

KB HOME
Form DEF 14A
February 25, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

KB HOME

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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KB HOME

*10990 Wilshire Boulevard
Los Angeles, California 90024
(310) 231-4000*

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February 25, 2011

Dear Fellow Stockholder:

Your officers and directors join me in inviting you to attend the 2011 Annual Meeting of Stockholders of KB Home at 9:00 a.m., Pacific Time, on April 7, 2011 at The Wedgewood Ballroom of The Fairmont Miramar Hotel in Santa Monica, California.

The expected items of business for the meeting are described in detail in the attached Notice of 2011 Annual Meeting of Stockholders and Proxy Statement. We also will discuss our 2010 results and our plans for the future.

We look forward to seeing you on April 7.

Sincerely,

Jeffrey T. Mezger
President and Chief Executive Officer

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Notice of 2011 Annual Meeting of Stockholders

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- Time and Date:** 9:00 a.m., Pacific Time, on Thursday, April 7, 2011.
- Location:** The Wedgewood Ballroom, The Fairmont Miramar Hotel, 101 Wilshire Boulevard, Santa Monica, California 90401.
- Agenda:**
- (1) Elect ten directors, each to serve for a one-year term;
 - (2) Ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending November 30, 2011;
 - (3) Approve an amendment to the KB Home 2010 Equity Incentive Plan (2010 Plan);
 - (4) Advisory vote to approve named executive officer compensation;
 - (5) Advisory vote on the frequency of an advisory vote to approve named executive officer compensation; and
 - (6) Any other business that may properly come before the meeting or any adjournment or postponement of the meeting.
- The accompanying Proxy Statement describes these items in more detail. We have not received notice of any other matters that may be properly presented at the meeting.
- Record Date:** You can vote at the meeting and at any postponement or adjournment of the meeting if you were a stockholder of record on February 11, 2011.
- Voting:** **Please vote as soon as possible, even if you plan to attend the meeting, to ensure that your shares will be represented. You do not need to attend the meeting to vote if you vote before the meeting. If you are a holder of record, you may vote your shares via mail, telephone or the Internet. If your shares are held by a broker or financial institution, you must vote your shares as instructed by your broker or financial institution.**
- Annual Report** Copies of our Annual Report on Form 10-K for the fiscal year ended November 30, 2010 (the Annual Report), including audited financial statements, are being made available to stockholders concurrently with the accompanying Proxy Statement. We anticipate that these materials will first be made available on or about February 25, 2011.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To Be Held on April 7, 2011: Our Proxy Statement and Annual Report are available online at www.kbhome.com/investor/proxy.

By Order of The Board of Directors,

Brian J. Woram
Executive Vice President, General Counsel and Secretary
Los Angeles, California
February 25, 2011

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Admission to the Annual Meeting

Only stockholders of record on February 11, 2011, authorized proxy holders of stockholders of record on February 11, 2011, and invited guests of the Board of Directors may attend the Annual Meeting. **An admission ticket and picture identification (such as a valid driver's license or passport) will be required to attend the Annual Meeting. A professional business dress code will be observed at the Annual Meeting.**

If you are eligible and wish to attend the Annual Meeting, please send your request for an admission ticket in writing to William A. (Tony) Richelieu, Assistant Corporate Secretary, KB Home, 10990 Wilshire Boulevard, 7th Floor, Los Angeles, California 90024. **All requests must be in writing and received on or before Friday, March 25, 2011 and include the following information:**

If you are a stockholder of record

If you are a beneficial stockholder

A copy of a voting instruction form or a Notice of Internet Availability showing stockholder name and address;

A copy of a brokerage account voting instruction form showing stockholder name and address, or a broker letter verifying record date ownership;

Name, mailing address and contact telephone number of an authorized proxy representative, if one is appointed, plus a copy of the signed legal proxy; and

A copy of a brokerage account statement showing KB Home stock ownership on the record date; and

The complete address where your admission ticket should be mailed.

The complete address where your admission ticket should be mailed.

Please note any special assistance needs in your admission ticket request. Once your request is processed, an admission ticket will be mailed to you at the address provided.

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Internet Availability of Materials

In past years, we have mailed our proxy materials for our annual meetings of stockholders. This year, we are making our proxy materials available primarily via the Internet, and we encourage voting online or by telephone. These proxy materials include our Proxy Statement, our Annual Report and a voting instruction form. We are doing this to speed the delivery of proxy materials to our stockholders, to lower the costs of the Annual Meeting and to reduce the impact on the environment from printing and mailing proxy materials.

On February 25, 2011, we mailed a Notice of Internet Availability (Notice) that provides instructions on how to access and view our Proxy Statement, our Annual Report and other proxy materials, and to vote online or by telephone. To request a printed copy of our proxy materials, please follow the instructions on the Notice. Stockholders who previously elected to receive proxy materials electronically will continue to receive these materials and the Notice by e-mail, unless we are told otherwise.

Please note that you cannot vote your shares by marking the Notice and returning it.

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KB HOME
10990 Wilshire Boulevard
Los Angeles, California 90024
(310) 231-4000

Proxy Statement
for the
2011 Annual Meeting of Stockholders

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General Information

What Is The Purpose of This Proxy Statement?

Your Board of Directors (the Board) is furnishing this Proxy Statement to you to solicit your proxy for our 2011 Annual Meeting of Stockholders. The items of business for the Annual Meeting are described in the accompanying Notice of 2011 Annual Meeting of Stockholders. This Proxy Statement contains information to help you decide how you want your shares to be voted. We anticipate that this Proxy Statement and a form of proxy will first be made available on or about February 25, 2011.

Who Can Vote?

Holders of record of the 76,946,368 shares of common stock outstanding at the close of business on the record date (February 11, 2011) are entitled to one vote for each share held. The trustee of our Grantor Stock Ownership Trust (the GSOT) will vote the 11,106,751 shares the GSOT held on the record date based on the instructions received from our employees who hold unexercised options under our employee equity compensation plans. Accordingly, a total of 88,053,119 shares are entitled to vote at the Annual Meeting. There is no right to cumulative voting.

Attending the Annual Meeting

Date: Thursday, April 7, 2011

Place: The Wedgewood Ballroom
The Fairmont Miramar Hotel
101 Wilshire Boulevard
Santa Monica, CA 90401

To Attend: You must have an admission ticket and valid picture identification, as described above on page i. A professional business dress code will be observed. Parking is available at the meeting location. You may be subject to a security check

Note: **No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted at the Annual Meeting. Additional rules of**

conduct will apply at the meeting

Who is a Holder of Record ?

If your shares are registered directly in your name with our transfer agent, BNY Mellon, you are considered the holder of record of those shares.

If your shares are held in a stock brokerage account or by a financial institution or other holder of record, you are a beneficial owner of those shares held in street name. If you are a beneficial owner, for ease of reference, this Proxy Statement will use the term broker to describe the person or institution that is the holder of record of your shares.

Proxy Solicitation Costs

We will pay the cost to solicit proxies for the Annual Meeting. In addition to this Proxy Statement, our officers, directors and other employees may solicit proxies personally or in writing or by telephone, facsimile or email for no additional compensation. We will, if requested, reimburse banks, brokerage houses and other custodians, nominees and certain fiduciaries for their reasonable expenses in providing material to their principals. We have hired Georgeson Inc., a professional soliciting organization, to assist us in proxy solicitation and in distributing proxy materials. For these services, we will pay Georgeson a fee of \$9,000, plus reimbursement for out-of-pocket expenses.

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Voting Information**Quorum Requirement**

For stockholders to take action at the Annual Meeting, a majority of the shares of our common stock outstanding on the record date must be present or represented at the Annual Meeting. Abstentions and broker non-votes are counted for this purpose.

Broker Non-Votes

A broker non-vote arises when a broker does not receive instructions from a beneficial owner and does not have the discretionary authority to vote on an item. For this Annual Meeting, we understand that brokers have discretionary authority to vote only on the proposal to ratify the appointment of our independent registered public accounting firm. *Accordingly, if you are a beneficial owner, you must instruct your broker on how you want your shares to be voted on the other proposals that will be considered at the Annual Meeting in order for your shares to be counted for those items.*

Proxy Voting

Holders of record may vote by proxy via mail, telephone or the Internet as described in the proxy materials. If you are a beneficial owner, your broker should send you proxy voting materials and instructions, and may do so electronically.

Voting at the Annual Meeting

Holders of record (or someone designated by a signed legal proxy) may vote in person at the Annual Meeting. If you are a beneficial owner, you must obtain a legal proxy from your broker and present it with your ballot. Voting at the Annual Meeting will replace any prior proxy voting.

Voting By Named Proxies

The named proxies for the Annual Meeting Jeffrey T. Mezger and Brian J. Woram (or their duly authorized designees) will follow submitted proxy voting instructions. They will vote as the Board recommends as to any submitted instructions that do not direct how to vote on any item, and will vote on any other matters properly presented at the Annual Meeting in their judgment.

Closing of Polls

Polls will close at approximately 9:30 a.m., Pacific Time, on April 7, 2011. Holders of record may vote via the Internet and telephone until 11:59 p.m., Eastern Time, on April 6, 2011. Proxy voting instructions for shares held by the KB Home Common Stock Fund in our 401(k) Savings Plan or the GSOT must be received by 11:59 p.m., Eastern Time on April 5, 2011. Each broker sets proxy voting deadlines for its beneficial owners.

Changing Your Vote

Holders of record may revoke proxy votes at any time before polls close by submitting a later vote: (i) in person at the Annual Meeting, (ii) via mail, telephone or the Internet before the above-listed deadlines, or (iii) to the Corporate Secretary at the address listed below under the heading Corporate Governance Highlights by our close of business on April 6, 2011. If you are a beneficial owner, you must contact your broker to revoke any prior voting instructions. There are no dissenters' rights or rights of appraisal with respect to any item to be acted upon at the Annual Meeting.

