



2004 Annual Report

Financial Scorecard

In millions, except per share and unit amounts

<i>Years ended November 30,</i>	2004	1999	1994	5-YR CAGR	10-YR CAGR
Units	31,646	22,422	7,824	7%	15%
Total Revenues	\$ 7,053	\$ 3,836	\$ 1,338	13%	18%
Net Income	\$ 481	\$ 147	\$ 47	27%	26%
EPS	\$ 11.40	\$ 3.08	\$ 1.09	30%	26%
Stock Price	\$ 88	\$ 22	\$ 13	32%	21%

**Our story
begins where
the year
ended...
with numbers
that are
extraordinary.**



\$7.05B

Revenues up 21% from 2003





\$11.40

30% increase in diluted EPS

\$116

Stock price reaches all-time high as of February 4, 2005

**How we
got here is
even more
extraordinary!**



*Bruce Karatz
Chairman and Chief Executive Officer
KB Home*

Dear Shareholders:

As recently as the 1970s, most of us bought our cars from one of three auto makers, got our entertainment from three TV networks, and depended on one lone provider for our telephone service. Choices, when we had them at all, were few in number and limited in scope.

But today, supermarkets are stacked to the rafters with different varieties of soups, sodas, snacks and cereals. Drugstores are lined with an overabundance of shampoos and skin-care products. Home PCs are gateways to countless online retailers, news sites and weblogs, and cable and satellite providers now pipe hundreds of channels into our living rooms.

All of which is to say, modern consumers have gotten a taste of real variety, and they like it. Indeed, they no longer view extensive choice as a luxury—they see it as a birthright.

So whenever I'm challenged to succinctly explain how KB Home has transformed itself from a California builder that rang up \$1.34 billion in revenues on deliveries of 7,824 homes in 1994 to a \$7.05 billion national powerhouse that delivered 31,646 homes in 36 fast-growing U.S. markets and France in 2004, I summarize our success in a word: Choice.

KB Home offers buyers more choices in how their homes look, feel and function than any other major homebuilder.

And that helps explain how our 2004 pretax income soared to \$717.7 million—nearly 10 times the \$73.9 million total we posted a decade ago.

The reason we're the nation's homebuilder of choice has everything to do with KBnxt, the revolutionary business model our company adopted in 1996.

KBnxt works because it aligns homebuyers' inherent desire to exercise greater control over how their homes are designed with KB Home's strategy to offer superior quality, well-priced homes while avoiding the risks associated with speculative building.

Options to Buy

Because our homes are built to order only after qualified buyers secure their mortgage financing, those buyers enjoy the freedom to customize: they choose their community, homesite and a unique floor plan, then select from among the 5,000-plus options at our KB Home Studios.

Newsweek recently likened the unique KB Home Studio shopping experience to "a child's trip to Disney World."

In the magazine's September 20, 2004 edition, Newsweek reporter Daniel McGinn continued: "The showroom is filled with granite counters, oak cabinetry, sleek appliances and young



couples tricking out their dream home...from superinsulated windows to built-in surround-sound speakers."

This hunger for greater choice is typical among buyers across generations, geographic regions and income levels, which is why everyone, from first-time and second-move-up buyers to those in the luxury and active-adult categories, is finding something to get excited about in KB Home's diverse product mix.

Freestanding single-family homes continue to constitute the bulk of our sales, though in recent years, we've also developed attached single-family units, as well as high-density urban in-fill products.



Tremendous Geographic Expansion

Coast-to-Coast Growth from 9 to 36 Major U.S. Markets in Just 10 Years

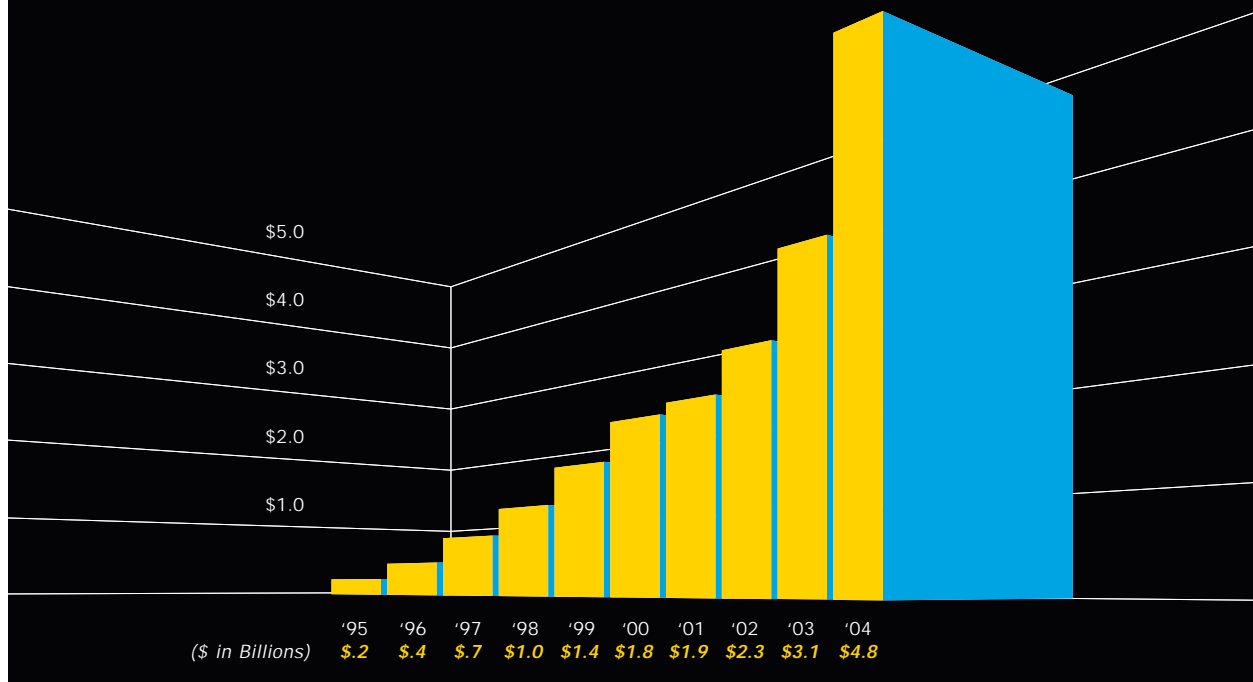
PHOENIX, AZ
TUCSON, AZ
LOS ANGELES, CA
OAKLAND, CA
ORANGE COUNTY, CA
RIVERSIDE, CA
SACRAMENTO, CA
SAN DIEGO, CA
STOCKTON, CA
DENVER, CO
GREELEY, CO
DAYTONA BEACH, FL

FORT MYERS, FL
JACKSONVILLE, FL
LAKELAND, FL
MELBOURNE, FL
ORLANDO, FL
PORT ST. LUCIE, FL
SARASOTA, FL
TAMPA, FL
ATLANTA, GA
CHICAGO, IL
INDIANAPOLIS, IN
CHARLOTTE, NC
RALEIGH-DURHAM, NC

ALBUQUERQUE, NM
LAS VEGAS, NV
CHARLESTON, SC
COLUMBIA, SC
GREENVILLE, SC
AUSTIN, TX
DALLAS, TX
FORT WORTH, TX
HOUSTON, TX
RIO GRANDE VALLEY, TX
SAN ANTONIO, TX
FRANCE

Backlog at All-Time High

Value Totals \$4.82 Billion, Up 57% from 2003



Growth on a Grand Scale

KB Home has long been the value leader among major builders in the markets where we operate, and that commitment to offering affordably priced homes to entry-level homebuyers remains a cornerstone of our business strategy. But in a move that exemplifies our growing commitment to serve a broader group of buyers, we recently unveiled the brand new KB Home luxury series.

This diversity of product and pricing, along with the geographic expansion we've successfully undertaken since the mid-1990s, has brought a new level of consistency and predictability to our financial results, as well as a great deal of momentum:

- + Our \$7.05 billion in total revenues represented a 21% gain over our 2003 total of \$5.85 billion. For the past 10 years, company revenues have risen at a compound annual growth rate of 18%.
- + Earnings per share for the year rose 30% to \$11.40, compared with \$8.80 one year ago.
- + We closed out the year with an order backlog of 20,280 homes, a 38% gain over our 2003 total. This translates to approximately \$4.82 billion in future revenues, a 57% increase over 2003. In both units and dollar value, this was the highest year-end backlog in the Company's history.



