KB HOME COASTAL INC
Form 424B5
January 22, 2013
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As filed pursuant to rule 424(b)(5)
Under the Securities Act of 1933
Registration No. 333-176930

The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities or a solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JANUARY 22, 2013

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated September 20, 2011)

$100,000,000

Common Stock

$100.0 million of common stock, par value $1.00 per share, of KB Home is being offered pursuant to this prospectus supplement. We have granted the underwriters an option, exercisable for up to 30 days from the date of this prospectus supplement, to purchase up to an additional $15.0 million of shares of our common stock. Our common stock is traded on the New York Stock Exchange under the ticker symbol KBH. On January 18, 2013, the last reported sale price of our common stock on the New York Stock Exchange was $16.61 per share.

Concurrently with this offering, under a separate prospectus supplement, we are offering $150.0 million in aggregate principal amount of our % Convertible Senior Notes due 2019 (or $172.5 million in aggregate principal amount of notes if the underwriters over-allotment option is exercised in full). The closing of this offering of our common stock is not conditioned upon the closing of the concurrent offering of notes, and the closing of the concurrent offering of notes is not conditioned upon the closing of this offering.

Investing in our common stock involves risks. See <u>Risk Factors</u> beginning on page S-6 of this prospectus supplement.

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

	Per Share	Total
Public Offering Price	$	$
Underwriting Discount	$	$
Proceeds to KB Home (before estimated expenses)	$	$

The underwriters expect to deliver the shares to investors through the book-entry facilities of The Depository Trust Company on or about January , 2013.

Joint Book Running Managers

Credit Suisse **Citigroup**

BofA Merrill Lynch **Deutsche Bank Securities**

The date of this prospectus supplement is , 2013.

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You should rely only on the information contained in or incorporated or deemed incorporated by reference in this prospectus supplement and the accompanying prospectus. Neither we nor any of the underwriters have authorized anyone to provide you with any information other than the information contained in or incorporated or deemed incorporated by reference in this prospectus supplement and the accompanying prospectus. We are not making any offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in or incorporated or deemed incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of the date on the front of this prospectus supplement, the date on the front of the accompanying prospectus or the date of the applicable incorporated document, as the case may be. Our business, financial condition, results of operations and prospects may have changed since those dates.

When this prospectus supplement uses the words KB Home, we, us, and our, they refer to KB Home, a Delaware corporation, and its subsidiaries unless otherwise stated or the context otherwise requires.

Our fiscal year ends on November 30. When this prospectus supplement refers to particular years or quarters in connection with the discussion of our results of operations or financial condition, those references mean the relevant fiscal years and fiscal quarters, unless otherwise stated.

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We are one of the largest homebuilding companies in the United States. When we refer in this prospectus supplement or accompanying prospectus or in the documents incorporated or deemed incorporated by reference herein or therein to homes or units, we mean single-family residences, which include detached and attached single-family homes, townhomes and condominiums, and references to our homebuilding revenues and similar references refer to revenues derived from sales of single-family residences, in each case unless otherwise expressly stated or the context otherwise requires.

The information in this prospectus supplement and accompanying prospectus and in the documents incorporated or deemed incorporated by reference herein or therein concerning the housing market, the homebuilding industry, our market share or our size relative to other homebuilders and similar matters is derived principally from publicly available information and from industry sources. Although we believe that this publicly available information and the information provided by these industry sources is reliable, we have not independently verified any of this information and we cannot assure you of its accuracy.

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PROSPECTUS SUPPLEMENT SUMMARY

The following is a brief summary of the more detailed information appearing elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated or deemed incorporated by reference herein or therein. It does not contain all of the information that may be important to you. You should read carefully this prospectus supplement, the accompanying prospectus and the documents incorporated or deemed incorporated by reference herein or therein, including the Risk Factors and the financial statements and the related notes included elsewhere or incorporated by reference herein or therein, before making a decision with respect to an investment in our common stock. Unless the context otherwise requires, all information in this prospectus supplement assumes no exercise of the underwriters option to purchase additional shares of common stock.

KB HOME

We are one of the largest and most recognized homebuilding companies in the United States, with operating divisions in the following regions and states: West Coast California; Southwest Arizona, Nevada and New Mexico; Central Colorado and Texas; and Southeast Florida, Maryland, North Carolina and Virginia. Founded in 1957, we are listed on the New York Stock Exchange under the ticker symbol KBH. We are incorporated in Delaware. Our principal executive offices are located at 10990 Wilshire Boulevard, Los Angeles, California 90024. Our telephone number is (310) 231-4000.

RECENT DEVELOPMENTS

Preliminary Quarter-to-Date Net Orders

On January 22, 2013, we reported preliminary quarter-to-date net orders for our first fiscal quarter of 2013. Net orders for new homes were 750 quarter-to-date through January 18, 2013, representing an increase of 54%, compared to net orders of 488 through January 20, 2012 in the first quarter of last year. As we announced, while the improved quarter-to-date net orders compare favorably to the weak net order performance in the prior year period, the relative improvement is expected to moderate as the fiscal first quarter 2013 continues. In addition, these preliminary net order results are unaudited, should not be considered indicative of results for the full quarter, and may be adjusted in our full quarter reported financial statements. Actual results may differ materially due to a number of factors, including those referred to in Forward-Looking Statements in this prospectus supplement and Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended November 30, 2012, which is incorporated or deemed incorporated by reference in this prospectus supplement and the accompanying prospectus.

Concurrent Notes Offering

Concurrently with this offering of common stock, under a separate prospectus supplement, we are offering $150.0 million in aggregate principal amount of our % Convertible Senior Notes due 2019 ($172.5 million in aggregate principal amount of notes if the underwriters over-allotment option is exercised in full) in an underwritten public offering, which we refer to herein as the notes offering. Unless the context requires, all information in this prospectus supplement assumes that the underwriters do not exercise their over-allotment option to purchase such additional notes. The closing of this offering of our common stock is not conditioned upon the closing of the concurrent notes offering, and the closing of the concurrent notes offering is not conditioned upon the closing of this offering. The foregoing description and other information regarding the notes offering is included herein solely for informational purposes. Nothing in this prospectus supplement should be construed as an offer to sell, or a solicitation of an offer to buy, any notes in the notes offering, and no part of the notes offering is incorporated by reference in this prospectus supplement.