Votes Required to Approve or Adopt

Election of Directors. To be elected, each director nominee must receive a majority of votes cast in favor (*i.e.*, the votes cast for a nominee's election must exceed the votes cast

Proposals

against the nominee's election). Shares that are not present or represented at the Annual Meeting and abstentions will not affect the election outcome.

Other Proposals: Except for the advisory vote on the frequency of an advisory vote to approve named executive officer compensation (frequency vote), approval of each of the other proposals requires the affirmative vote of a majority of the shares present or represented, and entitled to vote thereon, at the Annual Meeting, and abstentions will have the same effect as an "against" vote. Broker non-votes will affect only the proposal to approve the amendment to the 2010 Plan, where they will have the same effect as an "against" vote if the total votes cast on the proposal do not exceed 50% of the shares of our outstanding common stock. For the frequency vote, the option receiving a plurality of the votes cast on the proposal will be deemed the preferred option of stockholders.

Inspectors of Elections

We have engaged our transfer agent to count the votes and act as an independent inspector of election. William A. (Tony) Richelieu, Assistant Corporate Secretary, will also act as an inspector of election.

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Corporate Governance and Board Matters

CORPORATE GOVERNANCE

- H** Ten Board members nine independent members, including an independent Non-Executive Chairman
- I** Full Board elected annually using a majority vote standard
- G** Standing Board Committees are entirely composed of independent directors
- H** All incumbent directors standing for re-election attended at least 75% of Board-related meetings
- L** Non-employee directors are subject to an equity ownership requirement during their Board service
- I** Our Certificate of Incorporation, By-laws, Corporate Governance Principles, Charters for all Board
- G** Committees, and Ethics Policy are available online at www.kbhome.com/investor/corporategovernance
- H** As set forth in our Corporate Governance Principles, any interested party may write to the Board,
- T** the Non-Executive Chairman of the Board or to any non-employee director in care of our Corporate
- S** Secretary at KB Home, 10990 Wilshire Boulevard, Los Angeles, CA 90024.

Role of the Board of Directors

The Board is elected by our stockholders to oversee the management of our business and to assure that the long-term interests of our stockholders are being served. The Board carries out this role subject to Delaware law and our Certificate of Incorporation, By-laws and Corporate Governance Principles.

Corporate Governance Principles

Our Corporate Governance Principles provide a framework within which we conduct our business and pursue our strategic goals. The Nominating and Corporate Governance Committee regularly reviews our Corporate Governance Principles, and the full Board approves changes as it deems appropriate.

Ethics Policy

We expect all of our directors and employees to follow the highest ethical standards when representing KB Home and our interests. To this end, all employees, including our senior executive management, and our directors must comply with our Ethics Policy. The Audit Committee regularly reviews our Ethics Policy and approves changes that it deems necessary or appropriate. The Audit Committee approved changes to our Ethics Policy that became effective as of October 29, 2010.

Executive Sessions of Non-Employee Directors

As part of the Board's regularly scheduled meetings, the non-employee directors meet in executive session. Any non-employee director can request additional executive sessions. Stephen F. Bollenbach, the Non-Executive Chairman of the Board, schedules and chairs the executive sessions.

Board Membership

As of the date of this Proxy Statement, the Board has ten members. Except for Mr. Mezger, our President and Chief Executive Officer (CEO), no director is an employee of KB Home.

Board Committees

The Board has three standing Committees:

Audit and Compliance (Audit Committee)

Management Development and Compensation (Compensation Committee)

Nominating and Corporate Governance (Nominating/Governance Committee)

The Board appoints the members of and has adopted a charter for each Committee. The Board and each Committee conducts an annual evaluation of its performance.

Board Meetings and Attendance

The Board and its Committees hold regular meetings on a set schedule and may hold interim meetings and act by written consent from time to time as necessary or appropriate. The Board held six meetings during our 2010 fiscal year. Mr. Bollenbach, as the Non-Executive Chairman of the Board, presides over all meetings at which he is present.

In our 2010 fiscal year, each director attended at least 75% of the meetings of the Board and the Board Committees on which he or she served. We expect directors to attend our annual stockholder meetings. All directors serving at the time attended our 2010 Annual Meeting of Stockholders, which was held on April 1, 2010.

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The Board believes that separate individuals should hold the positions of Chairman of the Board and Chief Executive Officer, and that the Chairman should not be an employee of KB Home. The Board has been led by an independent Non-Executive Chairman since 2007. Under our Corporate Governance Principles, the Chairman of the Board is responsible for coordinating the Board's activities, including the scheduling of meetings and executive sessions of the non-employee directors and the relevant agenda items in each case (in consultation with the Chief Executive Officer as appropriate). The Board believes this leadership structure has enhanced the Board's oversight of and independence from our management, the ability of the Board to carry out its roles and responsibilities on behalf of our stockholders, and our overall corporate governance compared to our prior combined Chairman/Chief Executive Officer leadership structure.

The Board has delegated its risk oversight responsibilities to the Audit Committee, as described below under the heading **Board Committee Responsibilities and Related Matters**, other than risks relating to employee compensation. In accordance with the Audit Committee's charter, each of our senior financial and accounting, legal and internal audit executives report directly to the Audit Committee regarding material risks to our business, among other matters, and the Audit Committee meets in executive sessions with each such executive and with representatives of our independent registered public accounting firm. The Audit Committee Chair reports to the full Board regarding material risks as deemed appropriate.

As part of the responsibilities and duties delegated to it by the Board, as described below under the heading **Board Committee Responsibilities and Related Matters**, the Compensation Committee provides oversight with respect to risks that may arise from our employee compensation arrangements, plans, programs and policies. This oversight is provided on an ongoing basis through the Compensation Committee's review and, to the degree appropriate, specific approval of these arrangements, plans, programs and policies as they are being developed by our senior human resources personnel. In this capacity, the Compensation Committee focuses on maintaining for our executives and other employees a competitive balance of fixed salaries, benefits, and annual and long-term incentives aligned with our operational and strategic goals. In addition, the Compensation Committee has adopted policies, including our equity-based award grant policy (described below under the heading **Equity-Based Award Grant Policy**), has provided guidance in the design of our employee compensation arrangements, plans, and programs, and has established limits on incentive-based employee compensation payouts to mitigate employee compensation-related risks to our business. The Compensation Committee Chair reports to the full Board regarding material risks as deemed appropriate. In view of this oversight and based on our assessment, we do not believe that our present employee compensation arrangements, plans, programs and policies are likely to have a material adverse effect on us.

Board Committee Composition and 2010 Fiscal Year Meetings

The chart below shows the current members of the standing Board Committees as of the date of this Proxy Statement and the number of meetings each Board Committee held during our 2010 fiscal year. Mr. Mezger does not serve on any Board Committees.

Director	Audit Committee	Compensation Committee	Nominating/Governance Committee
Barbara T. Alexander(a)	X		

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Stephen F. Bollenbach		X	X
Timothy W. Finchem(b)		X	X
Kenneth M. Jastrow, II			X
Robert L. Johnson	X		
Melissa Lora	Chair		X
Michael G. McCaffery	X	Chair	
Leslie Moonves			Chair
Luis G. Nogales	X	X	
<i>Number of Meetings:</i>	8(c)	5	4
	4		

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- (a) Ms. Alexander joined the Board and was appointed to the Audit Committee on October 7, 2010.
- (b) Mr. Finchem served on the Audit Committee during our 2010 fiscal year until October 7, 2010. He was appointed to the Nominating/Governance Committee on October 7, 2010.
- (c) Includes conference calls with our management to review our quarterly earnings releases prior to their issuance.

Board Committee Responsibilities and Related Matters

The Board has delegated certain responsibilities and authority to each standing Board Committee as described below. At each regularly scheduled Board meeting, each Board Committee Chair (or another designated Board Committee member) reports to the full Board on his or her Board Committee's activities.

Audit Committee. The Audit Committee is responsible for general oversight of our (a) accounting and reporting practices; (b) internal control over financial reporting and disclosure controls and procedures; (c) audit process, including our independent registered public accounting firm's qualifications, independence, retention, compensation and performance, and the performance of our internal audit department; and (d) compliance with legal and regulatory requirements and management of matters in which we have or may have material liability exposure. In addition, the Audit Committee is authorized to act on behalf of the Board with respect to our incurring, guaranteeing or redeeming debt or debt securities.

The Audit Committee also oversees the preparation of a required report to be included in our annual proxy statement and is charged with the duties and responsibilities listed in its charter. The Audit Committee's report is provided below under the heading "Audit and Compliance Committee Report." The Audit Committee is a separately designated standing audit committee as defined in Section 3(a)(58)(A) of the Securities Exchange Act of 1934.

The Board has determined that each current member of the Audit Committee is independent under our Corporate Governance Principles (as described below under the heading "Director Independence"), NYSE listing standards and Securities and Exchange Commission (SEC) rules. The Board has also determined that each current member of the Audit Committee is financially literate under NYSE listing standards, and that Ms. Lora qualifies as an audit committee financial expert under SEC rules.

Compensation Committee. The Compensation Committee is responsible for (a) the evaluation and compensation of our CEO; (b) the compensation of our senior executive management (other than our CEO), which consists of our CEO's direct reports and any designated executive officers (as that term is defined in Rule 3b-7 of the Securities Exchange Act of 1934); (c) oversight of our efforts to attract, develop, promote and retain qualified senior executive management; and (d) the evaluation and determination of non-employee director compensation and benefits. The Compensation Committee oversees the preparation of the compensation discussion and analysis to be included in our annual proxy statement, recommends to the Board whether to so include the compensation discussion and analysis, provides an accompanying report to be included in our annual proxy statement, and is charged with the duties and responsibilities listed in its charter. These duties and responsibilities include advising the Board on any non-binding vote or similar advisory action by stockholders with respect to executive compensation. The compensation discussion and analysis for this Proxy Statement is provided below under the heading "Compensation Discussion and Analysis," and the Compensation Committee's report is provided below under the heading "Management Development and Compensation Committee Report."