- + Unit deliveries for 2004 climbed to 31,646, a 16% increase over 2003's 27,331 total.
- + At year end, KB Home boasted 483 active selling communities in the U.S. and France, compared with 392 in 2003. Community count, incidentally, has far more bearing on order growth than any other single factor, including interest rates. A statistical review of our order growth since 1990 revealed that the correlation between order growth and community count was 1.0, while the correlation between order growth and changes in interest rates was just 0.76.

Given this performance, it shouldn't surprise you to learn that KB Home is making quicker-than-expected progress toward the ambitious financial targets we've set for 2007, which include 50,000 unit deliveries, \$10 billion in revenues, earnings per share of \$20, and a 16% return on invested capital. I have every confidence that we're on track to meet or exceed those goals.

Satisfaction—by the Numbers

That KBnxt has been a boon for buyers is borne out by our bottom line and our balance sheet. But numbers aren't the only gauge of our success.

Perhaps the greatest point of pride for our entire organization this past year was our performance on vitally important customer satisfaction surveys, particularly those conducted by J.D. Power and Associates, which placed KB Home first among all homebuilders in the Austin market and among the top three builders in Las Vegas, Houston and Raleigh.

Overall, the survey findings, which were based on responses from more than 64,000 new-home buyers, saw us posting the most improved performance of any builder in the nation. Indeed, our ranking put us just one point away from second place among all U.S. homebuilders.

We attribute these gains in part to some of our newer initiatives, such as our contractor certification program, our exacting “Power of 10” quality-assurance audits, and our “Say Yes!” program, which aims to quickly and thoroughly resolve any outstanding issues buyers may have with their homes. But a fair amount of credit also goes to deeply entrenched systems and structures that have defined the way we do business.

High Standards Set and Met

Unlike many of our major competitors, KB Home operates as a single national brand in every one of our U.S. markets.

So while we naturally tailor our product to suit local preferences, and while we respect civic, geographic and cultural differences wherever we build, our essential systems and procedures remain the same from coast to coast, and from division to division.

We go to great lengths to perpetuate that consistency through ongoing sharing of best practices and by investing significant resources each year in training and development companywide. Our online KB University (KBU), for example, boasts sophisticated web-based interactive learning modules that help make every employee a repository of institutional knowledge and know-how.



In 2004, KB Home employees earned more than 93,000 KBU certifications that testify to their skill at delivering products and service second to none in our industry. We subscribe to the maxim that, “*When less is left to learn, little is left to chance.*”

Facts First

For KB Home, basing critical decisions on extensive proprietary research is the first step toward creating legions of satisfied homebuyers. When I came to the homebuilding business more than 30 years ago, the industry was dominated by a breed

Building Around the Clock

A company that's in constant forward motion doesn't spend much time or energy looking over its shoulder or poring through the archives. KB Home is a homebuilder intent on making history, not reading about it.



Still, every so often, we stumble upon a reminder of our formative years in this business, and it only serves to remind us of just how far we've come as an organization.

In November, a colleague who was cleaning out a file drawer happened upon a document he had saved for posterity when he joined our company years before. It was a typewritten backgrounder on KB Home (then Kaufman and Broad, Inc.), drafted by the Company's former director of corporate communications and dated February 25, 1970. It apparently had been designed as an orientation piece for new employees. And it provides some fairly striking contrasts with the KB Home of today.

"Kaufman and Broad was founded in 1957 with invested capital of approximately \$25,000. Without additional capital investment, the company increased its net worth to approximately \$1.7 million at the time of its initial public offering in 1961," the document boasts. "Currently, the company has 42 major housing developments underway..."

Clearly, at the time, these were impressive figures, but by our standards today, they don't just pale—they blanch.

Delivering 31,646 homes in 483 communities in 2004 meant that KB Home built a new home every 16 minutes of every day, 24 hours a day, 365 days a year. Next year, we'll build a home every 14 minutes.

— B.K.

of businessperson often described as "instinct-driven." Builders in those days relied primarily on their hunches when it came to deciding what, where and when to build, and this finger-in-the-wind approach proved to be the undoing of many builders when their local economies took a turn for the worse.

But under KBnxt, facts come first. Our encyclopedic, market-by-market homebuyer surveys ensure we collect solid, bankable data on everything that matters to the total population of buyers in any given region, from the features they consider most essential in their residences and communities to their attitudes toward particular local neighborhoods.

We ask them about pricing, about financing and about the drivers that influence their purchase decisions. In the process, we learn everything we need to know to make ourselves the builder of choice in their community.

When coupled with detailed background about an area's demographics, traffic flow, employment base and other variables, this survey data can be used by our in-house land acquisition, land development and architecture groups to make shrewd judgments about where to locate new-home communities and which types of products and options to offer once we're there.