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Potential Revolving Credit Facility

We have engaged Citigroup Global Markets Inc. (CGMI) to assemble a syndicate of financial institutions to provide a new $200 million unsecured revolving credit facility. CGMI has informed us that it has received commitments from several financial institutions with respect to this credit facility (all of which are affiliates of the underwriters in this offering), subject to execution of satisfactory documentation. The definitive terms of, and the obligations of KB Home, CGMI and/or any members of the syndicate of financial institutions to enter into, such a revolving credit facility or any similar credit facility are subject to additional discussions and negotiations among the parties, and there is no assurance that a new revolving credit facility or similar facility for KB Home will be consummated.

Nationstar Mortgage Joint Venture

On January 22, 2013, we announced that we have entered into an agreement with Nationstar Mortgage LLC, our current preferred mortgage lender and the principal operating subsidiary of Nationstar Mortgage Holdings Inc., to form Home Community Mortgage, LLC, a limited liability company that will offer an array of mortgage banking services to KB Home customers. Nationstar will continue to operate as our preferred mortgage lender until Home Community Mortgage is fully deployed, which is expected in the latter part of this year.

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OFFERING SUMMARY

The summary below contains basic information about this offering and our common stock. It may not contain all of the information that is important to you. You should read this entire prospectus supplement and accompanying prospectus carefully, including the Description of Capital Stock in the accompanying prospectus, before making an investment in our common stock. In this section, KB Home, we, our, and us mean KB Home excluding our subsidiaries, unless otherwise stated or the context requires.

Issuer	KB Home, a Delaware corporation.
Common Stock Offered(1)	shares of common stock, plus up to an additional shares if the underwriters option to purchase additional shares is exercised in full.
Common Stock Outstanding Immediately Following This Offering(2)	shares of common stock (shares of common stock if the underwriters option to purchase additional shares is exercised in full).
Dividends	In our 2012 fiscal year, we paid total cash dividends of $0.1375 per share. Our most recent quarterly dividend paid in November 2012 was $0.025 per share. The declaration and payment of cash dividends on shares of our common stock, whether at current levels or at all, are at the discretion of our board of directors, and depend upon, among other things, our expected future earnings, cash flows, capital requirements, debt structure and adjustments thereto, operational and financial investment strategy and general financial condition, as well as general business conditions. See Price Range of Common Stock and Dividend Policy in this prospectus supplement.
Use of Proceeds	We estimate that the net proceeds from this offering, after deducting the underwriting discount and estimated offering expenses payable by us, will be approximately $ million (or approximately $ million if the underwriters option to purchase additional shares is exercised in full). We estimate that the net proceeds from the concurrent notes offering, after deducting the underwriting discount and estimated offering expenses payable by us, will be approximately $ million (or approximately $ million if the underwriters over-allotment option is exercised in full). The closing of this offering of our common stock is not conditioned upon the closing of the concurrent notes offering, and the closing of the concurrent notes offering is not conditioned upon the closing of this offering. We intend to use the net proceeds from this offering together with the net proceeds of the concurrent notes offering, if consummated, for general corporate purposes, including without limitation land acquisition and development. See Use of Proceeds in this prospectus supplement.

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New York Stock Exchange Symbol for Our Common Stock	Our common stock is listed on the New York Stock Exchange under the ticker symbol KBH.
Ownership Limitations	At November 30, 2012, we had deferred tax assets, net of deferred tax liabilities, totaling $880.1 million against which we have provided a full valuation allowance. The benefit of these deferred tax assets, among other things, would be reduced or eliminated if we experience an ownership change, as determined under Internal Revenue Code Section 382. In 2009, we amended our restated certificate of incorporation and adopted our stockholder rights plan in order to block or deter transfers of our common stock that could result in an ownership change. Although these measures do not guarantee complete protection against an ownership change, the combined effect of our certificate of incorporation and stockholder rights plan may be to limit your ability to, directly or indirectly, purchase shares of our common stock in this offering or the extent to which you can, directly or indirectly, make acquisitions or dispositions of our common stock in the future. See Risk Factors Risk Factors Relating to Our Common Stock Our certificate of incorporation and stockholder rights plan may limit the extent to which you can, directly or indirectly, purchase our common stock in this offering or acquire or dispose of our common stock in the future, and our net operating loss carryforwards could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code in this prospectus supplement.
Concurrent Notes Offering	Concurrently with this offering of our common stock, under a separate prospectus supplement, we are offering $150.0 million in aggregate principal amount of our % Convertible Senior Notes due 2019 ($172.5 million in aggregate principal amount of notes if the underwriters over-allotment option is exercised in full) in an underwritten public offering. The closing of this offering of our common stock is not conditioned upon the closing of the concurrent notes offering, and the closing of the concurrent notes offering is not conditioned upon the closing of this offering. See Prospectus Supplement Summary Recent Developments Concurrent Notes Offering in this prospectus supplement.
Risk Factors	You should carefully review the information in this prospectus supplement under the caption Risk Factors, as well as the other information in this prospectus supplement, the accompanying prospectus and the documents incorporated or deemed incorporated by reference herein or therein, in evaluating an investment in shares of our common stock.

(1) Unless otherwise stated, all information in this prospectus supplement assumes no exercise of the underwriters option to purchase additional shares.

(2) The number of shares outstanding immediately following the offering is based on the number of shares of common stock outstanding on January 18, 2013, and excludes as of such date:

10,615,934 shares of common stock held by our grantor stock ownership trust;

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10,105,546 shares of common stock issuable upon the exercise of outstanding options, of which 8,533,224 options are immediately exercisable at a weighted average price of $23.76; and

up to 454,098 shares of common stock that may be granted under outstanding performance stock units if and to the extent such units vest upon the achievement of certain performance goals.

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RISK FACTORS

An investment in our common stock involves certain risks. You should carefully consider the risks and uncertainties described below before investing in our common stock, as well as the risks and uncertainties described elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated and deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus. The following important factors could adversely impact our homebuilding and financial services operations, and our consolidated financial statements. These factors could cause our actual results to differ materially from the forward-looking and other statements that we make in this prospectus supplement and the accompanying prospectus, and the documents incorporated and deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus. However, these are not the only risks and uncertainties that we face. The market or trading price of our common stock could decline due to any of these risks or uncertainties, and you may lose all or part of your investment. You are also cautioned that some of the statements contained or incorporated by reference in this prospectus supplement and accompanying prospectus are forward-looking statements and are subject to risks, uncertainties and assumptions. See Forward-Looking Statements in this prospectus supplement.

Risk Factors Relating to KB Home

For a discussion of risks and uncertainties relating to KB Home and our business, see Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended November 30, 2012, which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

Risk Factors Relating to Our Common Stock

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common stock.

