 to such earlier registration statement and the prospectus contained herein covers a total of \$750,000,000 initial offering price of the registrant's securities, which may be issued as debt securities, common stock, preferred stock, depositary shares, warrants, stock purchase contracts, stock purchase units or units of any of the foregoing. (5) On October 15, 2001, the registrant paid a fee of \$125,000 in connection with the registration of \$500,000,000 aggregate initial offering price of securities to be registered under this registration statement. The registrant

calculated the fee in accordance with the then-effective registration fee of \$250 for each \$1,000,000 of securities registered. At the time of initial filing, the registrant intended by Rule 429 to also have this registration statement also relate to \$250,000,000 aggregate initial offering price of securities remaining unsold under a previous registration statement. As discussed in note (4) above, the registrant now intends by Rule 429 to only include \$50,000,000 aggregate principal amount of securities remaining unsold under the prior registration statement. Accordingly, the registrant (a) has increased by \$200,000,000 the amount registered by this Pre-Effective Amendment No. 1, (b) calculates the fee payable on the additional \$200,000,000 aggregate initial offering price of securities to be \$47,800 based on the currently

effective
registration fee
of \$239 for each
\$1,000,000 of
securities
registered, and
(c) the registrant
has listed a total
fee of \$172,800,
which is the
sum of (i) the
\$125,000 initial
fee on the
securities
registered with
the initial filing
of this
registration
statement and
(ii) the \$47,800
additional fee on
the new
securities
registered by
this
Pre-Effective
Amendment
No. 1.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this

Table of Contents

registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Pursuant to Rule 429 under the Securities Act of 1933, the prospectus included in this registration statement also relates to \$50,000,000 aggregate initial offering price of securities registered under a registration statement (333-41549) previously filed by the registrant.

Table of Contents

Subject to Completion, Dated December 20, 2001

PROSPECTUS

\$750,000,000

Debt Securities
Preferred Stock
Common Stock
Warrants
Stock Purchase Contracts
Stock Purchase Units
Depositary Shares

KB Home will provide specific terms of these securities in supplements to this prospectus. You should read this prospectus and any supplement to this prospectus carefully before you invest.

The common stock of KB Home is listed on the New York Stock Exchange under the symbol KBH. Any common stock issued pursuant to a prospectus supplement will be listed, subject to notice of issuance, on the New York Stock Exchange.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is , 2001.

[SIDE LEGEND:] The information in this prospectus is not complete and may be changed. We may not sell the securities described in this prospectus until the registration statement filed with the Securities and Exchange Commission is declared effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or other jurisdiction where the offer or sale is not permitted.

TABLE OF CONTENTS

Forward-Looking Statements

About this Prospectus

Where You Can Find More Information

Description of KB Home

Use of Proceeds

Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock

Dividends

Description of Debt Securities

Description of Capital Stock

Description of Warrants

Description of Depositary Shares

Description of the Stock Purchase Contracts and Stock Purchase Units

Plan of Distribution

Legal Matters

Experts

Exhibit 5.1

Exhibit 23.1

Table of Contents

We have not authorized anyone to provide you with any information other than the information incorporated by reference or provided in this prospectus or any prospectus supplement. We are not making an offer of these securities in any state or other jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus, any prospectus supplement or any document incorporated or deemed to be incorporated by reference in this prospectus is accurate as of any date other than the date of that document.

Table of Contents

	Page
Forward-Looking Statements	1
About this Prospectus	3
Where You Can Find More Information	3
Description of KB Home	5
Use of Proceeds	5
Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends	6
Description of Debt Securities	8
Description of Capital Stock	26
Description of Warrants	32
Description of Depositary Shares	34
Description of Stock Purchase Contracts and Stock Purchase Units	38
Plan of Distribution	39
Legal Matters	41
Experts	41

Forward-Looking Statements

You are cautioned that certain statements contained or incorporated by reference in this prospectus and in any accompanying prospectus supplement are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, including any statements concerning future financial performance, business and prospects of KB Home and future KB Home actions and their expected results. These forward-looking statements are subject to risks, uncertainties and assumptions including, but not limited to:

- the continued impact of recent terrorist activities and the U.S. response to these activities,
- accelerating recessionary trends and other adverse changes in general economic conditions,
- material prices,
- labor costs,
- interest rates,
- uncertainties associated with California's electricity supply problems,
- the secondary market for loans,

Table of Contents

consumer confidence,

competition,

currency exchange rates (insofar as they affect KB Home's operations in France),

environmental factors,

government regulations affecting KB Home's operations,

the availability and cost of land in desirable areas,

unanticipated violations of KB Home policy,

unanticipated legal proceedings, and

conditions in the capital, credit and homebuilding markets.

See KB Home's Annual Report on Form 10-K for the year ended November 30, 2000, KB Home's Quarterly Reports on Form 10-Q for the quarters ended February 28, 2001, May 31, 2001 and August 31, 2001, KB Home's Current Report on Form 8-K dated November 30, 2001 and KB Home's other filings with the Securities and Exchange Commission, or SEC, for a further discussion of these and other risks and uncertainties applicable to KB Home's business.