16.5%

After-tax returns on invested capital for 2004



31,646

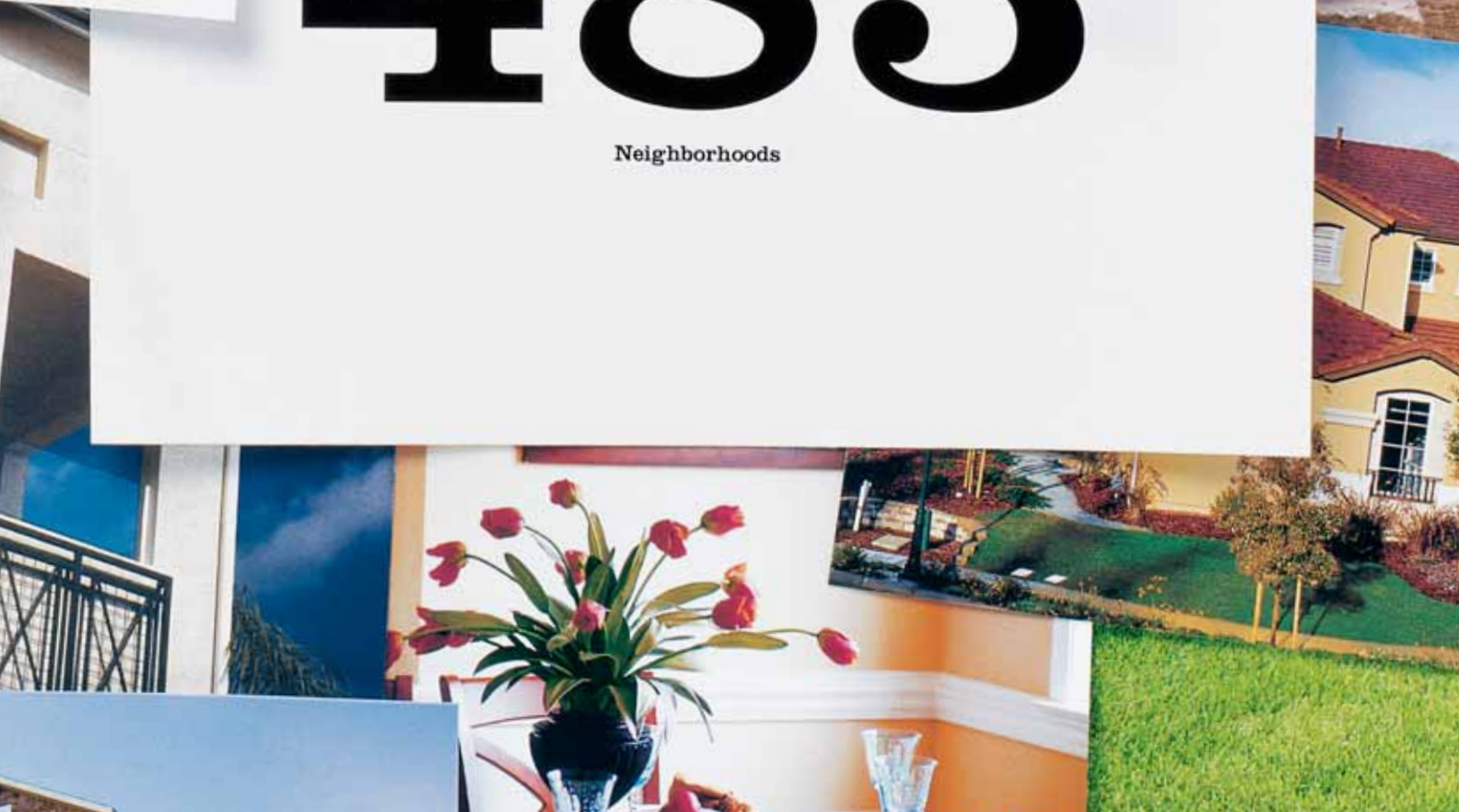
Homes delivered in 2004

%



483

Neighborhoods





The tenure of our Regional General Managers and Chief Operating Officer averages 14 years, providing skilled leadership and tremendous expertise. Regional General Managers, left to right: Glen Barnard: Central, Steven M. Davis: Southeast, John "Buddy" E. Goodwin: Florida, Leah S. W. Bryant: Southwest, Robert Freed: Northern California, Jay L. Moss: Southern California, Larry E. Oglesby: Texas. Inset photo: Jeffrey T. Mezger, Executive Vice President and Chief Operating Officer.

In other words, research helps guarantee that we're where people want to be, with homes they want to buy, at prices they want to pay. Over the course of the past several years, this process has smoothed the way for KB Home's entry into, and expansion within, new markets from coast to coast.

Big Picture Considerations

The beauty of KBnxt is that it allows our company to offer buyers more choice while simultaneously reducing the financial risk associated with building communities of homes on spec. By building to order and

keeping fixed costs low, KB Home exercises the option to rev up or scale back its efforts as market conditions dictate. That remarkable flexibility is why we remain, as our 2007 projections indicate, decidedly optimistic about KB Home's ability to thrive even if homebuilders were eventually to find themselves in a less favorable interest rate environment. The reason is no more complicated than the law of supply and demand. Today, there are 100 million Americans aged 25 or younger, and as the Harvard Center for Joint Housing Studies pointed out in its annual report on the state of the nation's housing this past year:



“The Census Bureau’s newly revised population estimates imply that household growth from 2005–15 will be as much as 1.1–2.0 million more than the Joint Center for Housing Studies previously projected. Add to that the growing demand for second homes and replacements of units lost from the stock, and the total number of homes built in 2005–15 could reach 18.5–19.5 million units. This compares with 16.4 million homes added in the 1990s.”

As it happens, our price leadership and extensive multilingual marketing make KB Home particularly well positioned to serve the groups that are fueling this ongoing demand.

“Immigration has been, and will continue to be, an important driver,” the Harvard report continued, noting that minorities’ share of households jumped from 17% in 1980 to 26% in 2000, and that the figure will likely reach about 34% by 2020.

Another group expected to continue making a significant impact on the housing marketplace are single-women heads of households, whose numbers increased by 10 million between 1980 and 2000, according to the Harvard report.

Healthy demand certainly speaks to the long-term opportunities ahead for homebuilders. What’s more, it’s important to remember that interest rates aren’t typically the ultimate determinant of whether or when people decide to buy a home. Life circumstances—a new job, the arrival of a new child, the desire to relocate once children are grown—often handily trump interest rates. And while the Federal Reserve is a powerful machine, it hasn’t yet demonstrated an ability to exert influence over couples’ child-rearing plans or individual employers’ hiring decisions.

Also, the Harvard study notes that if long-term interest rates rise “many homebuyers would choose a hybrid adjustable rate mortgage with a 5- or 7-year fixed term instead of a 30-year fixed rate mortgage. This could blunt some of the impact of higher rates and keep buyers in the market.”

Growing Wiser All the Time

Favorable population dynamics being what they are, KB Home is taking smart steps to serve more buyers by continuing to increase its presence in fast-growing markets.

As we did in 2004 with the purchase of South Carolina's Palmetto Traditional Homes and Indiana's Dura Builders, Inc., KB Home will continue to carefully assess acquisition opportunities. At the same time, *de novo* and organic growth efforts have become the focus of our expansion efforts moving forward.

For a homebuilder, having operations that span a wide swath of buyer segments in multiple high-growth regions—and, in our case, in France as well—mitigates the risks associated with having too much riding on any one region's economic fortunes. In 2004, 17% of KB Home's unit deliveries were in our West Coast region, compared with 80% in 1994. The Southwest, Central and Southeast regions made up 23, 29 and 16%, respectively, this past year. France provided the balance, at 15%. But even as we've fanned out across the country, we've remained highly selective in our choice of markets. We believe investors appreciate that our growth criteria are as rigorous and disciplined as every other aspect of our operations.



In our view, it's the only way to run a homebuilding business. And our results attest to this.

KB Home's Board of Directors and executive team take great pride in the exceptional value we've been able to return to shareholders over the course of the past decade, and in the fact that our debt-to-total-capitalization ratio now makes us consistent with an investment grade rating.



In December, KB Home announced a 50% increase, from \$1.00 to \$1.50 per share, in the annual cash dividend on our common stock. We also announced our Board of Directors' intent to declare a 2-for-1 common stock split in spring 2005, subject to shareholder approval.

The nature of my position means that I wind up getting much of the credit for these results, but that credit frankly belongs to *all* of our employees and to a Board that comprises some of the most distinguished entrepreneurs, leaders and thinkers anywhere in the world. This past year, two new directors joined our Board: Leslie Moonves, Co-President

and Co-Chief Operating Officer of Viacom, Inc. and Melissa Lora, Chief Financial Officer of Taco Bell Corp. The breadth and depth of their extraordinary backgrounds, combined with those of our eight other non-employee, independent directors, provide me with a level of sage, experienced counsel that very few CEOs are ever fortunate enough to benefit from. With their input, I truly believe that KB Home has the ability to eclipse even the most substantial of our past achievements in the very near future.

A Final Word...

I'm often asked what it is that keeps me excited about our company and the homebuilding industry as a whole after more than three decades on the job. It's a fair question, but it's almost always posed by people outside of our organization.

Because anyone working at KB Home, or closely enough with us to get a sense of who we are, understands exactly why there's never been a better time to be here.

The fact is, very few people are ever fortunate enough to work at a truly great company, one that can reinvent itself to respond to new realities while remaining true to its roots, one that never stagnates, self-congratulates or rests on its laurels, one that's roundly recognized as a leader and an innovator.



And fewer still ever have the privilege of working arm-in-arm with some of the most talented professionals in the nation to produce a product that matters as much to people, to communities and to our society as a whole as a family home does.

I'm fortunate to do both. And it never grows old for me. I still thrive on the creativity and the commitment of our people. I still find myself energized by coming to the office and teaming with great minds to determine how we can do what we already do well, better.

All of which is to say that signing on with the homebuilder that's now synonymous with choice was, without a doubt, the best choice I've ever made.

In coming years, as in years past, we will once again do all we can to help ensure KB Home is one of the best choices you'll ever make.

*Bruce Karatz
Chairman and Chief Executive Officer
February 2005*

**The pages
that follow outline
the hallmarks
and qualities
of our business.**

**We invite you
to take a closer look
and learn exactly
why we've been
America's
builder of choice
since 1957.**

POST CLOSE FOLLOW-UP
*10 Year Warranty
*#1 JD Power

REFERRAL SALES
*Community Events

MARKET RESEARCH
*Research-Based
Decision Making

CUSTOMER SERVICE

SURVEY



BUILD CYCLE

BUILD TO ORDER
*6 Month Backlog
*Even Flow Production

CUSTOM DESIGN
YOUR HOME

DEVELOP
NEW
COMMUNITY

ACQUIRE LAND
*3 to 4 Year Supply

DEVELOP LAND
*Below Market Costs

OPEN NEW COMMUNITIES
*15%-20% Growth
2004/2005

PRE-QUALIFY FOR MORTGAGE
CHOICE OF DESIGN OPTIONS
*5,000+ Options at
our Design Studio
CHOICE OF FLOOR PLANS
*15-20 Floor Plans per Community

"Back in 1990, for example, 65% of home builder KB Home's inventory was unsold; today KB Home...has virtually no unsold inventory."