We are offering shares of our common stock, or shares of common stock if the underwriters option to purchase additional shares is exercised in full. If the notes offering is consummated, shares of our common stock will be initially issuable upon conversion of the notes offered thereby, or shares if the underwriters over-allotment option is exercised in full (in each case, at the conversion rate in effect at the closing of the notes offering, which rate is subject to adjustment). Except as described under Underwriting, we are not restricted from publicly or privately issuing additional common stock, including securities that are convertible into or exchangeable for, or that represent the right to receive, in whole or in part, common stock. The issuance of additional shares of our common stock in this offering, upon conversion of the notes issuable in the notes offering, or other issuances of our common stock or convertible or other equity-linked securities will dilute the ownership interest of our common stockholders.

The price of our common stock could be affected by possible sales of our common stock by investors who are concerned about the dilution of their ownership interests as a result of this offering and/or who view the notes issued in the concurrent notes offering as a more attractive means of equity participation in our company. Sales of a substantial number of shares of our common stock or other equity-related securities in the public market, or any hedging or arbitrage trading activity involving our common stock, could depress the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our common stock or other equity-related securities would have on the market price of our common stock.

Future offerings of debt securities, which would rank senior to our common stock upon our liquidation, and future offerings of equity securities, which may be senior to our common stock for purposes of liquidating and dividend distributions, may adversely affect the market price of our common stock.

In the future, we may attempt to increase our capital resources by making public or private offerings of debt securities (such as the concurrent notes offering) or additional offerings of equity securities. Upon liquidation, holders of our debt securities and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our common stock. In addition, our board of directors may create a series of preferred stock with liquidating and dividend distribution rights preferential to our common stock. If issued, such preferred stock could limit our ability to make such distributions to the holders of our common stock. Because our decision to publicly or privately issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common stock bear the risk that our future offerings of debt and/or equity securities could reduce the market price of our common stock.

The market price of our common stock may fluctuate widely.

The market price of our common stock has historically experienced fluctuations and is likely to continue to be volatile and subject to significant price and volume fluctuations in the future in response to a number of factors (in addition to those described below in the section of this prospectus supplement entitled Forward-Looking Statements and in our Annual Report on Form 10-K for the fiscal year ended November 30, 2012, which is incorporated by reference in this prospectus supplement and the accompanying prospectus), including:

- our perceived prospects and the prospects of the homebuilding industry in general;
- differences between our actual financial and operating results and those expected by investors and analysts;
- fluctuations in our results of operations between various periods;
- changes in analysts recommendations or projections;
- changes in general valuations for homebuilding companies;
- changes in government policies, including changes in tax policies;
- changes in general economic or market conditions; and
- broad market fluctuations.

In addition, the recent economic, political and market conditions, both in the United States and globally, including the 2007-2009 national recession and subsequent slow recovery, credit market disruptions and the tightening of mortgage loan underwriting standards and other similar factors have contributed to significant instability in the United States and in other global financial equity markets, and the potential effect of these and other factors on economic growth may contribute to continued instability, both in general and for our homebuilding and financial services businesses in particular. Moreover, in recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant effect on the market price of securities issued by many companies for reasons often unrelated to their operating performance, including ours. Therefore, these broad market fluctuations may adversely affect the market price of our common stock, regardless of our operating results. Any of these factors could have a material adverse effect on your investment in our common stock. As a result, you could lose some or all of your investment.

Our certificate of incorporation and stockholder rights plan may limit the extent to which you can, directly or indirectly, purchase our common stock in this offering or acquire or dispose of our common stock in the future, and our net operating loss carryforwards could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code.

Since the end of our 2007 fiscal year, we have generated significant net operating losses (NOL), and we may generate additional NOL in 2013. Under federal tax laws, we can use our NOL (and certain related tax credits) to reduce our future taxable income for up to 20 years, after which they expire for such purposes. Until they expire, we can carry forward our NOL (and certain related tax credits) that we do not use in any particular year to reduce our taxable income in future years, and we have recorded a valuation allowance against our net

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deferred tax assets that include the NOL (and certain related tax credits) that we have generated but have not yet realized. At November 30, 2012, we had deferred tax assets, net of deferred tax liabilities, totaling $880.1 million against which we have provided a full valuation allowance. Our ability to realize our net deferred tax assets is based on the extent to which we generate sustained profits, and we cannot provide any assurances as to when and to what extent we will generate sufficient future taxable income to realize our net deferred tax assets, whether in whole or in part. For further information, you should review Item 1A. Risk Factors We may not realize our deferred income tax assets. In addition, our net operating loss carryforwards could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code, appearing in our Annual Report on Form 10-K for the fiscal year ended November 30, 2012, which is incorporated or deemed incorporated by reference in this prospectus supplement and the accompanying prospectus.

The benefits of our NOL, built-in losses and tax credits would be reduced or eliminated if we experience an ownership change, as determined under Internal Revenue Code Section 382 (Section 382). A Section 382 ownership change occurs if a stockholder or a group of stockholders who are deemed to own at least 5% of our common stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. If an ownership change were to occur, Section 382 would impose an annual limit on the amount of NOL we could use to reduce our taxable income equal to the product of the total value of our outstanding equity immediately prior to the ownership change (reduced by certain items specified in Section 382) and the federal long-term tax-exempt interest rate in effect for the month of the ownership change. A number of complex rules apply in calculating this annual limit. While the complexity of Section 382 s provisions and the limited knowledge any public company has about the ownership of its publicly-traded stock make it difficult to determine whether an ownership change has occurred, we currently believe that an ownership change has not occurred. However, this offering and any future issuances of stock pursuant to the concurrent notes offering, particularly if coupled with other future issuances or sales of our stock, would make it more likely that an ownership change might occur in the future. Although our 2009 amendment to our restated certificate of incorporation and our 2009 rights plan, both described below, are designed to block or deter transfers of our common stock that could result in an ownership change, these measures cannot guarantee complete protection against an ownership change and it remains possible that one may occur. If an ownership change were to occur, the annual limit Section 382 may impose could result in a material amount of our NOL expiring unused. This would significantly impair the value of our NOL and, as a result, have a negative impact on our consolidated financial statements.

In 2009, our stockholders approved an amendment to our restated certificate of incorporation that is designed to block transfers of our common stock that could result in an ownership change, and a rights plan pursuant to which we have issued certain stock purchase rights with terms designed to deter transfers of our common stock that could result in an ownership change. See Description of Capital Stock Stockholder Rights Plan and Description of Capital Stock Article Ninth of Our Restated Certificate of Incorporation in the accompanying prospectus. The amendment to our restated certificate of incorporation contains provisions designed to restrict direct and indirect transfers of our common stock if such transfers will affect the percentage of stock owned by any stockholder or relevant group of stockholders who are deemed to own at least 5% or more of our common stock under Section 382, including transfers where the effect would be to increase the direct or indirect ownership of our common stock by any person or relevant group from less than 5% to 5% or more, and transfers where the effect would be to increase the percentage of our common stock owned directly or indirectly by a person or relevant group owning or deemed to own 5% or more of our common stock. Subject to certain conditions, our certificate of incorporation also prohibits any person or relevant group deemed to own 5% or more of our common stock from disposing of any shares of our common stock without the express consent of our board of directors.