Table of Contents

About this Prospectus

This prospectus is part of a registration statement that we filed with the SEC utilizing a shelf registration process. Under this shelf process, we may sell any combination of the securities described in this prospectus in one or more offerings up to an aggregate initial offering price of \$750,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering and the securities being sold in that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement, together with additional information described immediately below under the heading **Where You Can Find More Information**.

Any statements in this prospectus or in any accompanying prospectus supplement concerning the provisions of any document are not complete. In each instance, reference is made to the copy of that document filed or incorporated or deemed to be incorporated by reference as an exhibit to the registration statement of which this prospectus is a part or otherwise filed with the SEC. Each statement concerning the provisions of any document is qualified in its entirety by reference to the document so filed.

Where You Can Find More Information

We file annual, quarterly and special reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference rooms:

Public Reference Room
450 Fifth Street, N.W
Room 1024
Washington, D.C. 20549

Northeast Regional Office
233 Broadway
New York, New York 10007

Midwest Regional Office
Citicorp Center
500 West Madison Street
Suite 1400
Chicago, Illinois 60661-2511

Please call the SEC at 1-800-SEC-0330 for further information on the operations of the public reference rooms. Our common stock is listed on the New York Stock Exchange. Our reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

The SEC allows us to incorporate by reference the information contained in the documents we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference any future filings we make with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 after the date of this prospectus and until we sell all the securities covered by this prospectus, other than portions of these documents that are either (a) described in paragraphs (i), (k) and (l) of Item 402 of Regulation S-K promulgated by the SEC or (b) furnished under Item 9 of a Current Report on Form 8-K. As a result, the Current Report on Form 8-K we filed on January 18, 2001 is not incorporated by reference in this prospectus. We also specifically incorporate by reference the following documents, which we have already filed with the SEC:

- (1) Our Annual Report on Form 10-K for the year ended November 30, 2000; and
- (2) Our Quarterly Reports on Form 10-Q for the quarters ended February 28, 2001, May 31, 2001 and August 31, 2001; and
- (3) Our Current Reports on Form 8-K dated February 2, 2001, February 7, 2001, November 30, 2001 and December 13, 2001.

Table of Contents

Any information contained in this prospectus or in any document incorporated or deemed to be incorporated by reference in this prospectus will be deemed to have been modified or superseded to the extent that a statement contained in this prospectus, in any other document we subsequently file with the SEC that also is incorporated or deemed to be incorporated by reference in this prospectus or in the applicable prospectus supplement modifies or supersedes the original statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to be a part of this prospectus.

We encourage you to read our periodic and current reports. We think these reports provide additional information about our company which prudent investors will find important. You may request a copy of these filings as well as any future filings incorporated by reference, at no cost, by writing to us at our principal executive offices at the following address: KB Home, 10990 Wilshire Boulevard, Los Angeles, CA 90024, Attention: Investor Relations. Our telephone number is (310) 231-4000.

Table of Contents

Description of KB Home

KB Home is one of the largest builders of single-family homes in the United States based on the number of homes delivered. We have domestic operations in six western states and Florida and, through a majority-owned subsidiary, international operations in France. Founded in 1957, KB Home builds innovatively designed homes which cater primarily to first-time and first move-up homebuyers, generally in medium-sized developments close to major metropolitan areas. Kaufman & Broad S.A., KB Home's majority-owned subsidiary, is one of the largest homebuilders in France based on the number of homes delivered. KB Home provides mortgage banking services to domestic homebuyers through its wholly owned subsidiary, Kaufman and Broad Mortgage Company.

Use of Proceeds

Unless we otherwise specify in the applicable prospectus supplement, the net proceeds we receive from the sale of the securities offered by this prospectus and the accompanying prospectus supplement will be used for general corporate purposes. General corporate purposes may include the development of new residential properties and commercial projects, the repayment of debt and possible land or corporate acquisitions. The net proceeds may be invested temporarily or applied to repay short-term debt until they are used for their stated purpose.

Table of Contents**Ratios of Earnings to Fixed Charges and
Earnings to Combined Fixed Charges and Preferred Stock Dividends**

The following table sets forth KB Home's ratio of earnings to fixed charges and KB Home's ratio of earnings to combined fixed charges and preferred stock dividends for each of the periods indicated:

	Nine Months Ended August 31,		Years Ended November 30,			
	2001	2000	2000	1999	1998	1997
	(Unaudited)					
Ratio of earnings to fixed charges	2.66x	2.69x	3.00x	2.92x	2.94x	2.44x
Ratio of earnings to combined fixed charges and preferred stock dividends	2.66x	2.69x	3.00x	2.92x	2.94x	2.44x

We compute earnings by adding fixed charges (except capitalized interest and the effect of preferred stock dividends) and amortization of previously capitalized interest to pretax earnings (excluding undistributed earnings of unconsolidated joint ventures). We compute fixed charges by adding interest expense and capitalized interest and the portion of rental expense we consider to be interest. Beginning July 7, 1998, our fixed charges have also included distributions on mandatorily redeemable preferred securities. On August 16, 2001, all of the mandatorily redeemable preferred securities were retired. Beginning April 1, 1996, our fixed charges included the effect of preferred stock dividends on our Series B Mandatory Conversion Premium Dividend Preferred Stock. On April 1, 1996, all shares of our Series B Mandatory Conversion Premium Dividend Preferred Stock were mandatorily converted to shares of common stock.