KBnxt Business Model for Success

Strategy

- + The KBnxt model maximizes KB Home's opportunity to acquire, entitle and develop land at price points that will support entry level, first-time move-up, second-time move-up, luxury and active adult homebuyers
- + KBnxt established fact-based, survey-driven, market and land acquisition strategies
- + The strategies are specific by submarket, product and price point
- + The focus is buying the best properties at market prices
- + Aggressive growth and land acquisition strategies are expected to result in a 15%–20% increase in the number of communities between 2004–2005
- + The Company continues to expand organically and strategically into robust markets
- + In order to accomplish these strategies, KB Home recruits and retains the most talented employees possible in every field
- + KB Home takes pride in its "Say Yes" commitment to customers

KBnxt Business Model Provides Key Benefits to Buyers Through Choice and Value

- + Variety of beautiful neighborhood locations
- + Large selection of floor plans and structural options to create a home built to order
- + KB Home Studio design options that provide a truly custom experience
- + A commitment to quality and customer service that is second to none
- + One-stop shopping with numerous financing programs through the KB Home Mortgage Company

Leaders in Strategic Land Acquisition

Experience

- + Decisions on land acquisitions are made at the division level and then ratified by KB Home's Land Committee
- + The Land Committee is comprised of the senior-most executives within KB Home
- + The Land Committee consists of true land experts, all of whom have extensive experience in successful land transactions and who appreciate the importance of speed in the decision-making process
- + Meetings of the Land Committee take place no less frequently than on a weekly basis and decisions are made immediately
- + The speed and commitment displayed by the Land Committee, in regard to transactions and acquisitions, distinguish KB Home from the rest of the industry
- + From entitlements to finished lots, and in-fill to master-plan communities, KB Home analyzes each opportunity individually to ensure that it is consistent with the acquisition strategy
- + KB Home has the ability and experience in acquiring large land holdings to offer multiple products within the same community or throughout its markets, enhancing the land acquisition strategy
- + The Land Committee commits to land that may be used for master-plan communities, single-family dwellings, townhomes and condominiums, and mixed-use, high-density, in-fill developments



A SIERRA PRO
B HOME
VERSIDE DIVISION

DINING

FAMILY

BTLR'S PAN

PAN

M. BATH



Sa
KB CO

Preliminary First Floor

"KB Home of Los Angeles...recently introduced four-stall garages in Southern California, something the company has never done before, according to Jeffrey Mezger, the chief operating officer. 'The garage is now part of the lifestyle of the home people live in... It's a flex space that they now incorporate into the way they live.'"



Architecture, Land Planning and Design

Expertise

- + Unique to the industry, KB Home has its own in-house architecture design teams
- + Architecture centers are located in Costa Mesa, California and Atlanta, Georgia
- + KB Home design experts create home designs, elevations, neighborhoods, infrastructure and amenities based on feedback from homeowners' preferences
- + Sophisticated homebuyer surveys are conducted by KB Home and drive design and development through in-house architecture and land planning
- + KB Home professionals also have expertise in land planning, landscape architecture, monumentation design and other community features
- + KB Home architecture utilizes theme elements throughout a community that involve landscaping, monumentation, club-houses, outdoor lighting, street designs and walking paths
- + The goal is to create a sense of community and belonging in every beautiful new neighborhood

Homes for All Lifestyles

Choice

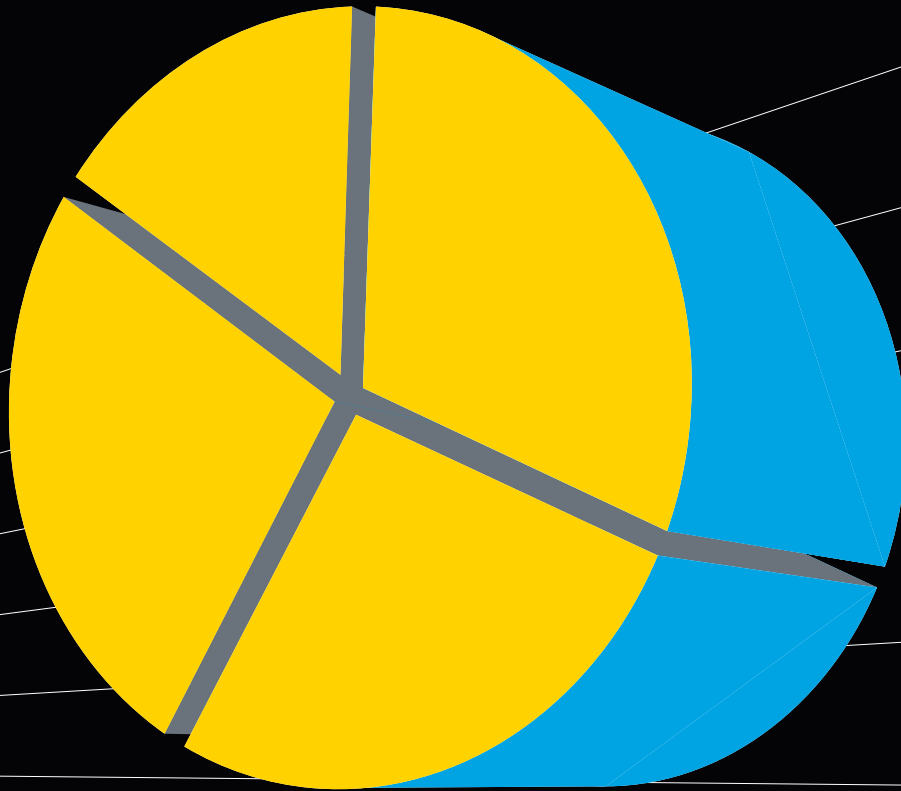
- + With an amazing array of home designs, KB Home delivered 31,646 new homes in 2004
- + KB Home offers prices ranging from \$80,000 to over \$1 million
- + The architecture and design of all KB homes is determined by preferences drawn from homebuyer surveys and is complimentary to the particular styles of the geographic locations
- + KB Home builds master-plan communities, single-family dwellings, townhomes and condominiums, luxury homes and mixed-use, in-fill developments
- + KB Home builds suburban communities, as well as high-density, urban communities for those who prefer living closer to the city

Entry Level
< 1,500 sq. ft.

16%

Entry Level / First Move-Up
1,500 – 2,000 sq. ft.

31%



26%

Second Move-Up and Luxury
> 2,500 sq. ft.

27%

First Move-Up
2,000 – 2,500 sq. ft.



Coast to

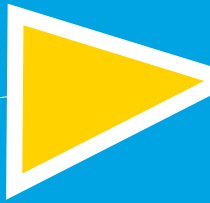


West : CA



Desert : AZ
NM
NV

o Coast!