We also have a rights agreement, dated as of January 22, 2009, between us and Computershare Shareowner Services LLC (as successor to Mellon Investor Services LLC), as rights agent, which we refer to herein as our stockholder rights plan, that contains provisions designed to deter transfers of our common stock that could result in an ownership change. Subject to the terms, provisions and conditions of our stockholder rights plan,

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each share of our outstanding common stock includes a right that initially represents the right to purchase from us 1/100th of a share of our Series A Participating Cumulative Preferred Stock for a purchase price of $85.00. If issued, each fractional share of preferred stock would generally give a stockholder approximately the same dividend, voting and liquidation rights as does one share of our common stock. Prior to exercise, a right does not give its holder any rights as a stockholder, including without limitation any dividend, voting or liquidation rights. The rights will become exercisable upon the earlier of (i) 10 calendar days after a public announcement by us that a person or group has become an Acquiring Person (as defined under our stockholder rights plan), and (ii) 10 business days after the commencement of a tender or exchange offer by a person or group if upon consummation of the offer the person or group would beneficially own 4.9% or more of our outstanding common stock. Our stockholder rights plan has been filed with and is publicly available at or from the SEC; see Where You Can Find More Information in the accompanying prospectus.

The combined effect of our certificate of incorporation and stockholder rights plan may be to limit the number of shares you can, directly or indirectly, purchase in this offering or the extent to which you can, directly or indirectly, make acquisitions or dispositions of our common stock in the future.

U.S. federal income tax may be imposed on non-U.S. holders on any gain on a sale, redemption or other disposition of shares of our common stock if our company is a United States real property holding corporation.

Our company has not determined whether it is a United States real property holding corporation for U.S. federal income tax purposes. If our company is a United States real property holding corporation, non-U.S. holders (as defined in Certain U.S. Federal Income Tax Considerations Applicable to Non-U.S. Holders in this prospectus supplement) may be subject to tax (including withholding tax) upon a sale or disposition of our common stock, if (i) our common stock is not regularly traded on an established securities market, or (ii) our common stock is regularly traded on an established securities market, and the non-U.S. holder actually or constructively holds (or within the last five years has held) common stock with a fair market value on the relevant date of determination that is greater than 5% of the total fair market value of our common stock on such date. See Certain U.S. Federal Income Tax Considerations Applicable to Non-U.S. Holders in this prospectus supplement.

The Delaware General Corporation Law and our certificate of incorporation, bylaws, stockholder rights plan and debt covenants could prevent a third party from acquiring us or limit the price that investors might be willing to pay for shares of our common stock.

Provisions of our certificate of incorporation and our bylaws could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of us. In addition, our certificate of incorporation also authorizes our board of directors to issue new series of preferred stock without stockholder approval. Depending on the rights and terms of any new series created, and the reaction of the market to the series, your rights or the value of your common stock could be negatively affected. For example, subject to applicable law, our board of directors could create a series of preferred stock with preferential rights to dividends or assets upon liquidation, or with superior voting rights to our existing common stock. The ability of our board of directors to issue these new series of preferred stock could also prevent or delay a third party from acquiring us, even if doing so would be beneficial to our stockholders.

We are also subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which prohibits Delaware corporations from engaging in business combinations specified in the statute with an interested stockholder, as defined in the statute, for a period of three years after the date of the transaction in which the person first becomes an interested stockholder, unless the business combination is approved in advance by a majority of the independent directors or by the holders of at least two-thirds of the outstanding disinterested shares. The application of Section 203 of the Delaware General Corporation Law could also have the effect of delaying or preventing a change of control of us.

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As noted above, we also have a stockholder rights plan that could make it difficult to acquire us without the approval of our board of directors. Our stockholder rights plan has been filed with and is publicly available at or from the SEC; see Where You Can Find More Information and Description of Capital Stock Stockholder Rights Plan in the accompanying prospectus.

In addition, if a change in control occurs as defined in the instruments governing each of our $265.0 million 9.100% Senior Notes due 2017, $350.0 million 8.00% Senior Notes due 2020, and $350.0 million 7.5% Senior Notes due 2022, we would be required to purchase these notes at 101% of their principal amount, together with all accrued and unpaid interest, if any. The terms of these notes also contain certain limitations related to mergers, consolidations and sales of assets.

Alone or in combination, these matters may delay or prevent a change in control that other stockholders may believe beneficial or may limit the price that investors might be willing to pay in the future for shares of our common stock.

We may not pay cash dividends on our common stock.

Our board of directors has declared and paid quarterly cash dividends on our common stock since our initial public offering in 1986. However, the declaration and payment of cash dividends on shares of our common stock, whether at current levels or at all, are at the discretion of our board of directors, and depend upon, among other things, our expected future earnings, cash flows, capital requirements, debt structure and adjustments thereto, operational and financial investment strategy and general financial conditions, as well as general business conditions. Accordingly, in future periods there can be no assurance that we will pay cash dividends on shares of our common stock at current levels or at all. See Price Range of Common Stock and Dividend Policy in this prospectus supplement.

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FORWARD-LOOKING STATEMENTS

You are cautioned that certain statements contained or incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus are forward-looking statements. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as expects, anticipates, intends, plans, believes, estimates, hopes, and similar expressions con forward-looking statements. In addition, any statements concerning future financial or operating performance (including, without limitation, future revenues, homes delivered, net orders, selling prices, expenses, expense ratios, housing gross profit margins, earnings or earnings per share, or growth or growth rates), future market conditions, future interest rates, and other economic conditions, ongoing business strategies or prospects, future dividends and changes in dividend levels, the value of our backlog (including, without limitation, amounts that we expect to realize upon delivery of homes included in our backlog and the timing of those deliveries), the value of our net orders, potential future asset acquisitions and the impact of completed acquisitions, future share issuances or repurchases and possible future actions, which may be provided by us, are also forward-looking statements. Forward-looking statements are based on our current expectations and projections about future events and are subject to risks, uncertainties, and assumptions about our operations, economic and market factors, and the homebuilding industry, among other things. These statements are not guarantees of future performance, and we have no specific policy or intention to update these statements.

Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors. The most important risk factors that could cause our actual performance and future events and actions to differ materially from such forward-looking statements include, but are not limited to the following: general economic, employment and business conditions; adverse market conditions, including an increased supply of unsold homes, declining home prices and greater foreclosure and short sale activity, among other things, that could result in, among other negative impacts on our consolidated financial statements, additional impairment or land option contract abandonment charges, lower revenues and operating and other losses; conditions in the capital, credit and financial markets (including mortgage lending standards, the availability of mortgage financing and mortgage foreclosure rates); material prices and availability; labor costs and availability; changes in interest rates; inflation; our debt level, including our ratio of debt to total capital, and our ability to adjust our debt level, maturity schedule and structure and to access the equity, credit, capital or other financial markets or other external financing sources, including raising capital through the public or private issuance of common stock, debt or other securities, and/or obtaining a credit or similar facility or project financing, on favorable terms; weak or declining consumer confidence, either generally or specifically with respect to purchasing homes; competition for home sales from other sellers of new and resale homes, including lenders and other sellers of homes obtained through foreclosures or short sales; weather conditions, significant natural disasters and other environmental factors; government actions, policies, programs and regulations directed at or affecting the housing market (including, but not limited to, the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, tax credits, tax incentives and/or subsidies for home purchases, tax deductions for mortgage interest payments and property taxes, tax exemptions for profits on home sales, and programs intended to modify existing mortgage loans and to prevent mortgage foreclosures), the homebuilding industry, or construction activities; decisions by lawmakers on federal fiscal policies, including those relating to taxation and government spending; the availability and cost of land in desirable areas; our warranty claims experience with respect to homes previously delivered and actual warranty costs incurred; legal or regulatory proceedings or claims; our ability to use/realize the net deferred tax assets we have generated; our ability to successfully implement our current and planned product, geographic and market positioning (including, but not limited to, our efforts to expand our inventory base/pipeline with desirable land positions or interests at reasonable cost and to expand our community count, open additional new home communities for sales and sell higher-priced homes and more design options, and our operational and investment concentration in markets in California and Texas), revenue growth, asset optimization, asset activation, local field management and talent investment, and overhead and other cost management strategies and initiatives; consumer traffic to our new home communities and consumer interest in our product designs and offerings, particularly higher-income consumers; cancellations and our ability to realize our backlog by converting net orders to home deliveries; our home sales and delivery performance in key markets in California and Texas; the manner in which our homebuyers are offered and whether they are able to obtain mortgage loans and mortgage banking services, including from our preferred mortgage lender, Nationstar Mortgage LLC; the performance of Nationstar as our preferred mortgage lender; information technology failures and data security breaches; the possibility that we, CGMI or any members of the syndicate of financial institutions will not enter into a revolving credit facility; the possibility that a new revolving credit facility will not be available in an amount or on terms that are acceptable to us, or at all, and even if available, that we will not enter into such a facility or any similar facility; the possibility that the proposed offer and sale of our common stock will not close timely, or at all; the possibility that the proposed concurrent offer and sale of convertible notes will not close timely, or at all; and other events outside of our control. Please see our Annual Report on Form 10-K for the fiscal year ended November 30, 2012, and our other filings with the SEC for a further discussion of these and other risks and uncertainties applicable to our business.

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USE OF PROCEEDS

We estimate the net proceeds from the sale of shares of our common stock offered in this offering will be approximately $ million, or $ million if the underwriters option to purchase additional shares is exercised in full (in each case, after deducting the underwriting discount and our estimated expenses relating to the offering), based on the offering price of $ per share. We estimate the net proceeds from the concurrent notes offering will be approximately $ million, or $ million if the underwriters over-allotment option is exercised in full (in each case, after deducting the underwriting discount and our estimated expenses relating to the notes offering). The closing of this offering of our common stock is not conditioned upon the closing of the concurrent notes offering, and the closing of the concurrent notes offering is not conditioned upon the closing of this offering.

We intend to use the net proceeds from this offering together with the net proceeds of the concurrent notes offering, if consummated, for general corporate purposes, including without limitation land acquisition and development.

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PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY

Shares of our common stock are listed on the New York Stock Exchange under the ticker symbol KBH. The following table sets forth, for the fiscal quarters indicated, the reported high and low intra-day sales prices per share of our common stock as reported on the New York Stock Exchange Composite Tape and the cash dividends we declared and paid.

	High	Low	Dividends Declared	Dividends Paid
Year ended November 30, 2011:				
First quarter	$ 16.11	$ 11.41	$ .0625	$ .0625
Second quarter	13.67	10.86	.0625	.0625
Third quarter	12.27	5.09	.0625	.0625
Fourth quarter	8.00	5.02	.0625	.0625
Year ended November 30, 2012:				
First quarter	$ 12.91	$ 6.17	$ .0625	$ .0625
Second quarter	13.12	6.77	.0250	.0250
Third quarter	11.25	6.46	.0250	.0250
Fourth quarter	17.30	10.89	.0250	.0250
Year ended November 30, 2013:				
First quarter (through January 18, 2013)	$ 17.10	$ 13.86		

On January 18, 2013, the last reported sale price of our common stock on the New York Stock Exchange was $16.61 per share.

As of January 18, 2013, the number of record holders of our common stock was 733.

In our 2012 fiscal year, we paid total cash dividends of $0.1375 per share. Our board of directors has declared and paid quarterly cash dividends on our common stock since our initial public offering in 1986. However, the declaration and payment of cash dividends on shares of our common stock, whether at current levels or at all, are at the discretion of our board of directors, and depend upon, among other things, our expected future earnings, cash flows, capital requirements, debt structure and adjustments thereto, operational and financial investment strategy and general financial conditions, as well as general business conditions. Accordingly, in future periods there can be no assurance that we will pay cash dividends on shares of our common stock at current levels or at all.

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CAPITALIZATION

The following table shows our unaudited cash and cash equivalents and restricted cash and total capitalization at November 30, 2012:

- on an actual basis;

- on an as adjusted basis to reflect the issuance of $100.0 million of shares of our common stock offered hereby at the public offering price of $ per share (assuming no exercise of the underwriters option to purchase additional shares); and

- on a further as adjusted basis to reflect the completion of the concurrent notes offering of $150.0 million in aggregate principal amount of our % Convertible Senior Notes due 2019 (assuming no exercise of the underwriters over-allotment option). See Prospectus Supplement Summary Recent Developments Concurrent Notes Offering in this prospectus supplement.

The closing of this offering of our common stock is not conditioned upon the closing of the concurrent notes offering, and the closing of the concurrent notes offering is not conditioned upon the closing of this offering.