In computing the ratios appearing above, we exclude from our interest expense interest incurred by our wholly owned limited purpose financing subsidiaries on their outstanding collateralized mortgage obligations. If we included interest on those collateralized mortgage obligations,

earnings for the year ended November 30, 1996 would have been inadequate to cover fixed charges by \$97.8 million, while the ratio of earnings to fixed charges for the nine months ended August 31, 2001 and 2000 and the years ended November 30, 2000, 1999, 1998 and 1997 would have been 2.64x, 2.65x, 2.96x, 2.84x, 2.78x and 2.29x, respectively, and

earnings for the year ended November 30, 1996 would have been inadequate to cover combined fixed charges and preferred stock dividends by \$105.5 million, while the ratio of earnings to combined fixed charges and preferred stock dividends for the nine months ended August 31, 2001 and 2000 and the years ended November 30, 2000, 1999, 1998 and 1997 would have been 2.64x, 2.65x, 2.96x, 2.84x, 2.78x and 2.29x, respectively.

Our earnings for the year ended November 30, 1996 were inadequate to cover fixed charges by \$97.8 million due to a \$170.8 million pretax noncash charge for impairment of long-lived assets we recorded in the second quarter of fiscal 1996. For the same reason, our earnings for the year ended November 30, 1996 were inadequate to cover combined fixed charges and preferred stock dividends by \$105.5 million.

Table of Contents

As noted in the preceding paragraph, the amount of earnings used in the calculation of the ratio of earnings to fixed charges and the ratio of earnings to combined fixed charges and preferred stock dividends for the year ended November 30, 1996 reflects a \$170.8 million pretax noncash charge for impairment of long-lived assets we recorded in the second quarter of fiscal 1996. If we excluded the noncash charge for impairment of long-lived assets, the ratio of earnings to fixed charges and the ratio of earnings to combined fixed charges and preferred stock dividends for the year ended November 30, 1996 would have been 1.96x and 1.78x, respectively. If we excluded the noncash charge for impairment of long-lived assets but included interest on the collateralized mortgage obligations of our limited purpose financing subsidiaries, the ratio of earnings to fixed charges and the ratio of earnings to combined fixed charges and preferred stock dividends would have been 1.87x and 1.71x, respectively, for the year ended November 30, 1996.

The amount of earnings we used in the calculation of the ratio of earnings to fixed charges and the ratio of earnings to combined fixed charges and preferred stock dividends for the year ended November 30, 1999 reflects an \$18.2 million pretax secondary marketing trading loss we recorded in the third quarter of fiscal 1999. If we excluded the secondary marketing trading loss, the ratio of earnings to fixed charges and the ratio of earnings to combined fixed charges and preferred stock dividends each would have been 3.08x for the year ended November 30, 1999. If we excluded the secondary market trading loss but included interest on the collateralized mortgage obligations of our limited purpose financing subsidiaries, the ratio of earnings to fixed charges and the ratio of earnings to combined fixed charges and preferred stock dividends each would have been 2.99x for the year ended November 30, 1999.

The amount of earnings used in the calculation of the ratio of earnings to fixed charges and the ratio of earnings to combined fixed charges and preferred stock dividends for the nine months ended August 31, 2000 and the year ended November 30, 2000 includes a \$39.6 million gain on the issuance in France of common stock by Kaufman & Broad S.A., a majority owned subsidiary, recorded in the first quarter of fiscal 2000. We sometimes refer to this stock issuance as the French IPO. If the French IPO gain were excluded, the ratio of earnings to fixed charges and the ratio of earnings to combined fixed charges and preferred stock dividends would have been 2.29x for the nine months ended August 31, 2000 and 2.71x for the year ended November 30, 2000. If we excluded the French IPO gain but included interest on the collateralized mortgage obligations of our limited purpose financing subsidiaries, the ratio of earnings to fixed charges and the ratio of earnings to combined fixed charges and preferred stock dividends would have been 2.27x for the nine months ended August 31, 2000 and 2.68x for the year ended November 30, 2000.

Table of Contents

Description of Debt Securities

The debt securities will be either our senior, senior subordinated or subordinated debt securities. The senior debt securities will be issued under a senior indenture dated as of October 14, 1997 between us and SunTrust Bank, Atlanta, as trustee. The senior subordinated debt securities will be issued under a senior subordinated indenture dated as of November 19, 1996 between us and SunTrust Bank, Atlanta, as trustee. The subordinated debt securities will be issued under a subordinated indenture with the trustee named in the prospectus supplement relating to an issue of our subordinated debt securities. Throughout this section, we will refer either to the indentures, which includes the senior indenture, the senior subordinated indenture and the subordinated indenture, or individually to each separate indenture where appropriate.