Central : CO
IL
IN
TX
WI



Southeast : FL
GA
NC
SC



WEST COAST:

- * Northern California
- * Southern California





DESERT:

- * Arizona
- * Nevada
- * New Mexico







CENTRAL:
* Texas



CENTRAL:

- * Colorado
- * Illinois
- * Indiana
- * Wisconsin









SOUTHEAST:

- * North Carolina
- * South Carolina
- * Georgia

SOUTHEAST:
* Florida







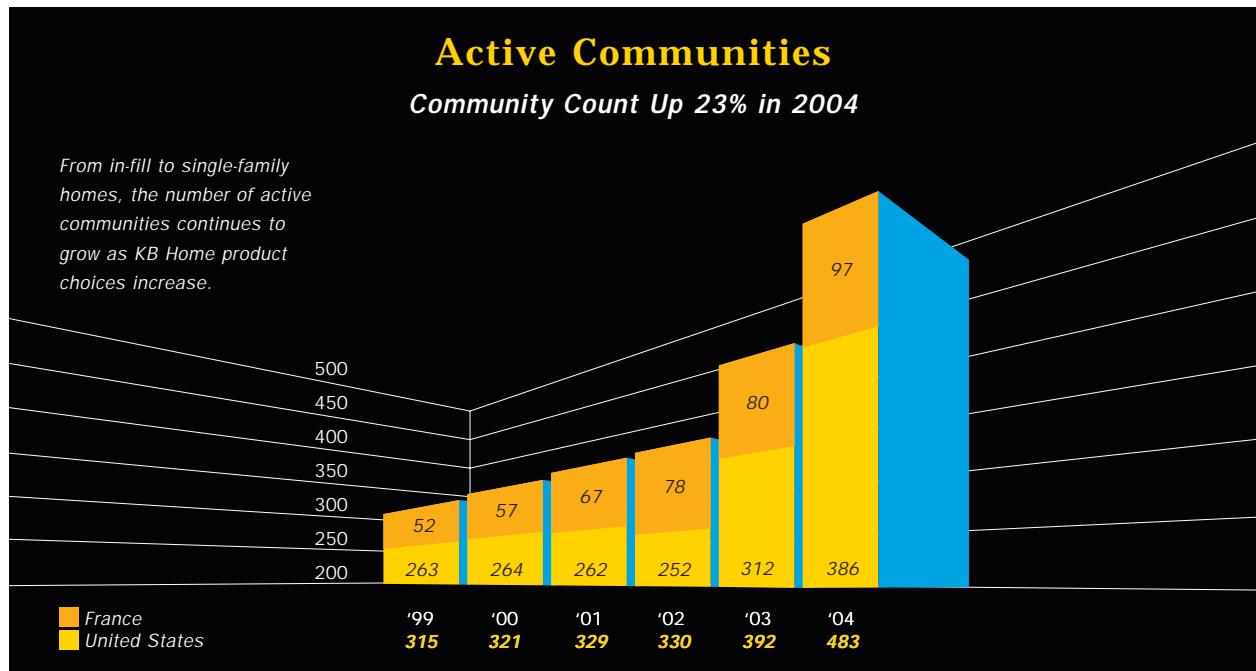
“And KB’s Karatz says that urban housing will constitute 6% of the 32,000 homes his company builds this year, up from virtually nothing years ago.”

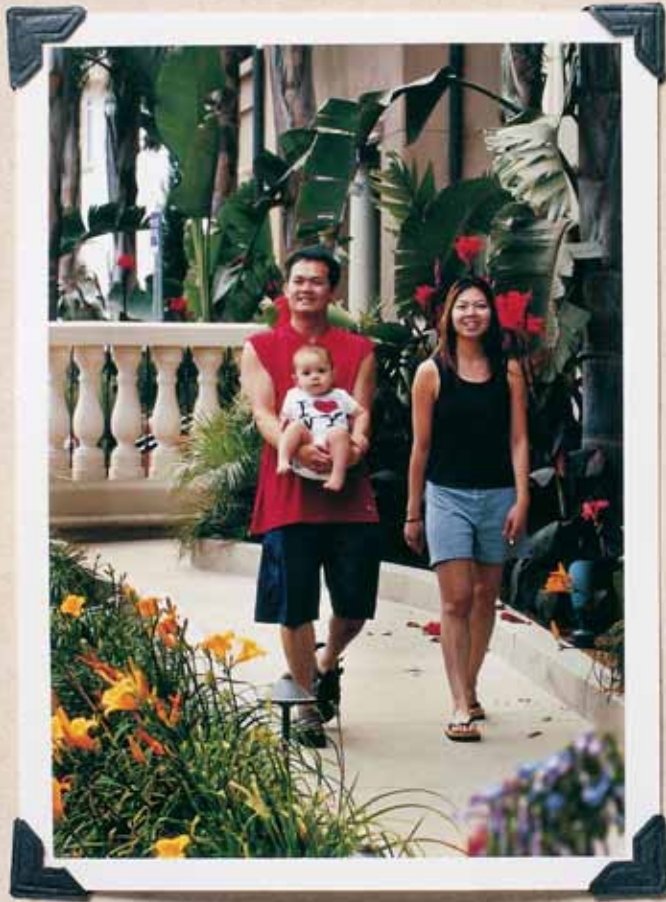
In the City and in the Suburbs

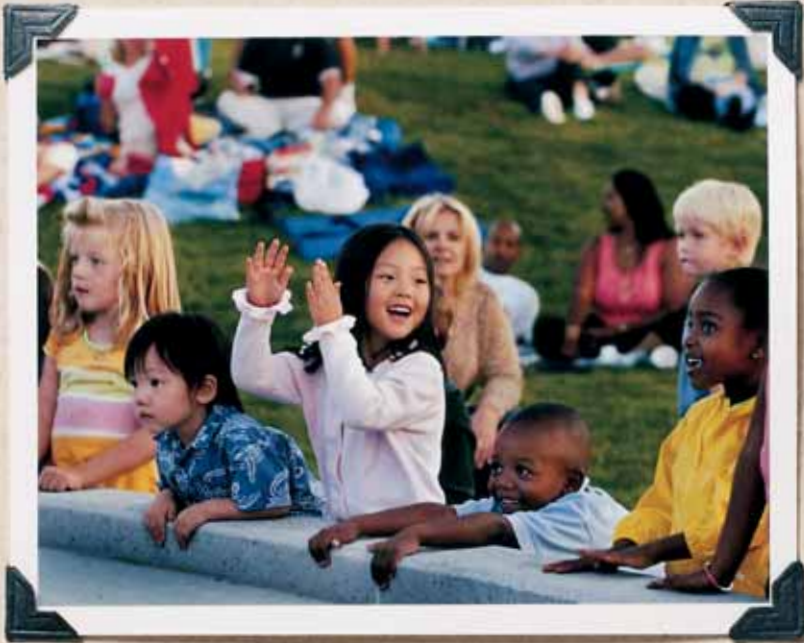
Neighborhoods

+ KB Home provides urban, high-density homes for city dwellers who value the advantages of living close to employment centers, retail and transportation hubs

+ KB Home provides suburban neighborhoods offering large floor plans, big yards and community amenities







"I wanted it as an investment, to belong to a community with established roots. All those things were really important..."



Homes to Fit All Buyers

Appeal

KB Home appeals to all homebuyers, including:

- + Singles graduating from the life of a renter
- + Newlyweds dreaming of a new home
- + Growing families needing more space
- + Homeowners looking to move-up with their second home purchase

- + Active adults seeking a low maintenance lifestyle

- + Luxury shoppers wanting upscale home designs and amenities that fit their lifestyle

- + Record number of referral and repeat buyers driven by KB Home's universal appeal and customer satisfaction

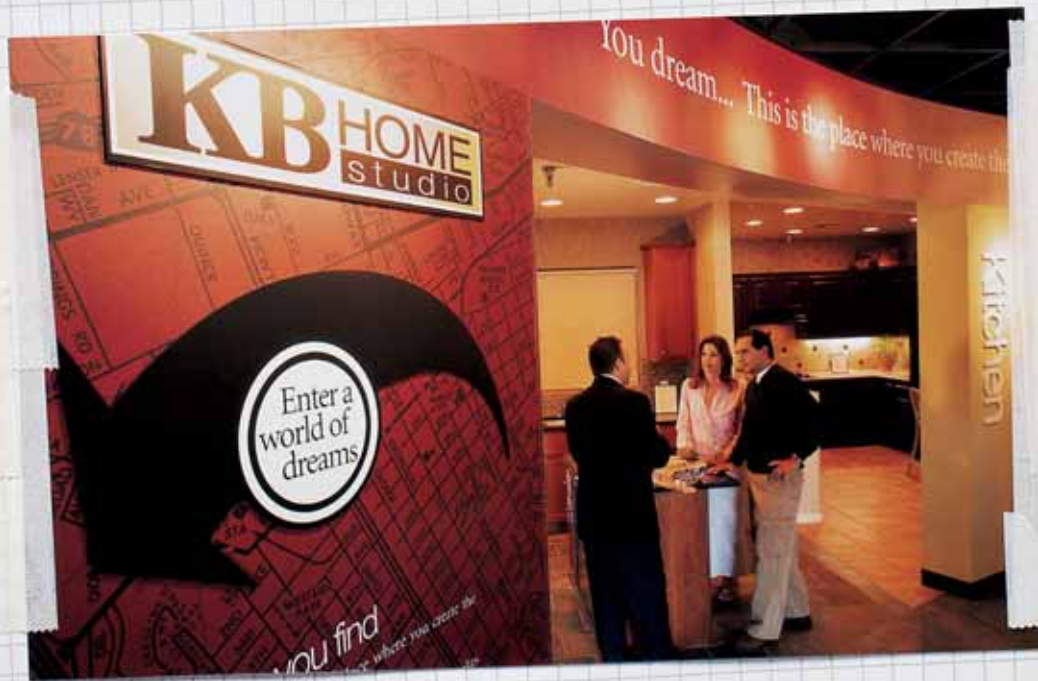


"For anyone who drools over home makeover shows, visiting the KB Home Studio...is like a child's trip to Disney World."