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You should read this table in conjunction with (i) Prospectus Supplement Summary Recent Developments Concurrent Notes Offering in this prospectus supplement, (ii) Selected Consolidated Financial Data and Use of Proceeds appearing elsewhere, or incorporated by reference, in this prospectus supplement, (iii) the information set forth under Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2012, which is incorporated by reference in this prospectus supplement and the accompanying prospectus, and (iv) the financial statements and notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended November 30, 2012, which is also incorporated by reference in this prospectus supplement and the accompanying prospectus.

	At November 30, 2012		
	Actual(1)	As Adjusted For This Offering(2) (In thousands)	As Further Adjusted For This Offering And The Concurrent Notes Offering(2)
Cash, cash equivalents and restricted cash			
Cash and cash equivalents(3)	$ 524,765	$ 619,640	$ 765,140
Restricted cash(4)	42,362	42,362	42,362
Total cash, cash equivalents and restricted cash	$ 567,127	$ 662,002	$ 807,502
Mortgages and notes payable			
Mortgages and land contracts due to land sellers and other loans	$ 52,311	$ 52,311	$ 52,311
5 3/4% Senior Notes due 2014(5)	75,911	75,911	75,911
5 7/8% Senior Notes due 2015(6)	101,999	101,999	101,999
6 1/4% Senior Notes due 2015(7)	236,826	236,826	236,826
9.100% Senior Notes due 2017(8)	261,430	261,430	261,430
7 1/4% Senior Notes due 2018(9)	299,129	299,129	299,129
8.00% Senior Notes due 2020(10)	345,209	345,209	345,209
7.5% Senior Notes due 2022(11)	350,000	350,000	350,000
% Convertible Senior Notes due 2019(12)			150,000
Total mortgages and notes payable	1,722,815	1,722,815	1,872,815
Stockholders equity			
Preferred stock $1.00 par value; authorized, 10,000,000 shares; none issued at November 30, 2012(13)			
Common stock $1.00 par value; authorized, 290,000,000 shares; 115,178,187 shares issued at November 30, 2012(14)(15)	115,178		
Paid-in capital	888,579		
Retained earnings	450,292		
Accumulated other comprehensive loss	(27,958)	(27,958)	(27,958)
Grantor stock ownership trust, at cost: 10,615,934 shares at November 30, 2012	(115,149)	(115,149)	(115,149)
Treasury stock, at cost: 27,340,468 shares at November 30, 2012	(934,136)		
Total stockholders equity	376,806		
Total capitalization	$ 2,099,621	$	$

(1) Audited; amounts in this column reflect rounding.

(2) Unaudited; amounts in these columns reflect rounding.

(3) The As Adjusted For This Offering and As Further Adjusted For This Offering And The Concurrent Notes Offering columns assume the receipt of net proceeds, after deducting the applicable underwriting discounts and our estimated expenses, from the issuance of $100.0 million of shares of our common stock in this offering, and $150.0 million in aggregate principal amount of notes at par in the concurrent notes offering. To the extent that we offer and sell more or less shares of common stock in this offering, or more or less notes at par in the concurrent notes offering, the cash and cash equivalents shown in such columns will reflect proportionately such increase or decrease, net of underwriting discounts, as applicable.

(4) Represents cash collateral for existing letter of credit facilities.

(5) Represents carrying amount, with principal amount of $76.0 million.

(6) Represents carrying amount, with principal amount of $102.2 million.

(7) Represents carrying amount, with principal amount of $236.9 million.

(8) Represents carrying amount, with principal amount of $265.0 million.

(9) Represents carrying amount, with principal amount of $300.0 million.

(10) Represents carrying amount, with principal amount of $350.0 million.

(11) Represents carrying amount, with principal amount of $350.0 million.

(12) Represents carrying amount, with principal amount of $0 million, Actual, $0 million, As Adjusted For This Offering, and $150.0 million, As Further Adjusted For This Offering And The Concurrent Notes Offering.

(13) We have designated 2,900,000 shares of our Preferred Stock as Series A Participating Cumulative Preferred Stock, par value $1.00 per share, none of which were issued or outstanding at November 30, 2012.

(14) We also have authorized for issuance 25,000,000 shares of Special Common Stock, par value $1.00 per share, none of which were issued or outstanding at November 30, 2012.

(15) Includes associated rights to purchase shares of our Series A Participating Cumulative Preferred Stock, par value $1.00 per share, which rights are attached to shares of our common stock in accordance with our stockholder rights plan. Such rights are not exercisable until the occurrence of certain events specified in the stockholder rights plan, are evidenced by the stock certificates representing the common stock and are transferable solely with the common stock.

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SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected consolidated financial information from our audited consolidated financial statements as of and for the fiscal years ended November 30, 2012, 2011, 2010, 2009 and 2008. You should read the selected consolidated financial data presented below in conjunction with our financial statements and the accompanying notes and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2012, which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Years Ended November 30,				
	2012	2011	2010	2009	2008
	(In Thousands, Except Per Share Amounts)				
Homebuilding:					
Revenues	$ 1,548,432	$ 1,305,562	$ 1,581,763	$ 1,816,415	$ 3,023,169
Operating loss	(20,256)	(103,074)	(16,045)	(236,520)	(860,643)
Total assets	2,557,243	2,480,369	3,080,306	3,402,565	3,992,148
Mortgages and notes payable	1,722,815	1,583,571	1,775,529	1,820,370	1,941,537
Financial Services:					
Revenues	$ 11,683	$ 10,304	$ 8,233	$ 8,435	$ 10,767
Operating income	8,692	6,792	5,114	5,184	6,278
Total assets	4,455	32,173	29,443	33,424	52,152
Consolidated:					
Revenues	$ 1,560,115	$ 1,315,866	$ 1,589,996	$ 1,824,850	$ 3,033,936
Operating loss	(11,564)	(96,282)	(10,931)	(231,336)	(854,365)
Net loss	(58,953)	(178,768)	(69,368)	(101,784)	(976,131)
Total assets	2,561,698	2,512,542	3,109,749	3,435,989	4,044,300
Mortgages and notes payable	1,722,815	1,583,571	1,775,529	1,820,370	1,941,537
Stockholders equity	376,806	442,657	631,878	707,224	830,605
Basic and diluted loss per share	$ (.76)	$ (2.32)	$ (.90)	$ (1.33)	$ (12.59)
Cash dividends declared per common share	$ .1375	$ .25	$ .25	$ .25	$ .8125
Ratio of earnings to fixed charges(a)(b)	(c)	(c)	(c)	(c)	(c)

(a) We compute earnings by adding fixed charges (except capitalized interest) 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.