The following summary of some of the terms of our debt securities and the indentures sets forth certain general terms that might apply to the debt securities. The particular terms of any debt securities will be described in the prospectus supplement relating to those debt securities. To the extent that any particular terms of the debt securities or an indenture described in a prospectus supplement differ from any of the terms described below, then the applicable terms described below will be deemed to have been superseded by that prospectus supplement.

Copies of the forms of indentures and the forms of certificates evidencing the debt securities have been or will be filed as exhibits to the registration statement of which this prospectus is a part or as exhibits to documents which are or will be incorporated by reference in this prospectus. You may obtain copies of these documents as described above under **Where You Can Find More Information**, and we urge you to read these documents before you invest in the debt securities. The following is a summary of selected provisions of the indentures and the debt securities. This summary is not complete and is subject to and qualified in its entirety by reference to all of the provisions of the indentures and the certificates evidencing the debt securities, which are incorporated by reference in this prospectus. Some capitalized terms used in the following summary and not defined have the meanings given to those terms in the applicable indentures. Section references below are to the sections in the applicable indentures.

In this section, references to **KB Home**, **we**, **our** and **us** mean KB Home excluding, unless the context otherwise requires or we otherwise expressly state, our subsidiaries.

General

None of the indentures limits the amounts of debt securities we may issue under that indenture.

The debt securities will be our unsecured senior, unsecured senior subordinated or unsecured subordinated obligations. We are a holding company and conduct our operations through consolidated and unconsolidated subsidiaries. All of our operating assets are owned by our subsidiaries, effectively subordinating the debt securities to all existing and future liabilities (including trade payables) of our subsidiaries. Therefore, our rights and the rights of our creditors, including holders of debt securities, to participate in the assets of any subsidiary upon the subsidiary's liquidation or reorganization will be subject to the prior claims of the subsidiary's creditors, except to the extent that we may be a creditor with recognized claims against the subsidiary, in which case our claims would still be effectively subordinate to any third party liens on the assets of that subsidiary and would be subordinate to any liabilities of the subsidiary senior to those held by us. In addition, dividends, loans and advances from subsidiaries to us may be subject to contractual, statutory or regulatory restrictions, depend upon the results of operations of our subsidiaries and are subject to various business considerations.

Table of Contents

The indentures provide that debt securities may be issued from time to time in one or more series and may be denominated and payable in U.S. dollars or foreign currencies or units based on or relating to foreign currencies. Special United States federal income tax considerations applicable to any debt securities so denominated will be described in the relevant prospectus supplement.

The prospectus supplement for each series of offered debt securities will specify the following terms of the debt securities, if applicable:

the title of the debt securities of the applicable series and whether those debt securities will be senior, senior subordinated or subordinated;

the aggregate principal amount of the debt securities of that series;

the purchase price and denomination of the debt securities of that series;

the date or dates on which the principal of the debt securities of that series will be payable;

the interest rate or rates, if any, which the debt securities of that series will bear, or the method by which such rate will be determined;

the date from which interest, if any, will accrue, the interest payment dates and the regular record dates for the debt securities of that series;

any optional or mandatory redemption or repayment provisions;

any sinking fund or other provisions that would obligate us to repurchase or otherwise redeem the debt securities of that series;

the terms, if any, on which the debt securities of that series may be converted into or exchanged for stock or other securities of KB Home or other entities;

whether the debt securities of that series will be issued as individual certificates to each holder or in the form of global securities held by a depository on behalf of holders;

any special U.S. federal income tax considerations applicable to the debt securities of that series, including provisions for original issue discount securities, if offered; and

any other specific terms of the debt securities of that series.

Some of the debt securities may be issued as original issue discount debt securities. Original issue discount securities bear no interest or bear interest at below-market rates and are sold at a discount below their stated principal amount. If we issue these securities, the applicable prospectus supplement will describe any special U.S. federal income tax considerations relevant to these securities.

Exchange, Registration and Transfer

Registered debt securities may be transferred and debt securities in registered or bearer form may be exchanged at the office or agency which we maintain for these purposes. No service charge will be payable upon the transfer or exchange, but we may require payment of an amount sufficient to cover any

Table of Contents

applicable tax or governmental charge. Debt securities in bearer form and related coupons, if any, will be transferable upon delivery.

In the case of debt securities of any series that are redeemable at our option, we will not be required to exchange or register a transfer of:

any debt securities of that series for a period 15 days before the first mailing of a notice of redemption of the debt securities of that series, or

any debt securities of that series selected for redemption except, in the case of debt securities to be redeemed in part, the portion not to be redeemed.