The Board has determined that each current Compensation Committee member is independent under our Corporate Governance Principles and NYSE listing standards, is a non-employee director under SEC rules and is an outside

director under Section 162(m) of the Internal Revenue Code (the Code).

Overview of Executive Officer and Non-Employee Director Compensation Processes and Procedures. Under our By-laws, the Board has the authority to fix the compensation of our executive officers and non-employee directors. The Board has delegated this authority to the Compensation Committee, as provided in the Compensation Committee's charter. Per its charter, the Compensation Committee annually reviews and approves the goals and objectives relevant to our CEO's compensation, evaluates his performance in light of those goals and objectives and other criteria, and, either as a committee or together with the other independent directors (as directed by the Board), determines and approves our CEO's compensation based on the

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evaluation. The Compensation Committee also evaluates, in conjunction with our CEO, the performance of our senior executive management, and reviews and approves their compensation.

The Compensation Committee exercises the Board's authority with respect to our employee compensation and benefits plans (including our employee equity compensation plans) and policies, except to the extent that the Board, in its discretion, reserves its authority. This delegation includes the authority to select eligible participants, recommend and approve grants and awards, set performance targets and other award eligibility criteria, approve an aggregate incentive pool for any annual or long-term incentive awards, interpret the plans' terms, delegate certain responsibilities and adopt or modify as necessary any rules and procedures to implement the plans, including any rules and procedures that condition the approval of grants and awards. The Compensation Committee also periodically reviews our compensation and benefits plans and, from time to time, will recommend to the Board new material plans or modifications to existing plans. The Compensation Committee's exercise of this authority, including specific considerations applied and determinations made, with respect to the compensation and benefits awarded to our named executive officers is discussed below under the heading Executive Compensation.

The Compensation Committee, from time to time, reviews and makes recommendations to the Board regarding non-employee director compensation and benefits consistent with the goals of recruiting the highest caliber directors to serve on the Board, aligning directors' and stockholders' interests, and fairly paying directors for the work required to serve stockholder interests given our size, scope and complexity of operations.

In its oversight of executive officer and non-employee director compensation, the Compensation Committee seeks assistance from our management and has engaged its own outside compensation consultant, Semler Brossy Consulting Group LLC (Semler Brossy), as further described below under the heading Compensation Discussion and Analysis. The Compensation Committee may delegate to a subcommittee or to our management any duties and responsibilities as the Compensation Committee deems to be appropriate and in our best interests, but it cannot delegate to our management the authority to grant equity-based awards.

Compensation Committee Interlocks and Insider Participation. All current Compensation Committee members served throughout our 2010 fiscal year. No member of the Compensation Committee during our 2010 fiscal year was part of a compensation committee interlock as described under SEC rules. In addition, none of our executive officers served as a director or member of the compensation committee of another entity that would constitute a compensation committee interlock.

Nominating/Governance Committee. The Nominating/Governance Committee is responsible for (a) providing oversight of our corporate governance policies and practices; (b) identifying, evaluating and recommending to the Board individuals who are qualified to become directors; and (c) performing ongoing assessments of the Board's size, operations, structure, needs and effectiveness. The Nominating/Governance Committee also reviews and makes recommendations to the full Board on proposed changes to our Certificate of Incorporation and By-laws, periodically assesses and recommends action with respect to stockholder rights plans and other stockholder protections, reviews and approves or ratifies (as applicable) related party transactions, as further described below under the heading Certain Relationships and Related Party Transactions, and is charged with the duties and responsibilities listed in its charter.

The Board has determined that each current member of the Nominating/Governance Committee is independent under our Corporate Governance Principles and NYSE listing standards.

Director Qualifications

We believe our directors should possess the highest personal and professional ethics, integrity, judgment and values, and be committed to representing the long-term interests of our stockholders. Our directors should also have an

inquisitive and objective perspective, and be able and willing to dedicate the time necessary to Board and Board Committee service.

The Nominating/Governance Committee regularly assesses the skills and characteristics of current and potential directors and may consider the attributes listed to the right, among others.

The Nominating/Governance Committee and the Board determined that each individual that the Board will present at the Annual Meeting as a director nominee possesses the characteristics described above in the first paragraph under the heading Director Qualifications, as well as certain specific qualifications, which are described below with other biographical information under Proposal 1: Election of Directors.

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Director Independence

We believe that a substantial majority of our directors should be independent. To be independent, the Board must affirmatively determine that a director does not have any material relationship with us based on all relevant facts and circumstances.

The Board makes independence determinations annually based on information supplied by directors and other sources, the Nominating/Governance Committee's prior review and recommendation, and certain categorical standards contained in our Corporate Governance Principles. These standards are consistent with NYSE listing standards. The Board has determined that all non-employee directors who served during our 2010 fiscal year and all non-employee director nominees are independent under the Board's director independence standards. Accordingly, Messrs. Bollenbach, Finchem, Jastrow, Johnson, McCaffery, Moonves, and Nogales and Mmes. Alexander and Lora are independent. In addition, the Board has determined that all standing Board Committees are entirely composed of independent directors.

Selected Director Attributes

Personal qualities, accomplishments and reputation in the business community

Financial literacy, financial and accounting expertise and significant business, academic or government experience in leadership positions
or at senior policy-making levels

Geographical representation in areas relevant to our business

Diversity of background and personal experience

Fit of abilities and personality with those of current and potential directors in building a Board that is effective, collegial and responsive
to the needs of our business

Independence and an absence of conflicting time commitments

In making its independence determinations, the Board considered television, radio and billboard advertising expenditures we made at market rates with CBS Corporation (at which Mr. Moonves serves as President and Chief Executive Officer). These expenditures were made in the ordinary course of our business and the business of CBS Corporation and fell well within the categorical independence standards contained in our Corporate Governance Principles. Mr. Moonves was deemed to not have a direct or indirect material interest in the expenditures, and did not participate in the transactions in an individual capacity. The Board also considered a potential land purchase transaction between us and Forestar Group Inc., for which Mr. Jastrow serves as non-executive chairman, involving a relatively small acquisition of finished lots. Mr. Jastrow was deemed not to have a direct or indirect material interest in the potential transaction.

Consideration of Director Candidates

The Nominating/Governance Committee is responsible for identifying and evaluating director candidates based on the perceived needs of the Board at the time made. Director candidate identification and evaluation may occur at regular or special meetings of the Nominating/Governance Committee and at any point during the year. The general qualifications for director candidates are described above under the heading Director Qualifications, and attributes that the Nominating/Governance Committee may consider are described above in the box titled Selected Director Attributes. Among other attributes, the Nominating/Governance Committee may consider a director candidate's diversity of background and personal experience. In this context, diversity may encompass a candidate's particular race, ethnicity, national origin and gender, geographic residency, educational and professional history, community or public service, expertise or knowledge base and/or other tangible and intangible aspects of the candidate's constitution in relation to the personal characteristics of current directors and other potential director candidates. The Nominating/Governance Committee, however, does not have a formal policy specifying how diversity of background and personal experience should be applied in identifying or evaluating director candidates, and a candidate's background and personal experience, while important, does not necessarily outweigh other attributes or factors the Nominating/Governance Committee may consider in evaluating any particular candidate.

The Nominating/Governance Committee has retained professional search firms from time to time to assist it with recruiting potential director candidates to the Board based on criteria the Nominating/Governance Committee provides to the firm. These firms help identify, evaluate and select director candidates and are typically paid an agreed upon fee plus expenses for their work. Current directors or other persons may recommend candidates to the Nominating/Governance Committee. Ms. Alexander was recommended as a candidate by current directors prior to her election to the Board on October 7, 2010. A professional search firm was not involved in recruiting her to the Board.

Any security holder may recommend a director candidate for the Nominating/Governance Committee's consideration by submitting the candidate's name and qualifications to us in care of the Corporate Secretary at the address listed above under the heading Corporate Governance Highlights. Director candidates recommended by a security holder are considered in the same manner as any other recommended candidates.

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Director Compensation

The Board sets non-employee director compensation based on recommendations from the Compensation Committee, which has retained Semler Brossy to assist it with designing our non-employee director compensation program. Non-employee director compensation is currently provided under our 2009 Non-Employee Director Compensation Plan (Director Compensation Plan). Mr. Mezger is not paid for his service as a director.

Director Compensation Plan

As further described below, under the Director Compensation Plan, our non-employee directors are entitled to receive an annual retainer, an annual grant of stock options and stock units, and Board Committee-related retainers. Non-employee directors are also entitled to receive meeting fees under certain circumstances, and may elect to receive any cash retainers and meeting fees in the form of stock units. Cash retainers are paid in equal quarterly installments over a director year. Annual compensation items correspond to a director year, and non-employee directors who are elected during a director year are entitled to pro-rated annual compensation based on the period remaining in the director year of election. The annual grant of stock options and stock units is made on the date of each annual meeting of stockholders to the non-employee directors serving on the Board on that date. A non-employee director who is elected during a director year receives a pro-rated grant of stock options and stock units on the date of the director's first day of service on the Board. Ms. Alexander received a pro-rated annual retainer and a pro-rated grant of stock options and stock units on October 7, 2010, the date she was elected to the Board.

A director year is the period between our annual meetings of stockholders. The 2010-2011 Director Year began on April 1, 2010 and ends on April 6, 2011.

The Board set the following compensation under the Director Compensation Plan for the 2010-2011 Director Year, as recommended by Semler Brossy and approved by the Compensation Committee.