(b) The ratio of earnings to fixed charges is computed on a consolidated basis.

(c) Earnings for the years ended November 30, 2012, 2011, 2010, 2009 and 2008 were insufficient to cover fixed charges for the period by $61.8 million, $119.4 million, $15.4 million, $197.6 million and $824.1 million, respectively.

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CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS APPLICABLE TO NON-U.S. HOLDERS

The following is a summary of certain U.S. federal income tax considerations relating to the purchase, ownership and disposition of shares of our common stock applicable to non-U.S. holders, as defined below, who acquire such shares in this offering and hold such shares as capital assets (generally, for investment) within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended to the date hereof (the Code). This summary does not address all aspects of U.S. federal income taxes and does not describe all of the tax consequences that may be relevant to a particular holder of common stock in light of such holder s particular circumstances. Additionally, this summary does not deal with special situations. For example, this summary does not address:

- tax consequences to holders who may be subject to special tax treatment, such as dealers in securities or currencies, financial institutions, regulated investment companies, real estate investment trusts, controlled foreign corporations, passive foreign investment companies, expatriates, tax-exempt entities, traders in securities that elect to use a mark-to-market method of accounting for their securities or insurance companies;
- tax consequences to persons holding shares of common stock as part of a hedging, integrated, or conversion transaction or a straddle or persons deemed to sell shares of common stock under the constructive sale provisions of the Code;
- tax consequences to corporations that accumulate earnings to avoid U.S. federal income tax;
- tax consequences to partnerships or other pass-through entities and investors in such entities; or
- alternative minimum tax consequences, if any.

Finally, this summary does not address other U.S. federal tax consequences (such as estate and gift tax consequences) or any state, local or foreign tax consequences.

The discussion below is based upon the provisions of the Code, and U.S. Treasury regulations, rulings and judicial decisions as of the date hereof. Those authorities are subject to change and differing interpretation, perhaps retroactively, so as to result in U.S. federal income tax consequences different from those discussed below. This summary does not address all aspects of U.S. federal income taxes and does not deal with all tax consequences that may be relevant to holders in light of their personal circumstances.

If a partnership or other pass-through entity holds shares of common stock, the tax treatment of a partner in the partnership or member of the pass-through entity will generally depend upon the status of the partner or member and the activities of the partnership or pass-through entity. If you are a partner of a partnership or member of a pass-through entity holding shares of our common stock, you should consult your tax advisor concerning the tax consequences of holding and disposing of our common shares.

The term non-U.S. holder means a beneficial owner of shares of common stock (other than a partnership or other pass-through entity) that is, for U.S. federal income tax purposes, a nonresident alien individual, a foreign corporation, or an estate or trust that is neither of the following:

- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

- a trust that (i) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

This summary of U.S. federal income tax considerations is for general information purposes only and does not constitute legal or tax advice. If you are considering the purchase of shares of common stock, you should consult your own independent tax advisor with regard to the application of the tax consequences discussed below to your particular situations as well as the application of any state, local foreign or other tax laws, including gift and estate tax laws and any applicable tax treaty.

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Distributions on the Common Stock

Distributions on our common stock, other than certain pro rata distributions of common shares, will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, as of the end of the taxable year of the distribution. To the extent those distributions exceed our current and accumulated earnings and profits, the distributions will first constitute a return of capital and will reduce a non-U.S. holder s basis, but not below zero, and then will be treated as gain from the sale of shares and may be subject to U.S. federal income tax as described below.

Any distribution that is a dividend, as described above, paid with respect to the shares of common stock generally will be subject to withholding tax at a 30% rate or such lower rate as specified by an applicable income tax treaty, unless the dividend is effectively connected with the conduct by the holder of a trade or business within the United States, in which case it will be taxed as discussed below. We may withhold 30% of either (i) the gross amount of the entire distribution, even if the amount of the distribution is greater than the amount constituting a dividend once determined, as described above, or (ii) the amount of the distribution we project will be a dividend, based upon a reasonable estimate of both our current and our accumulated earnings and profits for the taxable year in which the distribution is made, in each case as provided for in the Treasury Regulations. If it is subsequently determined that the amount of tax withheld exceeds the amount of withholding tax applicable to the portion of the distribution constituting a dividend, then holders may obtain a refund of any such excess amounts if they timely file an appropriate claim for refund with the IRS.

However, dividends that are effectively connected with the conduct of a trade or business within the United States and, where an applicable tax treaty so provides, are attributable to a U.S. permanent establishment or fixed base, are not subject to the withholding tax, but instead are subject to U.S. federal income tax on a net income basis at applicable graduated individual or corporate rates. Certain certification and disclosure requirements must be complied with in order for effectively connected income to be exempt from withholding. Any such effectively connected dividends received by a foreign corporation may, under certain circumstances, be subject to an additional branch profits tax at a 30% rate or such lower rate as specified by an applicable income tax treaty.

A non-U.S. holder of shares of common stock who wishes to claim the benefit of an applicable treaty rate is required to satisfy applicable certification and other requirements. If a non-U.S. holder is eligible for a reduced rate of U.S. withholding tax pursuant to an income tax treaty, the holder may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS.

Sale, Exchange, Redemption or Other Disposition of Common Stock

Subject to the discussion of backup withholding and the discussion of withholding on foreign accounts below, any gain realized by a non-U.S. holder upon the sale, exchange, redemption (provided the redemption is treated as a sale or exchange) or other taxable disposition of shares of our common stock will not be subject to U.S. federal income tax unless:

- that gain is effectively connected with the conduct of a trade or business in the United States (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment or fixed base);
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition, and certain other conditions are met; or

our company is or has been a United States real property holding corporation during the applicable statutory period and either (i) our common stock is not regularly traded on an established securities market, or (ii) our common stock is regularly traded on an established securities market, and the non-U.S. holder actually or constructively holds (or within the last five years has held) common stock with a fair market value on the relevant date of determination that is greater than 5% of the total fair market value of our common stock on such date. Our company has not determined whether it is a United States real property holding corporation.

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A non-U.S. holder described in the first bullet point above will be subject to U.S. federal income tax on the net gain derived from the sale under regular graduated U.S. federal income tax rates. If a non-U.S. holder is eligible for the benefits of a tax treaty between the United States and its country of residence, any such gain will be subject to U.S. federal income tax in the manner specified by the treaty and generally will only be subject to such tax if such gain is attributable to a permanent establishment or fixed base maintained by the non-U.S. holder in the United States. To claim the benefit of a treaty, a non-U.S. holder must properly submit an IRS Form W-8BEN (or suitable successor or substitute form). A non-U.S. holder that is a foreign corporation and is described in the first bullet point above will be subject to tax on gain under regular graduated U.S. federal income tax rates and, in addition, may be subject to a branch profits tax at a 30% rate or a lower rate if so specified by an applicable income tax treaty.