(Section 2.8 of the indentures)

Payment and Paying Agent

We will pay principal of and premium, if any, and interest, if any, on registered debt securities in the designated currency or currency unit at the office or agency maintained by us for that purpose. Payment of interest on registered debt securities may be made, at our option, by wire transfer or by check mailed to the persons in whose names the debt securities are registered on days specified in the indentures or any prospectus supplement. Interest payable on coupons pertaining to debt securities in bearer form will be paid only upon presentation and surrender of those coupons. (Sections 3.1 and 3.2 of the indentures)

If any amount payable on any debt security or coupon remains unclaimed at the end of two years after the amount became due and payable, the trustee or paying agent will release any unclaimed amounts to us and the holder of that debt security or coupon, as the case may be, unless otherwise required by certain laws, shall look only to us for any payment they may be entitled to collect. (Section 10.4 of the indentures)

Global Securities

The debt securities of any series may be issued in book-entry form and represented by one or more global debt securities. Unless we specify otherwise in a prospectus supplement, the depository for the global debt securities will be The Depository Trust Company, New York, New York. We sometimes refer to The Depository Trust Company as DTC. The global debt securities will be deposited with, or on behalf of, DTC and registered in the name of DTC or its nominee. Unless and until it is exchanged for individual certificates evidencing debt securities under the limited circumstances described below or under any additional circumstances that may be described in the applicable prospectus supplement, a global debt security may not be transferred except as a whole by the depository to its nominee or by a nominee to the depository or another nominee of the depository, or by the depository or its nominee to a successor depository or to a nominee of the successor depository.

DTC has advised us that it is:

a limited-purpose trust company organized under the New York Banking Law;

a banking organization within the meaning of the New York Banking Law;

a member of the Federal Reserve System;

Table of Contents

a clearing corporation within the meaning of the New York Uniform Commercial Code; and

a clearing agency registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934.

DTC holds securities that its participants deposit with DTC. DTC also facilitates the settlement among its participants of securities transactions, including transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants accounts, which eliminates the need for physical movement of securities certificates. Direct participants in DTC include securities brokers and dealers, which may include underwriters, agents or dealers participating in the distribution of the debt securities, commercial banks, trust companies, clearing corporations and other organizations. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, which we sometimes refer to as indirect participants, that clear transactions through or maintain a custodial relationship with a direct participant either directly or indirectly. The rules applicable to DTC and its participants are on file with the SEC.

Purchases of debt securities within the DTC system must be made by or through direct participants, which will receive a credit for those debt securities on DTC's records. The ownership interest of the actual purchaser of a debt security, which we sometimes refer to as a beneficial owner, is in turn recorded on the direct and indirect participants' records. Beneficial owners of debt securities will not receive written confirmation from DTC of their purchases. However, beneficial owners are expected to receive written confirmations providing details of their transactions, as well as periodic statements of their holdings, from the direct or indirect participants through which they purchased debt securities. Transfers of ownership interests in global certificates are to be accomplished by entries made on the books of participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the global debt securities except under the limited circumstances described below or in such other circumstances as may be described in the applicable prospectus supplement.

To facilitate subsequent transfers, all global debt securities deposited with DTC will be registered in the name of DTC's nominee, Cede & Co. The deposit of debt securities with DTC and their registration in the name of Cede & Co. will not change the beneficial ownership of the debt securities. DTC has no knowledge of the actual beneficial owners of the debt securities. DTC's records reflect only the identity of the direct participants to whose accounts the debt securities are credited, which may or may not be the beneficial owners. The participants are responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to direct participants, by direct participants to indirect participants and by direct participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any legal requirements in effect from time to time.

Redemption notices will be sent to DTC or its nominee. If less than all of the debt securities of a series are being redeemed, DTC will determine the amount of the interest of each direct participant in the debt securities of that series to be redeemed in accordance with DTC's procedures.

In any case where a vote may be required with respect to any debt securities, neither DTC nor Cede & Co. will give consents for or vote the global debt securities. Under its usual procedures, DTC

Table of Contents

will mail an omnibus proxy to us as soon as possible after the record date. The omnibus proxy assigns the consenting or voting rights of Cede & Co. to those direct participants to whose accounts those debt securities are credited on the record date identified in a listing attached to the omnibus proxy.

Principal and any premium and interest payments on debt securities will be made to Cede & Co., as nominee of DTC. DTC's practice is to credit direct participants' accounts on the relevant payment date unless DTC has reason to believe that it will not receive payment on the payment date. Payments by direct and indirect participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the account of customers in bearer form or registered in street name. Those payments will be the responsibility of participants and not of DTC or us, subject to any legal requirements in effect from time to time. Payment of principal and any premium and interest to Cede & Co. is our responsibility, disbursement of payments to direct participants is the responsibility of DTC, and disbursement of payments to the beneficial owners is the responsibility of direct and indirect participants.

Except under the limited circumstances described below or under any additional circumstances that may be described in a prospectus supplement, purchasers of book-entry debt securities in any offering will not be entitled to have debt securities registered in their names and will not receive physical delivery of debt securities. Accordingly, each beneficial owner must rely on the procedures of DTC and its direct and indirect participants to exercise any rights under the debt securities and the applicable indenture.

The laws of some jurisdictions may require that some purchasers of securities take physical delivery of securities in definitive form. These laws may impair the ability to transfer or pledge beneficial interests in debt securities.