<i>Annual Retainer:</i>	\$80,000
<i>Annual Grant of Stock Options and Stock Units:</i>	Each valued at \$67,500 on the date of grant
<i>Annual Board Committee Chair Retainers:</i>	\$25,000 (Audit Committee) \$18,000 (Compensation Committee) \$10,000 (Nominating/Governance Committee)
<i>Annual Board Committee Member Retainers:</i>	\$10,000 (Audit Committee) \$7,000 (Compensation Committee) \$5,000 (Nominating/Governance Committee)
<i>Meeting Fees:</i>	\$1,500 per eligible meeting

Committee-Related Fees and Meeting Fees. The differences between the Board Committee-related retainers reflect the Board's judgment of each Board Committee's respective workload. The Non-Executive Chairman of the Board is not eligible for any Board Committee-related retainers. Meeting fees are payable for attendance at Board or Board Committee meetings, beginning on the third additional meeting above its number of regularly scheduled meetings, subject to approval by the Non-Executive Chairman of the Board (as to Board meetings) or the relevant Board Committee Chair. No meeting fees were paid to our non-employee directors during our 2010 fiscal year.

Director Compensation Plan Stock Options and Stock Units. Each stock option represents a right to receive a payment equal to the positive difference between a stock option's exercise price and the closing price of our common stock on an exercise date. Each stock unit represents a right to receive a payment equal to the fair market value of one share of our common stock on a payment date and cash payments at the same time and in the same amount as any common stock cash dividend. Stock options and stock units are settled in cash unless payment in shares of our common stock is approved by our stockholders; stock options are therefore similar in nature to cash-settled stock appreciation rights. Stock options and stock units vest one year after the date of grant, and, except as described below under the heading

Director Equity-Based Compensation Granted Before

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the 2010-2011 Director Year, stock options have a 10-year term. A non-employee director cannot exercise vested stock options until the director has met the non-employee director stock ownership requirement or, if earlier, has left the Board.

Vested stock options held by a non-employee director must be exercised before the end of the stock options' respective term or, if earlier, before the third anniversary of the date the non-employee director leaves the Board. A non-employee director can elect to receive payout of stock units upon leaving the Board or, if the director has met the non-employee director stock ownership requirement, immediately after the one-year vesting date or at a specified date after the stock units vest, but before the director leaves the Board. The non-employee director stock ownership requirement is described below under the heading "Stock Ownership Requirements."

Director Equity-Based Compensation Granted Before the 2010-2011 Director Year

Under the Director Compensation Plan, any stock options granted to our non-employee directors before the 2010-2011 director year are vested, have a 15-year term and must be exercised before the end of such term or, if earlier, within one year of the date a non-employee director leaves the Board, and any stock units so granted will be paid out only upon a non-employee director's leaving the Board, reflecting in each case the terms under which these awards were originally granted. These stock options, if exercised, and stock units will be paid out in cash as described above.

Chairman Retainer

Mr. Bollenbach is paid an annual cash retainer of \$300,000 for his service as the Non-Executive Chairman of the Board. He may keep any such retainer payment if removed from the Board without cause.

Indemnification Agreements

We have entered into agreements with each of our non-employee directors that provide them with indemnification and advancement of expenses to supplement that provided under our Certificate of Incorporation and insurance policies, subject to certain requirements and limitations.

Expenses

We pay the non-employee directors' expenses, including travel, accommodations and meals, for attending Board and Board Committee meetings and our annual meetings of stockholders and other activities related to our business.

Director Compensation During Fiscal Year 2010

Name	Fees Earned or Paid in Cash (\$)(a)	Stock Awards (\$)(b)	Option Awards (\$)(b)	All Other Compensation (\$)(c)	Total (\$)
Ms. Alexander	\$ 22,691	\$ 33,750	\$ 33,750	\$ 0	\$ 90,191
Mr. Bollenbach	301,659	147,500	67,500	0	516,659
Mr. Finchem	9,689	164,500	67,500	16,390	258,079

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Mr. Jastrow	78,364	67,500	67,500	13,545	226,909
Mr. Johnson	70,154	67,500	67,500	0	205,154
Ms. Lora	11,898	177,500	67,500	19,920	276,818
Mr. McCaffery	6,366	175,500	67,500	0	249,366
Mr. Moonves	11,482	157,500	67,500	16,390	252,872
Mr. Nogales	110,512	67,500	67,500	13,545	259,057

(a) *Fees Earned or Paid in Cash*: These amounts are the total stock unit dividend equivalent payments made during our 2010 fiscal year and payments of annual and Committee-related retainers based on the elections of the non-employee directors. Non-employee directors with larger stock unit holdings based on their tenure and compensation elections received greater dividend equivalent payments. The amount shown for Mr. Bollenbach also includes his Non-Executive Chairman retainer.

(b) *Stock Awards and Option Awards*: These amounts represent the aggregate grant-date fair value of the Director Compensation Plan stock unit and stock option awards granted to our non-employee directors in our 2010 fiscal year, computed in accordance with Accounting Standards Codification Topic No. 718,

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Compensation Stock Compensation (ASC 718). Except for Ms. Alexander, the stock units and stock options were granted on April 1, 2010. Ms. Alexander was granted a pro-rated amount of stock units and stock options on October 7, 2010, the date of her election to the Board. Below are the amounts of stock options and stock units granted to each non-employee director in our 2010 fiscal year based on each director's elections and Board Committee service.

Name	Stock Units (#)	Stock Options (#)
Ms. Alexander	3,051	7,350
Mr. Bollenbach	8,848	8,739
Mr. Finchem	9,867	8,739
Mr. Jastrow	4,049	8,739
Mr. Johnson	4,049	8,739
Ms. Lora	10,646	8,739
Mr. McCaffery	10,526	8,739
Mr. Moonves	9,447	8,739
Mr. Nogales	4,049	8,739

Below are each non-employee director's total Director Compensation Plan stock unit and stock option holdings as of February 14, 2011.

Name	Stock Units (#)	Stock Options (#)	Total Holdings (#)
Ms. Alexander	3,051	7,350	10,401
Mr. Bollenbach	8,848	97,492	106,340
Mr. Finchem	41,224	8,739	49,963
Mr. Jastrow	59,468	8,739	68,207
Mr. Johnson	11,627	46,732	58,359
Ms. Lora	50,255	19,959	70,214
Mr. McCaffery	28,094	122,741	150,835
Mr. Moonves	48,290	27,139	75,429
Mr. Nogales	72,062	10,869	82,931

(c) *All Other Compensation.* These amounts are the premium payments for the life insurance policies we maintain to fund charitable donations under the Directors Legacy Program, which is described below under the heading Directors Legacy Program. In our 2010 fiscal year, we paid a total of \$110,965 in life insurance premiums for all participants, including former directors. Premium payments vary depending on participants respective ages and other factors. The total dollar amount payable under the program at November 30, 2010, with all current participating directors having vested in the full donation amount, was \$16,100,000.

Directors Legacy Program. We established a Directors Legacy Program in 1995 to recognize our and our directors interests in supporting worthy educational institutions and other charitable organizations. In making adjustments to our philanthropic activities, the Board elected in 2007 to close the program to new participants. Ms. Alexander and Messrs. Bollenbach, Johnson and Mezger do not participate in the program. Under the program, we will make a charitable donation on each participating director s behalf of up to \$1,000,000. Directors vest in the full donation in five equal annual installments of \$200,000, and therefore must serve on the Board for five consecutive years to donate the maximum amount. A participating director may allocate the donation to up to five qualifying institutions or organizations. Donations are paid in ten equal annual installments directly to designated organizations after a participating director s death with proceeds from the life insurance policies we maintain on each participating director s life. Participating directors and their families do not receive any proceeds, compensation or tax savings associated with the program.

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Items of Business

Proposal 1:

Election of Directors

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At the Annual Meeting, the Board will present as nominees and recommend to stockholders that Messrs. Bollenbach, Finchem, Jastrow, Johnson, McCaffery, Mezger, Moonves and Nogales and Mmes. Alexander and Lora each be elected as a director to serve for a one-year term ending at our 2012 Annual Meeting of Stockholders. Each nominee is currently a director, has consented to being nominated and has agreed to serve as a director if elected. Other than Ms. Alexander, each nominee is standing for re-election. Ms. Alexander was elected to the Board on October 7, 2010. Should any of these nominees become unable to serve as a director prior to the Annual Meeting, the individuals named as proxies for the Annual Meeting will, unless otherwise directed, vote for the election of such other person as the Board may recommend in place of such nominee.

On the date of the Annual Meeting, following the election of directors, the Board will have ten members.

Vote Required

Under our By-laws, the election of each director nominee will require a majority of votes cast at the Annual Meeting to be in favor of the nominee (*i.e.*, the votes cast for a nominee's election must exceed the votes cast against the nominee's election).

Consistent with this director election standard, our Corporate Governance Principles require that each director nominee in an uncontested election at an annual meeting of stockholders receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to the Board. An uncontested election is one in which no director candidates on the ballot were nominated by a stockholder in accordance with our By-laws. This election is an uncontested election.

Our Corporate Governance Principles also provide that a director nominee who fails to win election or re-election to the Board in an uncontested election is expected to tender his or her resignation from the Board. If an incumbent director fails to receive the required vote for election or re-election in an uncontested election, the Nominating/Governance Committee will act promptly to determine whether to accept the director's resignation and will submit its recommendation for consideration by the Board. The Board expects the director whose resignation is under consideration to abstain from participating in any decision regarding that resignation. The Nominating/Governance Committee and the Board may consider any factors they deem relevant in deciding whether to accept a director's resignation.

Your Board recommends a vote FOR the election to the Board of each of the nominees.