Dream it. Design it.

Personalization

- + KB Home Studio is what makes buying a KB home a truly personal experience
- + Expansive showrooms offer thousands of design options from appliances to counter-tops, cabinets to flooring, lighting to fixtures and more
- + KB Home Studio features top name brands that buyers know and trust including Whirlpool, Kitchen-Aid, Delta Faucets, Sherwin-Williams, Carrier, Shaw Floors and others
- + Kitchen, living room and bathroom vignettes are built into KB Home Studios to provide design ideas and examples
- + Experienced design consultants assist homeowners in making the right decisions for their budgets and lifestyles
- + Cost of design options may be conveniently rolled into mortgage for greater buying power







SAY YES

QUALITY • PARTNERSHIP • SATISFACTION

10 OUTSTANDING QUALITY & SERVICE KBHOME

- 95%+ Customer Satisfaction
- Top 3 J.D. Power
- Zero Claims Over 1 Year
- Average Days to Close Under 30
- 10% or Less of 1st Year Homes With Open Orders



KB SOLD

- Buyer Purchases Home
- Thank-you Letter Sent by Sales Counselor
- Sales Counselor Makes Weekly Follow-up Call
- Congratulations Letter from Division President

- Pre-construction QA
- Pre-construction Buyer Orientation

- Frame QA

- Pre-drywall QA
- Pre-drywall Buyer Orientation

- Community Team Walk-Thru and Sign-off
- Homeowner
- Thank-you
- 10-day Fr Representative

- 30-day CSI Survey
- 60-day Follow-up by CS Representative
- 6 Month Follow-up by CS Representative

- Annual Customer Appreciation Day
- 11 Month Walk-Thru
- 12 Month Survey
- J.D. Power Survey

- ✓ 18 Month Walk-Thru
- ✓ 23 Month Follow-up Letter



"Say Yes"

"KB is among the most improved in terms of customer satisfaction."



"Say Yes" to Customer Satisfaction

Commitment

- + KB Home is committed to customer service with a business model that focuses on the homebuyer
- + During construction, KB Home uses dependable materials and implements a building process that features a number of checkpoints and inspections to achieve high construction standards
- + KB Home provides a 10-Year Limited Warranty which gives homeowners peace of mind
- + KB Home's "Say Yes" approach to customer service ensures that all homeowner needs are attended to before and long after the home purchase
- + J.D. Power and Associates ranked KB Home in the top three nationally for "Customer Satisfaction with New Home Builders in 2004" and awarded a top three ranking in four local markets, including a number one position in Austin, Texas
- + Homeowners are able to submit a service request online by visiting kbhome.com



"...KB Home is implementing a first of its kind quality assurance initiative with the NAHB Research Center. The National Housing Quality (NHQ) certified trade contractor program is a powerful tool in assuring and documenting best construction practices."

Delivering Quality Craftsmanship

Quality

- + KB Home is an industry leader in quality construction
- + KB Home assigns a Community Team to each home under construction with Sales, Construction and Customer Service representatives working together to provide pertinent information to homeowners on a weekly basis, including home walk-throughs during each construction phase
- + A 10-point quality checklist is adhered to during every build and signed off on by key members of the Community Team
- + Third-party inspectors provide independent review and approval throughout the construction process
- + KB Home has achieved recognition as the first large builder to nationally implement the first of its kind National Housing Quality (NHQ) certified trade contractor program, in which ultimately every trade working on our homes will first go through rigorous training and education



10
OUTSTANDING
QUALITY & SERVICE
NBI-CIVE

10 HOME 10 QUALITY CHECKPOINTS

PRE-CONSTRUCTION BUYER ORIENTATION

1. Pre-pour Quality Checkpoint
2. Frame Quality Checkpoint
3. Interim Frame Quality Checkpoint
4. Frame Punchout Quality Checkpoint

PRE-DRYWALL BUYER ORIENTATION

5. Pre-drywall Quality Checkpoint
6. Drywall Punchout Quality Checkpoint
7. Trim Punchout Quality Checkpoint
8. Pre-carpet Quality Checkpoint
9. Pre-final Quality Checkpoint
10. Community Team Final Quality Checkpoint

HOMESOWNER ORIENTATION

DATE	INITIALS
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____





Leading Builder in France

Global

- + For more than 35 years, KB Home's publicly traded French subsidiary, Kaufman & Broad S.A., has been designing, building and selling single-family homes, apartments and commercial real estate throughout France
- + Kaufman & Broad S.A. is a leading homebuilder stock on the Paris Bourse with the ticker symbol KOF
- + From stunning high-rises to beautifully appointed homes, Kaufman & Broad S.A. is recognized for its innovative architecture and attention to detail
- + The Company builds quality homes in numerous locations throughout the regions of Paris, Lyon, Marseille, Bordeaux, Grenoble, Lille, Montpellier, Nantes, Nice, Rouen, Strasbourg and Toulouse
- + Kaufman & Broad S.A. introduced the American model of single-family communities, as well as the concepts of a master bedroom suite, walk-in closet, built-in kitchen cabinetry and two-car garage
- + The KB Home Studio choice offerings are mirrored in France with showrooms in Paris, Lyon and Marseille
- + Homebuyers can begin their shopping experience at ketb.com, a dedicated French website



A Leader on the New York Stock Exchange

35 Years

- + KB Home is a Fortune 500 company listed on the New York Stock Exchange (NYSE: KBH)
- + KB Home is widely recognized as one of the leading publicly traded homebuilders
- + In 1969, the Company became the first homebuilder to trade on the New York Stock Exchange
- + KB Home recently celebrated 35 years of being listed by ringing The Closing BellSM on Election Day, November 2, 2004, also symbolic of the Company's voter registration initiatives and leadership throughout the campaign season



KBH - KB HOME

KBH

\$100.00

\$80.00

\$60.00

\$40.00

\$20.00

2000

Jan 2001

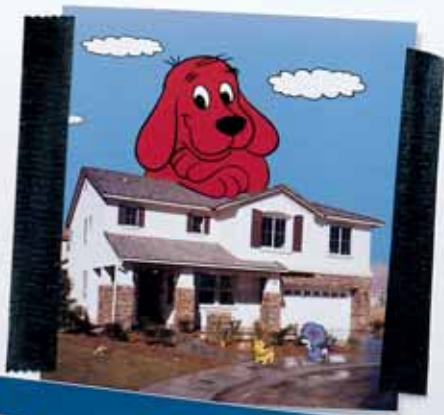
Jan 2002

Jan 2003

4,000,000

2,000,000





Marketing: One Company, One Brand

Success

- + KB Home has the highest level of total brand awareness of any homebuilder in its markets
- + KB Home's brand identity stands for superior quality and maximum choice
- + KB Home's marketing expertise begins at the land planning stage with the design and theming of appealing neighborhoods where people want to live
- + The brand is supported through efficient advertising, impactful signage, sales collateral and high-profile national marketing and promotional partnerships that drive strong traffic to communities nationwide
- + kbhome.com and kbcasa.com are fully interactive, consumer-friendly websites that provide detailed product information, streaming video, interactive floor plans, online customer care services and more
- + By partnering with highly recognized consumer brands, KB Home created "out of the box" national promotions that generate a huge buzz and bring people to its front door, including:
 - Building a brand new home for a deserving family in front of 20 million viewers on ABC's hit show "Extreme Makeover: Home Edition"
 - Doing the impossible by constructing a single-family home in the heart of New York City for the "Live with Regis and Kelly/KB Home Giveaway"
 - Creating a life-size replica of "The Simpsons" cartoon house in Las Vegas with FOX and Pepsi
 - Partnering with Krispy Kreme, Clifford the Big Red Dog, In-N-Out Burger, Pokémon and others for cross promotional marketing
- + Customers are provided with 888-KB-HOMES and 888-KB-CASAS, an industry-leading, toll-free customer information center, staffed with licensed real estate professionals



"For the Broadbents, KB Home CEO Bruce Karatz picked up construction and labor costs as a genuine gesture of altruism."