DTC is under no obligation to provide its services as depositary for the debt securities of any series and may discontinue providing its services at any time. Neither we nor any trustee will have any responsibility for the performance by DTC or its direct or indirect participants under the rules and procedures governing DTC.

As noted above, beneficial owners of interests in global debt securities generally will not receive certificates representing their ownership interests in the debt securities. However, if

the depositary for the debt securities of any series notifies us that it is unwilling or unable to continue as a depositary for those debt securities, or if the depositary for those debt securities ceases to be a clearing agency registered under the Securities Exchange Act or any other applicable statute or regulation, and a successor depositary is not appointed by us within 90 days of the notification to us or of our becoming aware of the depositary's ceasing to be so registered, as the case may be,

we determine, in our sole discretion, not to have the debt securities of that series represented by one or more global certificates, or

an event of default under the indenture has occurred and is continuing with respect to the debt securities of that series, we will prepare and deliver certificates for the debt securities of that series in exchange for beneficial interests in the global debt securities. Any beneficial interest in a global debt security that is exchangeable under the circumstances described in the preceding sentence will be exchangeable for debt securities in definitive certificated form registered in the names that the depositary directs. It is expected

Table of Contents

that these directions will be based upon directions received by the depositary from its participants with respect to ownership of beneficial interests in the global debt securities.

Senior Debt

Our senior debt securities will be unsecured and will rank equally in right of payment with all of our other unsecured and unsubordinated debt.

Senior Subordinated Debt

Our senior subordinated debt securities will be unsecured and will be subordinate and junior in right of payment, to the extent and in the manner provided in the senior subordinated indenture, to all of our existing and future senior indebtedness, including the senior debt securities. The senior subordinated indenture defines senior indebtedness to mean the principal of (and premium, if any) and unpaid interest (including interest accruing after the filing of a petition initiating any proceeding pursuant to Title 11 of the United States Code, or any similar Federal or state law for the relief of debtors, whether or not the payment of such interest is permitted by law) or accrued original issue discount on and other amounts due on or in connection with any Debt, as defined below, incurred, assumed or guaranteed by KB Home whether outstanding on the date of the senior subordinated indenture or thereafter incurred, assumed or guaranteed and all renewals, extensions and refundings of any such Debt; *provided, however*, that the following will not constitute senior indebtedness:

any Debt as to which, in the instrument creating the same or evidencing the same or pursuant to which the same is outstanding, it is expressly provided that such Debt is subordinate in right of payment to all other Debt of KB Home not expressly subordinated to such Debt;

any Debt which by its terms refers explicitly to the senior subordinated debt securities and states that such Debt shall not be senior in right of payment to the senior subordinated debt securities;

any Debt of KB Home in respect of the senior subordinated debt securities;

any Debt of KB Home to any direct or indirect subsidiary of KB Home;

any Debt of KB Home to any joint venture or partnership, which joint venture or partnership is required, under generally accepted accounting principles, to be consolidated in KB Home's consolidated financial statements; and

any Debt of KB Home which by its terms ranks *pari passu* with or subordinate to the senior subordinated debt securities. (Senior subordinated indenture; Section 13.1).

As defined in the senior subordinated indenture, Debt means, with respect to any person at any date, without duplication:

Table of Contents

all obligations of such person for borrowed money,

all obligations of such person evidenced by bonds, debentures, notes or other similar instruments,

all obligations of such person in respect of letters of credit or other similar instruments (or reimbursement obligations with respect thereto),

all obligations of such person to pay the deferred purchase price of property or services, except trade payables, which are defined to include accounts payable or any other indebtedness or monetary obligations to trade creditors created or assumed by such person in the ordinary course of business in connection with the obtaining of materials or services,

all obligations of such person as lessee under capital leases, which are defined to include any lease of property the liability under which, in accordance with generally accepted accounting principles, is required to be capitalized on such person's balance sheet or for which the amount of the liability thereunder is required to be disclosed in a note to such balance sheet,

all Debt of others for the payment of which such person is responsible or liable as obligor or guarantor, and

all Debt of others secured by a lien on any asset of such person, whether or not such Debt is assumed by such person.
(Senior subordinated indenture; Section 1.1).

The senior subordinated indenture provides that KB Home may not issue any Debt which is subordinated by the terms of the instrument creating that Debt in right of payment to any of other Debt of KB Home and which is not expressly by the terms of the instrument creating that Debt made *pari passu* with, or subordinate and junior in right of payment to, the senior subordinated debt securities. (Senior subordinated indenture; Section 3.7)

The senior subordinated indenture provides that, upon any distribution of our assets in the event of:

any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection with that case or proceeding, relative to us or our creditors, as such, or to our assets, or

any liquidation, dissolution or other winding up of us, whether voluntary or involuntary, or

any assignment for the benefit of our creditors or any other marshalling of our assets and liabilities,
then and in that event:

Table of Contents

holders of our senior indebtedness will be entitled to receive payment in full of all amounts due or to become due on or in respect of all senior indebtedness, or provision will be made for that payment in cash, before holders of senior subordinated debt securities are entitled to receive any payment on account of the principal of or premium, if any, or interest, if any, on or any other amount owing in respect of the senior subordinated debt securities; and

any payment or distribution of our assets, of any kind or character, whether in cash, property or securities, by set-off or otherwise, to which holders of senior subordinated debt securities would be entitled but for the subordination provisions in the senior subordinated indenture will, subject to limited exceptions, be paid directly to the holders of senior indebtedness or their representatives to the extent necessary to pay in full all senior indebtedness.