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A brief summary of each current director's and director nominee's principal occupation, recent professional experience, the specific qualifications identified as part of the Board's determination that each such individual should serve on the Board, and directorships at other public companies for at least the past five years, if any, is provided below.

Barbara T. Alexander, age 61, has been an independent consultant since January, 2004. Prior to that, she was a Senior Advisor to UBS Warburg LLC and predecessor firms from October, 1999 to January, 2004, and Managing Director of the North American Construction and Furnishings Group in the Corporate Finance Department of UBS from 1992 to October, 1999. During this time, she was an analyst and an investment banker covering the homebuilding industry, among other industries. Ms. Alexander serves as a director of Allied World Assurance Company Holdings, Ltd. and QUALCOMM Incorporated. Ms. Alexander previously served as a director of Burlington Resources Inc., Centex Corporation, Federal Home Loan Mortgage Corporation (Freddie Mac), and Harrah's Entertainment Inc. Ms. Alexander was selected as one of seven Outstanding Directors in Corporate America in 2003 by Board Alert magazine and was one of five Director of the Year honorees in 2008 by the Forum for Corporate Directors. Notably, she was also one of only three directors of Freddie Mac who were asked to remain on its board after the company was placed into federal conservatorship in 2008 and served as chair of that board's business and risk committee from December 2008 until the expiration of her term in March, 2010. Ms. Alexander joined the Board in 2010. Having served as a director for several public companies, Ms. Alexander has a thorough understanding of and experience with corporate and board functions and processes. She also has extensive and extremely valuable professional experience in financial, operational and strategic planning matters relating to the homebuilding and mortgage banking industries from, among other positions, her work as an analyst and investment banker covering the homebuilding industry, her decade-long service on the board of Centex Corporation, a public homebuilder, and her six years of service as a director of Freddie Mac.

Stephen F. Bollenbach, age 68, is our Non-Executive Chairman of the Board. He was the Co-Chairman and Chief Executive Officer of Hilton Hotels Corporation, a hotel developer and operator, positions he held from May, 2004 and February, 1996, respectively. He retired from Hilton in October of 2007. Prior to joining Hilton, Mr. Bollenbach was Senior Executive Vice President and Chief Financial Officer for The Walt Disney Company from 1995 to 1996. Before Disney, Mr. Bollenbach was President and Chief Executive Officer of Host Marriott Corporation from 1993 to 1995, and served as Chief Financial Officer of Marriott Corporation from 1992 to 1993. From 1990 to 1992, Mr. Bollenbach was Chief Financial Officer of the Trump Organization. Mr. Bollenbach serves a director of Time Warner Inc. and Macy's, Inc. He previously served as a director of American International Group Inc., Harrah's Entertainment, Inc., Caesars Entertainment, Inc. and Catellus Development Corporation. Mr. Bollenbach joined the Board as Non-Executive Chairman in 2007. Mr. Bollenbach has several years of experience and expertise as a senior corporate executive and public company board member, including as a lead independent director, and has demonstrated exemplary leadership as Non-Executive Chairman of the Board.

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Timothy W. Finchem, age 63, has been Commissioner of the PGA TOUR, a membership organization for professional golfers, since 1994. He joined the TOUR staff as Vice President of Business Affairs in 1987, and was promoted to Deputy Commissioner and Chief Operating Officer in 1989. Mr. Finchem served in the White House as Deputy Advisor to the President in the Office of Economic Affairs in 1978 and 1979, and in the early 1980 s, co-founded the National Marketing and Strategies Group in Washington, D.C. He joined the Board in 2005. Mr. Finchem has demonstrated success in broadening the popularity of professional golf among the demographic groups that make up our core homebuyers, and has experience in residential community development. He also has a substantial presence in Florida, one of our key markets.

Kenneth M. Jastrow, II, age 63, is Non-Executive Chairman, Forestar Group Inc., a real estate and natural resources company. He served as Chairman and Chief Executive Officer of Temple-Inland Inc., a manufacturing company and the former parent of Forestar Group, from 2000 to 2007. Prior to that, Mr. Jastrow served as President and Chief Operating Officer in 1998 and 1999, Group Vice President from 1995 until 1998, and as Chief Financial Officer of Temple-Inland from November 1991 until 1999. Mr. Jastrow is also a director of MGIC Investment Corporation and Genesis Energy, LLC, the general partner of Genesis Energy, LP, a publicly traded master limited partnership. He previously served as a director of Guaranty Financial Group Inc. He joined our Board in 2001. Mr. Jastrow has several years of experience and leadership in the building products, forestry, real estate and mortgage lending industries, providing critical perspective in businesses that impact the homebuilding industry, and on sustainability practices. He also brings a significant knowledge of corporate governance matters from his service on a number of public company boards, and has a substantial presence in Texas, a key market for us.

Robert L. Johnson, age 64, is founder and chairman of The RLJ Companies, an innovative business network that owns or holds interests in a diverse portfolio of companies in the consumer financial services, private equity, real estate, hospitality, professional sports, film production, gaming, and automobile dealership industries. Prior to forming The RLJ Companies, Mr. Johnson was founder and chief executive officer of Black Entertainment Television (BET), which was acquired by Viacom Inc. in 2001. He continued to serve as chief executive officer of BET until 2006. In July, 2007, Mr. Johnson was named by USA Today as one of the 25 most influential business leaders of the past 25 years. Mr. Johnson currently serves on the board of directors of the Lowe s Companies, Inc., IMG Worldwide, Inc., and Strayer Education, Inc. He previously served as a director of Hilton Hotels Corporation, US Airways Group, Inc. and General Mills, Inc. He joined the Board in 2008. Mr. Johnson has significant experience in real estate, finance, mortgage banking and brand-building enterprises and a unique and diverse background in a number of industry sectors. He also has a substantial presence in Washington D.C. and the mid-Atlantic region, which is an important market for us.

Melissa Lora, age 48, has since 2001 been the Chief Financial Officer of Taco Bell Corp., a quick service restaurant chain. Ms. Lora joined Taco Bell Corp. in 1987 and has held various positions throughout the company, most recently acting as Regional Vice President and General Manager from 1998 to 2000 for Taco Bell s operations throughout the Northeastern United States. She joined the Board in 2004. Ms. Lora is very knowledgeable of and has substantial

experience and expertise in financial matters as well as in managing real estate assets. She has made significant contributions to the work of the Audit Committee since joining the Board and has provided strong leadership as its Chair since 2008.

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Michael G. McCaffery, age 57, is the Chief Executive Officer of Makena Capital Management, an investment management firm. From 2000 to 2006, Mr. McCaffery was President and CEO of the Stanford Management Company (SMC), which was established in 1991 to manage Stanford University's financial and real estate investments. Previous to joining SMC, Mr. McCaffery was President and Chief Executive Officer of Robertson Stephens Investment Bankers from January, 1993 to December, 1999, and also served as Chairman from January, 2000 to December, 2000. He previously served as a director of Venture Lending & Leasing V Inc., Venture Lending & Leasing IV Inc., Venture Lending & Leasing III Inc., and as a Trustee of RS Investment Trust. He joined the Board in 2003. Mr. McCaffery has a broad array of business and real estate experience and recognized expertise in financial matters and real estate investing, as well as a demonstrated commitment to good corporate governance.

Jeffrey T. Mezger, age 55, has been our President and Chief Executive Officer since November 2006. Prior to becoming President and Chief Executive Officer, Mr. Mezger served as our Executive Vice President and Chief Operating Officer, a position he assumed in 1999. From 1995 until 1999, Mr. Mezger held a number of executive posts in our southwest region, including Division President, Phoenix Division, and Senior Vice President and Regional General Manager over Arizona and Nevada. Mr. Mezger joined us in 1993 as president of the Antelope Valley Division in Southern California. He joined the Board in 2006. He is a member of the Executive Board of USC Lusk Center for Real Estate and is on the Executive Committee of the Policy Advisory Board for the Harvard Joint Center for Housing Studies. As our CEO, Mr. Mezger has demonstrated dedicated and effective leadership, and ownership of our business strategy and its results. He has also established himself as a leading voice in the industry through his 33 years of experience in the public homebuilding sector.

Leslie Moonves, age 61, is President and Chief Executive Officer and a Director of CBS Corporation, a mass media company. Prior to that, he was Co-President and Co-Chief Operating Officer of Viacom, a mass media company and the former parent company of CBS, which title he held from June, 2004 to December, 2005. Mr. Moonves previously served as President and Chief Executive Officer of CBS from 1998 to 2004, and served as its Chairman from 2003 to 2005. He joined CBS in 1995 as President, CBS Entertainment. Prior to that, Mr. Moonves was President of Warner Bros. Television from 1993, when Warner Bros. and Lorimar Television combined operations. From 1989 to 1993, he was President of Lorimar Television. He previously served as a director of Viacom Inc. and Westwood One, Inc. He joined the Board in 2004. Mr. Moonves has intimate knowledge of and insight on how to capitalize on trends among, and substantial experience in nationwide advertising and marketing to, our target homebuyer demographic.

Luis G. Nogales, age 67, has been the Managing Partner of Nogales Investors, LLC, a private equity investment firm, since 2001. He was Chairman and Chief Executive Officer of Embarcadero Media, Inc. from 1992 to 1997, President of Univision Communications, Inc., from 1986 to 1988, and Chairman and Chief Executive Officer of United Press International from 1983 to 1986. He is a director of Southern California Edison Co., Edison International and Arbitron Inc. He joined the Board in 1995. Mr. Nogales has substantial depth of experience in media and marketing enterprises and with business operations management and financial

investments drawn from a diverse background and involvement in an array of industries. His long-time service on the Board has provided critical knowledge of our operations and corporate history.