Extreme Makeover: Home Edition

Partnership

- + KB Home partnered with "Extreme Makeover: Home Edition" to become the largest builder to date to participate in the show
- + While KB Home enjoyed tremendous national exposure, the goodwill and team-building that was generated by this unique project was far more rewarding and is indicative of why KB Home takes part in such initiatives
- + The show aired on December 12, 2004, on ABC and was seen by over 20 million viewers
- + A new KB home was built for a single mother, Pat Broadbent, who is battling cancer and has three adopted daughters at home all living with AIDS
- + KB Home replaced a 40-year old, 1,300-square-foot cinder block house with a beautiful 3,200-square-foot, two-story home that features hand-laid stone accents, a swimming pool and sparkling waterfall
- + In keeping with the KB Home tradition of building not just homes but neighborhoods, the Company also provided new landscaping for the entire street
- + Music superstar and activist Elton John made a special guest appearance to donate an autographed baby grand piano from his personal collection and congratulate the family on promoting AIDS awareness
- + KB Home Chairman and CEO Bruce Karatz surprised the family by tearing up their mortgage and covering a number of maintenance costs to make sure they would live worry-free







KB
HOME

**A homebuilder with
a clear point of view.**

The National Resources Defense Council recognizes KB Home for its leadership in protecting America's outdoor national forests. KB Home knows that even our forests are gone—every day. And it's fighting not to lose national forests across America. Thank you, KB HOME, for your commitment to buy sustainably sourced lumber—and your underappreciated role in



NRDC
The Center for the Earth
Join the fight to protect our remaining forests.
Visit www.nrdc.org/forests

As seen in **The New York Times**



"The Natural Resources Defense Council recognizes KB Home for its leadership in protecting America's roadless national forests."



Environmentally Sound

Preservation

- + The Company leads the homebuilding industry in innovative approaches to materials, conservation, reuse and energy efficiency
- + KB Home communities are planned carefully to preserve existing vegetation and trees wherever possible, including consulting with local arborists
- + In-fill communities are planned to preserve the character of the existing neighborhood, while revitalizing older urban areas
- + KB Home works closely with environmental and community groups on local projects to improve the community, including tree planting events
- + KB Home was the first major builder to construct an entire community exclusively using certified wood from forests following strict environmental practices
- + KB Home was recognized by leading environmental group the Natural Resources Defense Council (NRDC) for environmental leadership in forest preservation with a full-page advertisement in The New York Times

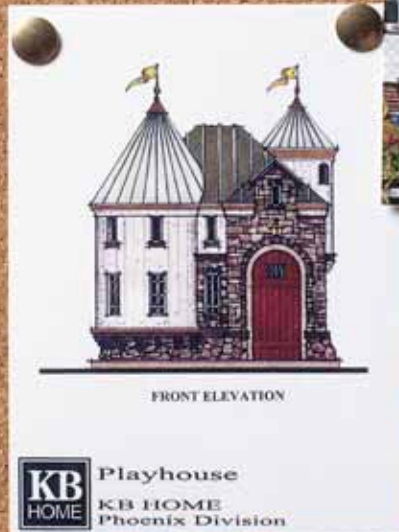


"KB Home...one of the nation's largest builders, offers voter registration forms in model homes and offices."

Active Members of the Community

Involvement

- + KB Home is committed to responsible corporate citizenship and helping to improve the quality of life in communities where we build and work
 - + Throughout the year, KB Home provides physical and financial resources to help build better communities across the country
 - + As a builder, KB Home assists many local charities by donating time, resources and money to rebuild, renovate and revitalize area homes and community buildings
 - + KB Home places great importance and respect on its relationships with government officials, local and national organizations, and business partners to make a true and lasting impact on communities
- + Just this year alone, KB Home and its employees participated in over 100 local outreach programs from food and clothing drives to pet adoption days, to community repair days and more
 - + A few examples of KB Home's many outreach initiatives include:
 - Non-partisan effort to register voters at every KB Home community during national elections
 - City-wide efforts to wipe out graffiti
 - Renovation of school playgrounds
 - Donation of thousands of sandbags to protect communities during Southern California brushfires and mudslides
 - Construction of clubhouses at non-profit shelters for abused women and children
 - Worked with trade partners to build "David's Home," a customized home donated to a quadriplegic teenager who suffered a spinal cord injury during a high school football game



Coaching Skill

Evaluating and improving their full potential. an explanation and

- Build trust and understanding
- Build insight and respect
- Build new skills
- Build discipline
- Build support for leadership

Quick Advance

Windows Media Player
File View Play Tools Help

Now Playing

Media Guide

CD Audio

Media Library

Radio Tuner

Portable Device

Skin Chooser

The Training & Development of the Workforce

+ KB University, commonly referred to as KBU, is a tool for all employees to become familiar with key aspects of the Company's business—construction, land development, customer service, marketing, and the Company's ethics policies, among others

+ KBU is closely aligned with every aspect of the Company: its vision, its values, its identity, and its ultimate success

+ The KBU roadmap has become part of the day-to-day experience for KB Home employees

+ This year, 6,000 KB Home employees earned more than 93,000 certifications. Each

certification represents more than three hours of training, which translates to over 50 hours of education per year—more than many multinational corporations

+ KBU is more than a portal intranet site. It is the embodiment of a continuously evolving and learning organization

"The KBU roadmap has become part of the company's day-to-day experience...For KB Home, continuous education fuels deeper strategy."



KB Home's Greatest Asset: Its Talented Workforce

Leadership

- + The average tenure of KB Home's senior corporate officers is more than 14 years
- + At the division management level, KB Home boasts a powerful group of experienced KB Home veterans
- + Solid leadership has resulted in more than 1,200 promotions or transfers from within its ranks over the last year
- + At any given time, KB Home has at least 15 percent of its talent in line for a promotion, which strengthens and prepares the Company for continued growth



- + All 6,000 KB Home employees consistently push the Company and the industry forward with fresh thinking, innovative business solutions, award-winning designs, and a passion for customer service that has been widely recognized by industry observers
- + KB Home looks for unique ways to constantly involve and embrace its extended family, from business and trade partners to real estate professionals who partner with the KB Home sales staff, as well as elected officials representing local communities in which the Company builds



"KB Home, one of the nation's premier homebuilders, added another honor to its trophy case Monday night, winning the American Business Award for Best Overall Company at a ceremony held in New York City."

2004 Awards

Consistency

KB Home has received a number of highly coveted business awards and important corporate rankings from America's premier business publications and organizations.

The Company is consistently recognized for its management excellence, marketing impact, architectural innovation, consistent shareholder returns and more.

American Business Awards – Best Overall Company

Fortune – 500 Largest American Companies

Fortune – America's Most Admired Companies

Forbes – America's Best Big Companies

Forbes – Global 2000

Barron's – 500 Best Performing Companies

Builder Magazine – Top 100 Builders

BusinessWeek – S&P 500: The 50 Best Performers

Professional Builder – Giant 400 Builders

Forbes – America's Most Supercharged Companies

National Sales and Marketing Awards – Best Sales Office

J.D. Power and Associates – Highest ranking in overall customer satisfaction in Austin and top three ranking in Raleigh/Durham, Houston and Las Vegas



Ron Burkle^{1, 4}

Managing Partner,
The Yucaipa Companies
Los Angeles

Dr. Ray R. Irani^{2+, 3+}

Chairman and Chief Executive Officer,
Occidental Petroleum Corporation
Los Angeles

Kenneth M. Jastrow, II⁴

Chairman and Chief Executive Officer,
Temple-Inland, Inc.
Austin

James A. Johnson^{3, 4+, 5}

Vice Chairman
Perseus, LLC
Former Chairman and Chief Executive Officer,
Fannie Mae
Washington, D.C.