In the event that, notwithstanding the provisions described in the preceding paragraph, the trustee under the senior subordinated indenture or the holder of any senior subordinated debt securities receives any payment or distribution of our assets, subject to limited exceptions, before all senior indebtedness is paid in full or payment of all senior indebtedness provided for, that payment or distribution will be held in trust for the benefit of and paid over or delivered to the holders of the senior indebtedness or their representative to the extent necessary to pay all senior indebtedness in full.

Our consolidation with or our merger into another corporation or our liquidation or dissolution following the conveyance or transfer of all or substantially all of our assets to another person upon the terms and conditions described below under Merger, Consolidation, Sale, Lease or Conveyance will not be deemed a dissolution, winding-up, liquidation, reorganization, assignment for the benefit of creditors or marshalling of assets and liabilities of KB Home for the purposes of the subordination provisions described above if the successor or transferee corporation shall, as a part of that transaction, comply with the conditions described under Merger, Consolidation, Sale, Lease or Conveyance .

As a result of these subordination provisions, our creditors who hold neither our senior subordinated debt securities nor our senior indebtedness may recover less, ratably, than holders of our senior indebtedness and may recover more, ratably, than the holders of our senior subordinated debt securities.

If payment of our senior subordinated debt securities is accelerated because of an event of default, we must promptly notify holders of senior indebtedness of the acceleration. We may not pay or acquire the senior subordinated debt securities until 135 days have passed after that acceleration occurs and may thereafter pay or acquire the senior subordinated debt securities only if we are permitted to do so under the subordination provisions of our senior subordinated indenture. (Senior subordinated indenture; Section 13.3)

We may not make any payment of the principal of or premium, if any, or interest, if any, on or any other amount owing in respect of the senior subordinated debt securities and we may not acquire any senior subordinated debt securities for cash or property if:

a default on senior indebtedness occurs and is continuing that permits holders of that senior indebtedness to accelerate its maturity, and

unless that default relates to a failure by us to make any payment in respect of that senior indebtedness when due or within any applicable grace period (a Payment Default), that

Table of Contents

default is either the subject of judicial proceedings or we receive notice of the default. If we receive notice of the default, then a similar notice received within nine months after the original notice relating to the same default on the same issue of senior indebtedness will not be effective for purposes of the provisions described in this paragraph.

We may resume making payments on the senior subordinated debt securities and may acquire senior subordinated debt securities if and when:

(1) 135 days pass after, in the case of a Payment Default, the later of the date that payment was due and the expiration of any applicable grace period for that payment or, in the case of any other such default, the date the related judicial proceedings commence or that notice of the default is given to us, as the case may be, and (2) the senior indebtedness in respect of which the default exists has not been declared due and payable in its entirety within that 135 day period or, if declared due and payable, that declaration has been rescinded, waived or annulled; or

the default with respect to the applicable senior indebtedness is cured or waived, and, in any case described above, the subordination provisions of the senior subordinated indenture otherwise permit the payment or acquisition of senior subordinated debt securities at that time.

In the event that, notwithstanding the provisions described in the two immediately preceding paragraphs, we make any payment to the trustee for or the holders of senior subordinated debt securities that is prohibited by those provisions, then that payment will be held in trust for the benefit of and be paid over or delivered to the holders of the senior indebtedness or their representatives. (Senior subordinated indenture; Section 13.4)

If this prospectus is being delivered in connection with a series of senior subordinated debt securities, the accompanying prospectus supplement or the information incorporated by reference in this prospectus will indicate the approximate amount of senior indebtedness outstanding as of a recent date.

Subordinated Debt

Our subordinated debt securities will be unsecured and will be subordinate and junior in right of payment, to the extent and in the manner provided in the subordinated indenture, to all of our existing and future senior indebtedness, including the senior debt securities and the senior subordinated debt securities. The subordinated indenture defines senior indebtedness to mean the principal of (and premium, if any) and unpaid interest (including interest accruing after the filing of a petition initiating any proceeding pursuant to Title 11 of the United States Code, or any similar Federal or state law for the relief of debtors, whether or not the payment of such interest is permitted by law) or accrued original issue discount on and other amounts due on or in connection with any Debt, as defined below, incurred, assumed or guaranteed by KB Home whether outstanding on the date of the subordinated indenture or thereafter incurred, assumed or guaranteed and all renewals, extensions and refundings of any such Debt; *provided, however*, that the following will not constitute senior indebtedness:

any Debt as to which, in the instrument creating the same or evidencing the same or pursuant to which the same is outstanding, it is expressly provided that such Debt is subordinate in right of payment to all other Debt of KB Home not expressly subordinated to such Debt;

Table of Contents

any Debt which by its terms refers explicitly to the subordinated debt securities and states that such Debt shall not be senior in right of payment to the subordinated debt securities;

any Debt of KB Home in respect of the subordinated debt securities;

any Debt of KB Home to any direct or indirect subsidiary of KB Home;

any Debt of KB Home to any joint venture or partnership, which joint venture or partnership is required, under generally accepted accounting principles, to be consolidated in KB Home's consolidated financial statements; and

any Debt of KB Home which by its terms ranks *pari passu* with or subordinate to the subordinated debt securities. (Subordinated indenture; Section 13.1).