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Proposal 2:

Ratification of Appointment of Independent Registered Public Accounting Firm

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The Audit Committee has appointed Ernst & Young LLP as our independent registered public accounting firm to audit our consolidated financial statements for our fiscal year ending November 30, 2011. During our 2010 fiscal year, Ernst & Young LLP served as our independent registered public accounting firm and also provided certain other audit-related services, as further discussed below under the heading Independent Auditor Fees and Services. Representatives of Ernst & Young LLP are expected to attend the Annual Meeting, be available to respond to appropriate questions and, if they desire, make a statement.

If Ernst & Young LLP's appointment is not ratified, the Audit Committee will reconsider whether to retain Ernst & Young LLP, but still may retain them. Even if the appointment is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that such a change would be in our and our stockholders' best interests.

Vote Required

Approval of the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending November 30, 2011 requires the affirmative vote of the majority of shares of common stock present or represented, and entitled to vote thereon, at the Annual Meeting.

Your Board recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm for our fiscal year ending November 30, 2011.

Proposal 3:

Approve an Amendment to the KB Home 2010 Equity Incentive Plan

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At our last annual meeting, our stockholders approved the KB Home 2010 Equity Incentive Plan. On January 27, 2011, our Board approved, subject to stockholder approval, an amendment (the Plan Amendment) to Section 3.1 of the 2010 Plan to increase the number of shares of our common stock available for awards under the 2010 Plan by an additional 4,000,000 shares. The Plan Amendment revises the first sentence of Section 3.1 (a) by replacing the words Three Million Five Hundred Thousand (3,500,000) with the words Seven Million Five Hundred Thousand (7,500,000). With the Plan Amendment, the first sentence of Section 3.1(a) is as follows:

3.1 Number of Shares.

(a) Subject to adjustment as provided in Section 3.1(b) and Section 13.2, a total of Seven Million Five Hundred Thousand (7,500,000) Shares shall be authorized for grant under the Plan.

Except for the Plan Amendment, no other changes are proposed for the 2010 Plan. Per NYSE listing standards and the 2010 Plan's terms, the Plan Amendment will not take effect unless our stockholders approve it. Accordingly, we are

asking for approval of the Plan Amendment.

Reason for the Plan Amendment

In our 2010 fiscal year, we offered to certain officers and employees the opportunity to replace stock appreciation rights (SARs) we had previously granted to them as long-term incentive awards in 2007, 2008 and 2009 with non-qualified options to purchase shares of our common stock issued under the 2010 Plan (Exchange Offers). At the time they were granted, each of the relevant SARs in the Exchange Offers could be settled only in cash. Each stock option issued to replace a SAR has an exercise price equal to the replaced SAR s exercise price and the same number of underlying shares, vesting schedule and expiration date as each such SAR. The Exchange Offers did not include a re-pricing or any other changes impacting the value of the awards to the participating officers and employees, and no additional grants or awards were made to participants as part of the offers. All of the SARs we received in the Exchange Offers were canceled, and with

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the Exchange Offers and SARs forfeited due to employee departures, virtually all SARs previously granted to our officers and employees have now been canceled.

We conducted the Exchange Offers in an effort to reduce the variability in the expense recorded for employee equity-based compensation by replacing the SARs, which were accounted for as liability awards, with the stock options, which are accounted for as equity awards. In accounting for equity awards, the grant-date fair value of an award is expensed over its vesting period and does not fluctuate based on changes in the market price of shares of our common stock. In contrast, in accounting for liability awards, the amount of compensation expense recorded for a given period fluctuates compared to prior periods based on changes in the market price of shares of our common stock, and these fluctuations could be substantial. As a result, prior to the Exchange Offers, the variability in expense we recorded due to the SARs at times caused significant fluctuations in our reported financial results that obscured our operating performance. By conducting the Exchange Offers, we were able to eliminate much of this variability and provide stockholders and investors with a clearer view of our performance. The Exchange Offers will also help us conserve cash that may otherwise have been paid in connection with SAR exercises.

In order to complete the Exchange Offers, we issued a total of 2,041,735 stock options under the 2010 Plan. These issuances, in combination with awards of stock options and restricted stock in our 2010 fiscal year for ordinary course long-term incentive compensation awards and new hire awards, have reduced the total remaining unused capacity of the 2010 Plan to 43,701 shares as of February 14, 2011. To align the interests of our officers and employees to those of our stockholders and to help ensure that we can continue to appropriately attract, motivate and retain the services of highly qualified talent to improve our performance through the ownership of equity-based awards, we believe it is important and in our and our stockholders' best interests to increase the 2010 Plan's available share capacity per the Plan Amendment.

The proposed increase in the 2010 Plan's available share capacity by 4,000,000 additional shares under the Plan Amendment is intended to replace the shares subject to the stock options issued in the Exchange Offers, which we believe provided a significant benefit to our stockholders, and to enable us to meet our expected equity compensation needs for the next two to three years. We believe this additional available share capacity amount represents a reasonable degree of potential equity dilution while giving us the ability to continue to award equity compensation, which we see as critical in order to compete successfully against other companies in providing stockholder-aligned long-term incentives to attract and retain executive talent. We are not proposing any other changes to the 2010 Plan as we believe it currently provides a number of leading governance and compensation terms, as described in the summary below.

Summary of the 2010 Plan

A copy of the 2010 Plan was filed as an exhibit to our Quarterly Report on Form 10-Q for the quarter ended February 28, 2010, and the following summary of the 2010 Plan's material terms is qualified in its entirety by reference to the full text. Stockholders are urged to read the full 2010 Plan.

Size of the Share Pool. If our stockholders approve the Plan Amendment, the 2010 Plan will authorize the issuance of 7,500,000 shares of our common stock, assuming no cancelations or forfeitures of outstanding awards. As of February 14, 2011, this number represents 3,456,299 shares subject to outstanding awards, 43,701 shares available for, but not yet subject to a grant or award, plus the additional 4,000,000 shares authorized by the Plan Amendment. This pool of shares may be used for all types of awards under a fungible pool formula. This formula provides that the authorized share limit under the 2010 Plan will be reduced by (a) one share for every one share subject to a stock option, stock-settled SARs or other similar award, and (b) 1.78 shares for every one share subject to a restricted stock award or other similar full-value award. If our stockholders do not approve the Plan Amendment, the 2010 Plan's total authorized share issuance will remain at 3,500,000 shares, with a total remaining unused capacity, as of February 14,

2011, of 43,701 shares. If our stockholders do not approve the Plan Amendment, we may use cash-settled SARs and phantom shares, among other types of cash-based awards, as incentive compensation vehicles in lieu of stock options and restricted stock, as we did in 2007, 2008 and 2009 when we had a limited number of shares available for equity compensation awards. Doing so, however, would result in greater variability in our compensation expense, which we sought to minimize through the Exchange Offers for the reasons and benefits discussed above under the heading Reason for the Plan Amendment.

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Key Terms. The 2010 Plan authorizes the Compensation Committee (or, if our Board determines, another committee of independent directors of the Board, which in either case we will refer to in this proposal as the Committee) to grant awards and otherwise administer and interpret the 2010 Plan, and any award agreements and general programs adopted thereunder. In addition, the 2010 Plan includes the following terms:

No Repricings Without Stockholder Approval. The 2010 Plan prohibits, without stockholder approval, both the amendment of any stock option or SAR to reduce its exercise price and the cancellation of a stock option or SAR in exchange for cash or for any other award that has a lower exercise price or that provides additional value to the holder of a stock option or SAR award.

No In-the-Money Grants. The 2010 Plan prohibits the grant of stock options or SARs with an exercise price less than the fair market value of a share of our common stock on the date of grant.

Limited Delegation. The Committee may only delegate administrative actions under the 2010 Plan to our officers, and in no event may any officer be delegated the authority to grant or amend awards.

Minimum Vesting Requirements. The minimum time-based vesting requirement for performance-based awards is one year, and non-performance-based awards are generally subject to a three year vesting period. The Committee may provide for an equal portion of a non-performance-based award to vest in annual installments during this vesting period. In addition, the 2010 Plan only permits the Committee to accelerate the vesting of an award in the event of a holder's death, disability or retirement (for employee holders only), or upon a change in control.

Reissuance Restrictions. Shares that are tendered or withheld to satisfy the exercise price of an award or to cover tax withholding obligations may not be used again for new grants.

Limitations on Grants. The maximum number of shares with respect to one or more awards that may be granted to any one person in a given year is 1,000,000. The maximum amount of cash that may be paid to any one person in a given year with respect to one or more performance-based awards is \$5,000,000.

Eligibility. All employees, non-employee directors and consultants of KB Home and its affiliates are eligible to receive awards under the 2010 Plan, as determined by the Committee or the Board. As of the date of this proxy statement, we have nine non-employee directors and approximately 1,300 employees and consultants who are eligible to participate in the 2010 Plan.

Administration. Unless the Board assumes the role of the Committee or otherwise limits the Committee's authority, the Committee has the power to make grants of awards under the 2010 Plan, to determine the types, sizes, price, timing and vesting restrictions of awards, and to administer and interpret the 2010 Plan. The Committee shall also have the limited power to delegate certain of its powers and responsibilities under the 2010 Plan, subject to the restrictions described above, and only to the extent consistent with our equity-based award grant policy (as described below under the heading Equity-Based Award Grant Policy) and applicable law.