A non-U.S. holder described in the second bullet point above will be subject to a flat 30%, or such lower rate as may be specified by an applicable income tax treaty, U.S. federal income tax on the gain derived from the sale, which may be offset by U.S. source capital losses, even though the holder is not considered a resident of the United States, provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, if income from the sale or exchange of shares of our common stock is subject to tax because our company is determined to be a United States real property holding corporation, then, so long as our common stock continues to be regularly traded on the New York Stock Exchange or another established securities market, only non-U.S. holders who hold (or have held within the last 5 years) more than 5% of the fair market value of our common stock will be subject to U.S. federal income tax on the net gain (with such tax determined under regular graduated U.S. federal income tax rates). Non-U.S. holders who hold (or have held within the last 5 years) more than 5% of our common shares should consult their tax advisors regarding the possibility that the sale, exchange, repurchase, or redemption of our common stock may be subject to U.S. federal income taxation and withholding in the event that our company is determined to be a United States real property holding corporation.

Information Reporting and Backup Withholding

Generally, we must report to the IRS and to non-U.S. holders the amount of dividends paid to the holder and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such dividend payments and any withholding may also be made available to the tax authorities in the country in which the holder resides under the provisions of an applicable income tax treaty.

In general, a non-U.S. holder will not be subject to backup withholding with respect to payments of dividends that we make to the holder if the holder provides proper certification of its status as a non-U.S. holder or otherwise establishes an exemption (provided that neither we nor our paying agent has actual knowledge, or reason to know, that the conditions of any exemption are not, in fact, satisfied).

A non-U.S. holder will be subject to information reporting and, depending on the circumstances, backup withholding with respect to the proceeds of the sale or other disposition of shares of our common stock within the United States or conducted through certain U.S.-related payors, unless the payor of the proceeds receives the statement described above or the holder otherwise establishes an exemption (provided that neither we nor our paying agent has actual knowledge, or reason to know, that the conditions of any exemption are not, in fact, satisfied).

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a holder s U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

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Recent Legislation Relating to Withholding on Foreign Accounts

Under legislation enacted in 2010, a 30% withholding tax generally may be imposed on dividends on, and gross proceeds from the sale or other disposition of, our common stock paid to (i) a foreign financial institution (as defined in the legislation), unless such institution enters into an agreement with the United States government to collect and provide to the United States tax authorities substantial information regarding United States account holders of such institution (which would include certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with United States owners), or (ii) a foreign entity that is not a financial institution, unless such entity either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner. Under certain administrative transition rules, any obligation to withhold under the legislation with respect to payments of dividends on shares of our common stock will not begin until January 1, 2014, and with respect to the gross proceeds of a sale or other disposition of our common stock will not begin until January 1, 2017. Prospective investors should consult their tax advisors regarding this legislation and any potential impact on an investment in our shares.

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UNDERWRITING

Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc. are acting as joint book-running managers of the offering and Credit Suisse Securities (USA) LLC and Citigroup Global Markets Inc. are acting as representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has severally agreed to purchase, and we have agreed to sell to that underwriter, the number of shares set forth opposite the underwriter s name.

Underwriter	Number of Shares
Credit Suisse Securities (USA) LLC	
Citigroup Global Markets Inc.	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Deutsche Bank Securities Inc.	
Total	

The underwriting agreement provides that the obligations of the underwriters to purchase the shares included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all the shares (other than those covered by the underwriters option to purchase additional shares described below) if they purchase any of the shares.

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus supplement. Any shares sold by the underwriters to securities dealers may be sold at a discount from the initial public offering price not to exceed $ per share. If all the shares are not sold at the initial offering price, the underwriters may change the offering price and the other selling terms.

If the underwriters sell more shares than the total number set forth in the table above, we have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to additional shares at the public offering price less the underwriting discount. To the extent the option is exercised, each underwriter must purchase a number of additional shares approximately proportionate to that underwriter s initial purchase commitment. Any shares issued or sold under the option will be issued and sold on the same terms and conditions as the other shares that are the subject of this offering.

We, our executive officers and our directors have agreed that, for a period of 90 days from the date of this prospectus supplement, we and they will not, without the prior written consent of Credit Suisse Securities (USA) LLC and Citigroup Global Markets Inc., directly or indirectly, offer, sell, contract to sell or otherwise dispose of, any shares of our common stock or any securities convertible into or exchangeable or exercisable for our common stock, subject to certain exceptions. Credit Suisse Securities (USA) LLC and Citigroup Global Markets Inc., in their sole discretion may release any of the securities subject to these lock-up agreements at any time without notice.

The shares are listed on the New York Stock Exchange under the ticker symbol KBH.

The following table shows the underwriting discounts that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional shares.

	Paid by KB Home	
	No Exercise	**Full Exercise**
Per share	$	$
Total	$	$

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We estimate that the total expenses we will incur in connection with the sale of the shares, other than the underwriting discounts, and the concurrent notes offering will be $.

In connection with the offering, the underwriters may purchase and sell shares in the open market. Purchases and sales in the open market may include short sales, purchases to cover short positions, which may include purchases pursuant to the underwriters option to purchase additional shares, and stabilizing purchases.

Short sales involve secondary market sales by the underwriters of a greater number of shares than they are required to purchase in the offering.

Covering transactions involve purchases of shares either pursuant to the underwriters option to purchase additional shares or in the open market after the distribution has been completed in order to cover short positions.

Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of the shares. They may also cause the price of the shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

Conflicts of Interest

The underwriters are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The underwriters and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for us from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. We have engaged Citigroup Global Markets Inc. (CGMI), one of the joint book-running managers and underwriters in this offering and the notes offering, to assemble a syndicate of financial institutions to provide a new unsecured revolving credit facility, and affiliates of CGMI and each of the other underwriters or their affiliates may also participate in such new credit facility. See Prospectus Supplement Summary Recent Developments Potential Revolving Credit Facility. In addition, each of the underwriters is participating as an underwriter in the concurrent notes offering. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. If any of the underwriters or their affiliates has or enters into a lending relationship with us, certain of those underwriters or their affiliates routinely hedge, and certain other of those underwriters or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

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Notice to Prospective Investors in the United Kingdom

This prospectus supplement and the accompanying prospectus are only being distributed to, and are only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such p