The term Debt, as defined in the subordinated indenture, has the same meaning as that term is defined in the senior subordinated indenture and as discussed above under Senior Subordinated Debt.

The subordinated indenture provides that, upon any distribution of our assets in the event of:

any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization or other similar case or proceeding in connection with that case or proceeding, relative to us or our creditors, as such, or to our assets, or

any liquidation, dissolution or other winding up of us, whether voluntary or involuntary, or

any assignment for the benefit of our creditors or any other marshalling of our assets and liabilities, then and in that event:

holders of our senior indebtedness will be entitled to receive payment in full of all amounts due or to become due on or in respect of all senior indebtedness, or provision will be made for that payment in cash, before holders of subordinated debt securities are entitled to receive any payment on account of the principal of or premium, if any, or interest, if any, on or any other amount owing in respect of the subordinated debt securities; and

any payment or distribution of our assets, of any kind or character, whether in cash, property or securities, by set-off or otherwise, to which holders of subordinated debt securities would be entitled but for the subordination provisions in the subordinated indenture will, subject to limited exceptions, be paid directly to the holders of senior indebtedness or their representatives to the extent necessary to pay in full all senior indebtedness.

In the event that, notwithstanding the provisions described in the preceding paragraph, the trustee under the subordinated indenture or the holder of any subordinated debt securities receives any payment or distribution of our assets, subject to limited exceptions, before all senior indebtedness is paid in full or

Table of Contents

payment of all senior indebtedness is provided for, that payment or distribution will be held in trust for the benefit of and paid over or delivered to the holders of the senior indebtedness or their representative to the extent necessary to pay all senior indebtedness in full.

Our consolidation with or our merger into another corporation or our liquidation or dissolution following the conveyance or transfer of all or substantially all of our assets to another person upon the terms and conditions described below under Merger, Consolidation, Sale, Lease or Conveyance will not be deemed a dissolution, winding-up, liquidation, reorganization, assignment for the benefit of creditors or marshalling of assets and liabilities of KB Home for the purposes of the subordination provisions described above if the successor or transferee corporation shall, as a part of that transaction, comply with the conditions described under Merger, Consolidation, Sale, Lease or Conveyance .

As a result of these subordination provisions, our creditors who hold neither our subordinated debt securities nor our senior indebtedness may recover less, ratably, than holders of our senior indebtedness and may recover more, ratably, than the holders of our subordinated debt securities.

If payment of our subordinated debt securities is accelerated because of an event of default, we must promptly notify holders of senior indebtedness of the acceleration. We may not pay or acquire the subordinated debt securities until 135 days have passed after that acceleration occurs and may thereafter pay or acquire the subordinated debt securities only if we are permitted to do so under the subordination provisions of our subordinated indenture. (Subordinated indenture; Section 13.3)

We may not make any payment of the principal of or premium, if any, or interest, if any, on or any other amount owing in respect of the subordinated debt securities and we may not acquire any subordinated debt securities for cash or property if:

a default on senior indebtedness occurs and is continuing that permits holders of that senior indebtedness to accelerate its maturity, and

unless that default relates to a failure by us to make any payment in respect of that senior indebtedness when due or within any applicable grace period (a Payment Default), that default is either the subject of judicial proceedings or we receive notice of the default. If we receive notice of the default, then a similar notice received within nine months after the original notice relating to the same default on the same issue of senior indebtedness will not be effective for purposes of the provisions described in this paragraph.

We may resume making payments on the subordinated debt securities and may acquire subordinated debt securities if and when:

(1) 135 days pass after, in the case of a Payment Default, the later of the date that payment was due and the expiration of any applicable grace period for that payment or, in the case of any other such default, the date the related judicial proceedings commence or that notice of the default is given to us, as the case may be, and (2) the senior indebtedness in respect of which the default exists has not been declared due and payable in its entirety within that 135 day period or, if declared due and payable, that declaration has been rescinded, waived or annulled; or

the default with respect to the applicable senior indebtedness is cured or waived,

Table of Contents

and, in any case described above, the subordination provisions of the subordinated indenture otherwise permit the payment or acquisition of subordinated debt securities at that time.

In the event that, notwithstanding the provisions described in the two immediately preceding paragraphs, we make any payment to the trustee for or the holders of subordinated debt securities that is prohibited by those provisions, then that payment will be held in trust for the benefit of and be paid over or delivered