Types of Awards. The 2010 Plan authorizes the grant of stock options, shares of restricted stock, SARs, restricted stock units, stock payments and general performance-based awards. Following is a brief description of each type of award:

Stock Options. Stock options provide a holder with the right to acquire shares of our common stock for the exercise price stated in the award. There are two kinds of stock options: incentive stock options (as defined under Section 422 of the Code) and nonqualified stock options. The option exercise price of all stock options

granted pursuant to the 2010 Plan will not be less than 100% of the fair market value of a share of our common stock on the date of grant. Stock options may vest and become exercisable as determined by the Committee, but in no event may a stock option have a term extending beyond the tenth anniversary of the date of grant. In addition, incentive stock options granted to any person who owns stock constituting more than 10% of our total voting power shall have an exercise price of not less than 110% of the fair market value of a share of our common stock on the date of grant and may not have a term extending beyond the fifth anniversary of the date of grant. The aggregate fair market value of the shares with respect to which incentive stock options are first exercisable for the first time by an employee in any calendar year may not exceed \$100,000, or such other amount as the Code may allow.

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Restricted Stock. An award of restricted stock is a grant of shares of our common stock that is nontransferable and subject to forfeiture until certain conditions set forth in the award agreement are met. Conditions may be based on continuing service to us or achieving one or more performance goals or other criteria or a combination of criteria. During the restricted period, a holder of shares of restricted stock will have full rights with respect to such shares unless otherwise determined by the Committee, except that no dividends or distributions shall be payable on shares of restricted stock that are subject to the satisfaction of one or more performance goals until such goals are met, at which time accrued but unpaid dividends and distributions shall become payable to the holder.

SARs. SARs entitle a holder to receive an amount determined by multiplying (a) the difference between the fair market value of a share of our common stock on the date of exercise and the stated exercise price by (b) the number of shares subject to the award. Settlement of a SAR can be in cash or shares of our common stock (or a combination of both). The exercise price of any SARs granted pursuant to the 2010 Plan will not be less than 100% of the fair market value of a share of our common stock on the date of grant. SARs may vest and become exercisable as determined by the Committee, but in no event may a SAR have a term extending beyond the tenth anniversary of the date of grant.

Restricted Stock Units (RSUs). RSUs provide for the issuance to a holder of shares of our common stock or an equivalent cash value at a future date upon the satisfaction of specific conditions set forth in the award agreement. Conditions may be based on continuing service to us or achieving one or more performance goals or other criteria or a combination of criteria. RSUs generally will be forfeited if the applicable vesting conditions are not met. RSUs may be paid in cash, shares of our common stock or a combination of both. A holder of RSUs will not have any rights associated with any underlying shares until the vesting conditions are satisfied and shares of our common stock are actually issued.

Stock Payments. The 2010 Plan provides for the ability to make a payment of shares of our common stock (or a right to purchase shares) as part of a bonus, deferred compensation or other arrangement.

Performance-Based Awards. Performance-based awards may be granted in the form of cash bonus awards, stock bonus awards, performance awards or incentive awards that are paid in cash, shares of our common stock or a combination of both. The value of these awards will be linked to the achievement of one or more performance goals. In addition, the vesting or payout of any of the other types of awards that may be granted under the 2010 Plan may be made subject to the achievement of one or more performance goals.

Cancellation, Forfeiture, Expiration or Cash Settlement of Awards. If an award expires or is canceled, forfeited or settled for cash, then any shares subject to such award may, to the extent of such expiration, cancellation, forfeiture or cash settlement, be used again for new grants under the 2010 Plan. However, as noted above, any shares tendered or withheld to satisfy the grant or exercise price or tax withholding obligation pursuant to any award may not be used again for new grants. Any shares that again become available for grant will be added back in the same manner in which they were initially deducted (*i.e.*, one-for-one or 1.78-for-one).

Performance-Based Compensation. Awards may be granted to employees who are covered employees under Section 162(m) of the Code that are intended to be performance-based compensation so as to preserve the tax deductibility of the awards for federal income tax purposes. These performance-based awards may be either equity or cash awards, or a combination of both. Holders are only entitled to receive payment for a Section 162(m) performance-based award for any given performance period to the extent that pre-established performance goals set by the Committee are satisfied. These pre-established performance goals must be based on one or more of the following performance criteria which are the same criteria our stockholders approved last year for our Annual

Incentive Plan for Executive Officers:

Income/Loss (*e.g.*, operating income/loss, EBIT or similar measures, net income/loss, earnings/loss per share, residual or economic earnings)

Cash Flow (*e.g.*, operating cash flow, total cash flow, EBITDA, cash flow in excess of cost of capital or residual cash flow, cash flow return on investment and cash flow sufficient to achieve financial ratios or a specified cash balance)

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Returns (*e.g.*, on revenues, investments, assets, capital and equity)

Working Capital (*e.g.*, working capital divided by revenues)

Margins (*e.g.*, variable margin, profits divided by revenues, gross margins and margins divided by revenues)

Liquidity (*e.g.*, total or net debt, debt reduction, debt-to-capital, debt-to-EBITDA and other liquidity ratios)

Revenues, Cost Initiative and Stock Price Metrics (*e.g.*, revenues, stock price, total shareholder return, expenses, cost structure improvements and costs divided by revenues or other metrics)

Strategic Metrics (*e.g.*, market share, customer satisfaction, employee satisfaction, service quality, orders, backlog, traffic, homes delivered, cancellation rates, productivity, operating efficiency, inventory management, community count, goals related to acquisitions, divestitures or other transactions and goals related to KBnxt operational business model principles, including goals based on a per-employee, per-home delivered or other basis).

With respect to particular performance-based awards, the Committee is permitted to make certain equitable and objectively determinable adjustments to the performance goals, provided that any awards that are intended to qualify as performance-based compensation must be made in accordance with the requirements of Section 162(m) of the Code. Upon certification of achievement of the performance goals for a particular performance period set forth in an award that is intended to qualify as performance-based compensation, the Committee may reduce or eliminate, but not increase, the amount specified in the original award. Generally, a holder of a performance-based award must be employed by or providing services to us throughout an applicable performance period in order to be eligible to receive any payment pursuant to an award that is intended to qualify as performance-based compensation.

Payment Methods. Holders may satisfy any payment obligations associated with awards with (a) cash or a check, (b) shares of our common stock issuable pursuant to the award or held for a sufficient period of time (and without encumbrances) and having a fair market value equal to the required payment, or (c) other acceptable property or legal consideration, as determined by the Committee.

Transferability. No award may be transferred other than to certain permitted transferees by will or the laws of descent and distribution or, with the consent of the Committee, pursuant to a domestic relations order.

Adjustments. Equitable adjustments to the terms of the 2010 Plan and any awards will be made as necessary to reflect any stock splits, spin-offs, extraordinary stock dividends or similar transactions.

Substitute Awards. The 2010 Plan provides for substitute awards to be issued if we assume or substitute awards under the 2010 Plan for outstanding equity awards previously granted by another company, whether in connection with a merger, combination, consolidation, acquisition or other corporate transaction. Certain equitable exceptions apply to the terms of the 2010 Plan in order to facilitate the issuance of such awards.

Amendment and Termination. The Board or the Committee may terminate, amend or modify the 2010 Plan. However, the additional approval of our stockholders will be required to (a) increase the number of shares of our common stock available for grant, (b) reduce the exercise price of any option or SAR, (c) cancel an option or SAR in exchange for cash or any other award that has a lower exercise price or that provides additional value to the holder, (d) materially modify the requirements for eligibility to participate in the 2010 Plan, (e) materially increase the benefits accruing to participants in the 2010 Plan, or (f) make other material changes that require stockholder approval under applicable

stock exchange rules.

Term. No new awards may be granted under the 2010 Plan following the tenth anniversary of its approval by our stockholders.

Federal Income Tax Consequences

If a holder is granted a nonqualified stock option under the 2010 Plan, the holder should not have taxable income on the grant of the option. Generally, the holder should recognize ordinary income at the time of exercise in an amount equal to the fair market value of a share of our common stock at such time, less the exercise price paid. The holder's basis in the common stock for purposes of determining gain or loss on a subsequent sale or disposition of such shares generally will be the fair market value of our common stock on the date the holder exercises such option. Any subsequent gain or loss generally will be taxable as a capital

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gain or loss. We generally should be entitled to a federal income tax deduction at the time and for the same amount as the holder recognizes ordinary income.

A holder of an incentive stock option will not recognize taxable income upon grant. Additionally, if the applicable employment-related requirements are met, the holder will not recognize taxable income at the time of exercise. However, the excess of the fair market value of our common stock received over the option price is an item of tax preference income potentially subject to the alternative minimum tax. If any of the requirements for incentive stock options under the Code are not met, the incentive stock option will be treated as a nonqualified stock option and the tax consequences described above for nonqualified stock options will apply. Once an incentive stock option has been exercised, if the stock acquired upon exercise is held for a minimum of two years from the date of grant and one year from the date of exercise, the gain or loss (in an amount equal to the difference between the fair market value on the date of sale and the exercise price) upon disposition of the stock will be treated as a long-term capital gain or loss, and we will not be entitled to any deduction. If the holding period requirements are not met, the excess of the fair market value on the date of exercise over the exercise price (less any diminution in value of the stock after exercise) will be taxed as ordinary income and we will be entitled to a deduction to the extent of the amount so included in the income of the holder. Appreciation in the stock subsequent to the exercise date will be taxed as long term or short term capital gain, depending on whether the stock was held for more than one year after the exercise date.

The current federal income tax consequences of other awards authorized under the 2010 Plan generally follow certain basic patterns: SARs are taxed and deductible in substantially the same manner as nonqualified stock options; restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid, if any, only at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant through an election under Section 83(b) of the Code); RSUs, stock-based performance awards and other types of awards are generally subject to tax at the time of payment based on the fair market value of the award on that date. Compensation otherwise effectively deferred is taxed when paid. In each of the foregoing cases, we will generally have a corresponding deduction at the time the holder recognizes income, subject to Section 162(m) of the Code with respect to covered employees.