Bruce Karatz²

Chairman and Chief Executive Officer,
KB Home
Los Angeles

J. Terrence Lanni^{3, 4}

Chairman and Chief Executive Officer,
MGM MIRAGE
Las Vegas

Melissa Lora¹

Chief Financial Officer,
Taco Bell Corp.
Irvine

Michael G. McCaffery^{1, 4}

President and Chief Executive Officer,
Stanford Management Company
Menlo Park

Leslie Moonves³

Co-President and Co-Chief Operating Officer,
Viacom, Inc.
Los Angeles

Dr. Barry Munitz^{1+, 3}

President and Chief Executive Officer,
The J. Paul Getty Trust
Los Angeles

Luis G. Nogales^{1, 2, 3}

Managing Partner,
Nogales Investors, LLC
Los Angeles

COMMITTEES OF THE BOARD OF DIRECTORS

¹ Audit and Compliance Committee

² Executive Committee

³ Management Development and Compensation Committee

⁴ Nominating and Corporate Governance Committee

⁵ Presiding Director

* Committee Chair

All directors, except Mr. Karatz, are independent as defined under listing standards of the New York Stock Exchange and KB Home's Corporate Governance Principles, which are available at kbhome.com.

Corporate Officers**Domenico Cecere**

Senior Vice President and
Chief Financial Officer

Cory F. Cohen

Senior Vice President, Tax

Ken Gancarczyk

Senior Vice President, Builder Services

Richard B. Hirst

Executive Vice President and
Chief Legal Counsel

William R. Hollinger

Senior Vice President and Controller

Lisa G. Kalmbach

Senior Vice President, Studios

Bruce Karatz

Chairman and Chief Executive Officer

Kimberly N. King

Vice President, Associate General Counsel
and Corporate Secretary

Wendy L. Marlett

Senior Vice President,
Marketing and Communications

Kelly Masuda

Senior Vice President,
Capital Markets and Treasurer

Jeffrey T. Mezger

Executive Vice President and
Chief Operating Officer

Albert Z. Praw

Senior Vice President,
Asset Management

Gary A. Ray

Senior Vice President,
Human Resources

VICE PRESIDENTS**Kelly M. Allred****Julia Ambrose****Daniel Bridleman****Brian Bruce****Lawrence B. Gotlieb****Derrick M. Hall****John A. Hughes****Ross A. Kay****Kathleen L. Knoblauch****Stan Koyanagi****Catherine Lee****Joseph M. Manisco****Barton P. Pachino****Jeanne Parker****Christopher Reid****Joseph C. Santoro****Nancy S. Schwappach****David B. Simons****Operations Management****Glen Barnard**

Regional General Manager, Central

Leah S. W. Bryant

Regional General Manager, Southwest

Steven M. Davis

Regional General Manager, Southeast

Robert Freed

Regional General Manager, Northern
California

John "Buddy" E. Goodwin

Regional General Manager, Florida

Jay L. Moss

Regional General Manager, Southern
California

Larry E. Oglesby

Regional General Manager, Texas

Division Management**NORTHERN CALIFORNIA****Jefferey Fautt**

President, North Bay Division

Drew Kusnick

President, South Bay Division

SOUTHERN CALIFORNIA**Thomas C. DiPrima**

President, Los Angeles-Ventura Division

Scott B. Laurie

President, Inland Valley Division

Martin Lighterink

President, San Diego Division

Stephen Ruffner

President, Riverside Division

SOUTHWEST**John H. Bremond**

President, Tucson Division

James Widner

President, Las Vegas Division

Greg Williams

President, Phoenix Division

CENTRAL**Russell W. Crandall**

President, Indiana Division

Barry Grant

President, Colorado Division

Mark Kinsley

President, New Mexico Division

Gary M. White

President, Illinois Division

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President, Fort Worth Division

Kyle Davison

President, Houston Division

Jeffrey L. Dworkin

President, Dallas Division

Joseph D. Reese

President, Austin Division

Craig Westmoreland

President, San Antonio Division

SOUTHEAST**Patricia Hanchette**

President, Raleigh Division

Lawrence E. Lippincott

President, Atlanta Division

Jerry Perillo

President, Charlotte Division

Andy White

President, South Carolina Division

FLORIDA**Rick Carruthers**

President, Orlando Division

Charles Cook

President, Fort Myers Division

Vincent P. DePorre

President, Jacksonville Division

Marshall Gray

President, Tampa Division

William "Brad" Jones

President, Treasure Coast Division

FRANCE**Joel Monribot**

President,
Kaufman & Broad S.A., France

Guy Nafilyan

Chairman and
Chief Executive Officer,
Kaufman & Broad S.A., France

KB HOME MORTGAGE COMPANY**Leah S. W. Bryant**

Chief Executive Officer,
KB Home Mortgage Company

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houseCALL Center

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KB Home Mortgage Company

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Tucson Division

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(239) 931-3525 fax

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(386) 274-1781 fax

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(919) 871-0442 fax

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Rio Grande Valley Division

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(956) 664-9348 fax

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San Antonio, Texas 78229
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(210) 375-1018 fax

International Division**Kaufman & Broad S.A.**

127 avenue Charles de Gaulle
92207 Neuilly sur Seine Cedex
France
011-331-4-143-4343

Common Stock Prices

	2004		2003	
	HIGH	LOW	HIGH	LOW
<i>First Quarter</i>	\$ 74.96	\$ 64.10	\$ 49.00	\$ 39.64
<i>Second Quarter</i>	81.89	60.27	62.70	42.41
<i>Third Quarter</i>	72.05	61.26	71.55	54.82
<i>Fourth Quarter</i>	92.99	68.61	71.85	53.87

Dividend Data

KB Home paid a quarterly cash dividend of \$0.25 per common share in 2004. In December 2004, the Company increased its quarterly cash dividend to \$.375 per common share.

Annual Stockholders' Meeting

The 2005 Annual Stockholders' meeting will be held at the Hotel Bel-Air, 701 Shore Canyon Road, in Los Angeles, California, at 9:00am on Thursday, April 7, 2005.

Stock Exchange Listings

KB Home's common stock is listed on the New York Stock Exchange and is also traded on the Boston, Chicago, National, Pacific and Philadelphia Exchanges. The ticker symbol is KBH.

Kaufman & Broad S.A., the Company's French subsidiary, is listed on the Paris Bourse. The ticker symbol is KOF. Kaufman & Broad S.A.'s website address is ketb.com.

Transfer Agent

Mellon Investor Services, LLC
P.O. Box 3315
South Hackensack, New Jersey 07606
(888) 667-7640
www.melloninvestor.com

Independent Auditors

Ernst & Young LLP
Los Angeles, California

Stockholder Information

The Company's common stock is traded on the New York Stock Exchange under the symbol KBH. There were XX,XXX,XXX shares of common stock outstanding as of January 31, 2005.

Form 10-K

The Company's 2005 Report on Form 10-K filed with the Securities and Exchange Commission may be obtained without charge by writing to the Company's investor relations department at investorrelations@kbhome.com or by visiting the Company's website at kbhome.com.

Headquarters

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Investor Contact

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kmasuda@kbhome.com

Bondholder Services Address & Phone Number

8½% \$200.0 million Senior Subordinated Notes — Due 12/15/08
7¼% \$300.0 million Senior Subordinated Notes — Due 2/1/10
9½% \$250.0 million Senior Subordinated Notes — Due 2/15/11
6¼% \$350.0 million Senior Notes — Due 8/15/11
5¼% \$250.0 million Senior Notes — Due 2/1/14
5½% \$300.0 million Senior Notes — Due 1/15/15

Trustee:
Sun Trust Bank
Corporate Trust Division
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muriel.shaw@suntrust.com
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