Section 162(m) of the Code denies a deduction to any publicly held corporation for compensation paid to covered employees in a taxable year to the extent that compensation to such covered employee exceeds \$1,000,000. Qualified performance-based compensation is disregarded for purposes of the deduction limitation. The 2010 Plan has been designed to meet the requirements of Section 162(m) of the Code, but it is possible that compensation attributable to awards under the 2010 Plan (when combined with all other types of compensation received by a covered employee from us or because of other factors) may not comply with all of the requirements of Section 162(m) of the Code, thereby preventing us from taking a deduction.

2010 Plan Benefits

No determination has been made as to the types or amounts of awards that will be granted to specific individuals under the 2010 Plan if the Plan Amendment is approved. If the Plan Amendment is not approved, few, if any, awards are likely to be made under the 2010 Plan given the extremely limited remaining unused available share capacity. Accordingly, as previously noted and given the importance of providing long-term incentives to attract and retain highly qualified talent, we may turn to using cash-settled SARs and phantom shares, among other types of cash-based awards, as incentive compensation vehicles, though doing so would result in greater variability in our compensation expense and the associated negative impacts discussed above under the heading Reason for the Plan Amendment. It would also limit our ability over time to deploy cash for inventory and other investments in our business operations, potentially restricting our ability to achieve strategic goals. Information on equity-based awards made under the 2010 Plan to each of our named executive officers in our 2010 fiscal year is provided below under the headings Summary Compensation Table and Grants of Plan-Based Awards During Fiscal Year 2010. All current executive officers as a

group have received an aggregate of 2,011,538 stock options and 18,429 shares of restricted stock under the 2010 Plan, and all of our other current employees as a group (including our current officers who are not executive officers) have received an aggregate of 1,286,666 stock options and no shares of restricted stock under the 2010 Plan. Our current non-employee directors have not received any awards under the 2010 Plan. Information on equity-based awards made to each of our non-employee directors under the Director Compensation Plan in our 2010 fiscal year is provided above under the heading Director Compensation During Fiscal Year 2010.

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Vote Required

Approval of the Plan Amendment requires the affirmative vote of the majority of shares of common stock present or represented, and entitled to vote thereon, at the Annual Meeting. To meet NYSE listing standards, however, more than 50% of the outstanding shares of our common stock must cast a vote on this proposal.

Your Board recommends that you vote FOR this proposal to approve the Amendment to the KB Home 2010 Equity Incentive Plan.

Proposal 4:

Advisory Vote to Approve Named Executive Officer Compensation

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Pursuant to Section 14A of the Securities Exchange Act of 1934, we are seeking an advisory vote from our stockholders to approve our named executive officer compensation, as set forth below. We and the Board welcome our stockholders' views on this subject, and will carefully consider the outcome of this vote consistent with the best interests of all stockholders. As an advisory vote, however, the outcome is not binding on us or the Board.

Specifically, we are seeking a vote on the following resolution:

RESOLVED, that the stockholders of KB Home approve, on an advisory basis, the compensation paid to its named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion set forth below under the heading Executive Compensation.

As discussed below under the heading Compensation Discussion and Analysis, our executive compensation and benefit programs are designed to attract, motivate and retain a talented management team and to appropriately reward individual contributions to the achievement of our strategic goals. We and the Board believe this approach establishes a solid alignment of our executives' and stockholders' interests, which we think is borne out by the following operational and financial achievements we made in our 2010 fiscal year amid extremely challenging market and economic conditions:

Generating in the second half of the year homebuilding operating income of \$37.5 million and net income on a cumulative basis, compared to a homebuilding operating loss of \$123.6 million for the corresponding year-earlier period;

Narrowing our year-over-year pretax loss by nearly \$235 million and our year-over-year net loss by more than \$32 million;

Increasing our housing gross margin, despite intense competition and general downward pressures on selling prices in many housing markets, due to, among other factors, improved operating efficiencies and reduced direct construction costs achieved through the value-engineering innovations we developed for our new product designs, including *The Open Series*[™];

Steadily cutting our selling, general and administrative expenses throughout the year, which contributed to the improvement in our pretax results compared to the prior year; and

Maintaining a total cash balance of more than \$1 billion while investing approximately \$560 million in land and land development to help expand our inventory of lots owned or controlled on a year-over-year basis and to establish a strong operational platform in 30 major markets that positions us to increase our active community count for the first time in many years and to generate potential future revenues.

While we are pleased with these accomplishments that have brought us closer to full-year profitability, we are mindful that our performance has suffered during the prolonged housing market downturn that began in mid-2006. Accordingly, and in addition to the steps we have taken to restore profitability, we have put in place a number of responsible and stockholder-focused compensation policies, programs and practices, including the following:

Pay Moderation. In light of the difficult business environment for homebuilding, for the last two years, and longer for some individuals, we have frozen base salaries for our senior executive management

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and intend to do so for our 2011 fiscal year. In addition, although our named executive officers have met challenging annual incentive targets in each of the last three years, the Compensation Committee has exercised its downward discretion to reduce annual incentive payouts below the amounts our named executive officers were eligible to receive.

Limited Perquisites. Other than relocation support for certain new hires, we substantially discontinued perquisites for our senior executive management several years ago.

Performance-based Stock Options. A majority of the 2011 fiscal year long-term incentive awards granted to our CEO consisted of performance-based stock options that vest over a three-year period if and to the extent certain objective operating margin and/or customer satisfaction performance metrics are achieved. If the performance metrics are not achieved by the end of the three-year vesting period, the stock options are forfeited. This performance-based grant underscores the Board's commitment to make the vesting of a majority of grants of equity compensation to our CEO contingent on the achievement of one or more long-term objective performance metrics. Moreover, we view stock options, the value of which rise and fall in line with the market price of our common stock, as inherently performance-based and stockholder-aligned incentives.

Stock Ownership Requirement. Our senior executive management must comply with strict stock ownership requirements throughout the period of their employment with us, and our stock ownership policy imposes material consequences for non-compliance, as discussed below.

Prohibition on Hedging/Pledging of KB Home Securities. Our senior executives are prohibited from engaging in short sales of our securities and from buying or selling puts or calls on, or any other financial instruments that are designed to hedge or offset decreases or increases in the value of, our securities (including without limitation derivatives, prepaid variable forward contracts, equity swaps, collars and exchange funds).

Compensation Clawbacks. Under his Employment Agreement, our CEO is required to repay certain compensation he receives if we are required to restate our financial results due to his misconduct. In addition, we will recoup executive officer compensation, or a portion thereof, to the extent required under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act).

Severance Pay Limits. We will obtain stockholder approval before paying severance benefits to an executive officer above 2.99 times the sum of the executive officer's then-current base salary and target bonus under any severance arrangement made or materially changed after this policy was adopted in 2008.

Equity-Based Award Grant Policy. Since 2007, all grants of equity-based compensation are subject to our equity-based award grant policy, which sets stringent requirements as to the timing and manner in which equity-based awards are made, as well as certain internal controls over the grants of such awards.

Vote Required

Approval of this advisory vote requires the affirmative vote of the majority of shares of common stock present or represented, and entitled to vote thereon, at the Annual Meeting.

Your Board recommends a vote FOR the resolution above to approve named executive officer compensation.

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Proposal 5:

**Advisory Vote on the Frequency of
an Advisory Vote to Approve Named Executive Officer Compensation**

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Pursuant to Section 14A of the Securities Exchange Act of 1934, we are seeking an advisory vote from our stockholders on whether to hold the above advisory vote on named executive officer compensation as frequently as every year, every two years or every three years. We and the Board welcome our stockholders' views on this subject, and will carefully consider the outcome of this vote consistent with the best interests of all stockholders. As an advisory vote, however, the outcome is not binding on us or the Board.

The Board recommends that the advisory vote to approve named executive officer compensation be held each year as part of our annual stockholders meetings. The Board believes an annual advisory vote can provide relatively timely feedback on our executive compensation arrangements, plans, programs and policies.

Regardless of the frequency with which we do hold such an advisory vote, the Board encourages stockholders to contact the Board or our management to more fully express their views on executive compensation matters through the Corporate Secretary as described above under the heading Corporate Governance Highlights, or through our investor relations professionals.

Please note that you may cast your advisory vote as to your preferred frequency of an advisory vote on named executive officer compensation by choosing any one of the following three options: an advisory vote every year; an advisory vote every two years; or an advisory vote every three years. You may also abstain from voting on this item. Your vote on this proposal is not a vote to approve or to vote against the Board's recommended frequency. Accordingly, we are seeking a vote on the following resolution:

RESOLVED, that the stockholders of KB Home, on an advisory basis, prefer that an advisory vote on the compensation of KB Home's named executive officers as disclosed pursuant to Section 14A of the Securities Exchange Act of 1934 be provided to stockholders every (a) year, (b) two years, or (c) three years.

Vote Required

The frequency option (*i.e.*, every year, every two years or every three years) that receives a plurality of votes cast on this proposal will be deemed the preferred option of stockholders. However, because this vote is advisory and not binding, the Board may decide to hold an advisory vote to approve named executive officer compensation more or less frequently than the deemed preferred option.

Your Board recommends that you cast your vote FOR the option of one year for the frequency of an advisory vote to approve named executive officer compensation.

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Ownership of KB Home Securities

Ownership of Directors and Management

The following table shows, as of February 14, 2011, the beneficial ownership of our common stock by each current director and each of the current executive officers named below in the Summary Compensation Table, and by all current directors and executive officers as a group. Except as stated in footnote (d) to the table, beneficial ownership is direct and each director and executive officer has sole voting and investment power over his or her shares.

	Amount and Nature of Beneficial Ownership(a - e)	Percent of Class
Non-Employee Directors		
Ms. Alexander	26,000	*
Mr. Bollenbach		*
Mr. Finchem		*
Mr. Jastrow		*
Mr. Johnson		*
Ms. Lora	2,043	*
Mr. McCaffery		*
Mr. Moonves		*