

KBSA INC
 Form 424B2
 February 12, 2015
Table of Contents

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Registration No. 333-197517

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Security	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
7.625% Senior Notes due 2023	\$250,000,000	100%	\$250,000,000	\$29,050.00(1)
Guarantees of 7.625% Senior Notes due 2023	(2)	(2)	(2)	(2)

- (1) Calculated in accordance with Rule 457(o) and Rule 457(r) under the Securities Act of 1933, as amended (the Securities Act).
- (2) Pursuant to Rule 457(n) under the Securities Act, no separate registration fee is payable with respect to these guarantees.

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PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED JULY 18, 2014

\$250,000,000

7.625% Senior Notes due 2023

The notes offered hereby will bear interest at the rate of 7.625% per year. Interest on the notes is payable semi-annually on May 15 and November 15 of each year, beginning on May 15, 2015. The notes will mature on May 15, 2023. The notes may be redeemed, in whole at any time or in part from time to time, at our option, at the redemption prices described in this prospectus supplement, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date.

The notes will be unconditionally guaranteed, jointly and severally, by certain of our operating subsidiaries on a senior unsecured basis. The notes will be senior unsecured obligations of KB Home and will rank equally with all of our other unsecured and unsubordinated indebtedness. If we undergo a change of control, under certain circumstances, we may be required to make an offer to repurchase all outstanding notes offered hereby at a price in cash equal to 101% of the principal amount of the notes, plus any accrued and unpaid interest to, but not including, the repurchase date.

Investing in the notes involves risks. See Risk Factors beginning on page S-7 of this prospectus supplement.

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

	Per Note	Total
Public Offering Price	100.000%	\$250,000,000
Underwriting Discount	1.000%	\$ 2,500,000
Proceeds to KB Home (before estimated expenses)	99.000%	\$247,500,000

Interest on the notes will accrue from February 17, 2015 to the date of delivery.

Delivery of the notes is expected to be made to investors through the book-entry facilities of The Depository Trust Company on or about February 17, 2015.

Joint Book-Running Managers

Credit Suisse

BofA Merrill Lynch

Citigroup

Deutsche Bank Securities

The date of this prospectus supplement is February 11, 2015.

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We are responsible for the information contained and incorporated or deemed incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus with respect to this offering filed by us with the SEC. Neither we nor any of the underwriters have authorized anyone to provide you with any other information, and we take no responsibility for any other information that others may give you. This prospectus supplement, the accompanying prospectus and any such filed free writing prospectus may be used only for the purposes for which they have been prepared, in each case as set forth herein or therein. We are not making any offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained or incorporated or deemed incorporated by reference in this prospectus supplement, the accompanying prospectus, any such filed free writing prospectus and the documents incorporated or deemed incorporated by reference herein and therein is accurate only as of its respective date or the date that is specified in those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of notes and also adds to or updates information contained in the accompanying prospectus and the documents incorporated or deemed incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which contains more general information, some of which may not apply to this offering. You should read both this prospectus supplement and the accompanying prospectus, together with the additional information described under the heading **Where You Can Find More Information** below.

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

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

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

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

If the information contained in this prospectus supplement differs in any way from the information contained in the accompanying prospectus or any document incorporated or deemed incorporated herein and therein by reference, you should rely on the information contained in this prospectus supplement, except to the extent updated and superseded as described under the heading **Where You Can Find More Information** below.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement with the SEC. This prospectus supplement and the accompanying prospectus is part of the registration statement, and the registration statement also contains additional information and exhibits. We have filed and will file proxy statements, annual, quarterly and current reports, and other information with the SEC. You may read and copy the registration statement and any reports, proxy statements and other information at the public reference room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can call the SEC for further information about its public reference room at 1-800-732-0330. Such material is also available at the SEC's website at www.sec.gov.

The SEC allows us to incorporate by reference the information contained in the documents we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus, and information that we file later with the SEC will automatically update and supersede such information. We incorporate by reference into this prospectus supplement (i) our Annual Report on Form 10-K for the year ended November 30, 2014, filed with the SEC on January 22, 2015, (ii) our Current Report on Form 8-K filed with the SEC on January 28, 2015, and (iii) any future filings (other than filings or portions of filings that under applicable SEC rules are furnished instead of filed) we make with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), prior to the termination of the offering under this prospectus supplement.

We will provide to each person to whom a copy of this prospectus supplement is delivered, upon request and at no cost to such person, a copy of any or all of the information that has been incorporated by reference in this prospectus supplement but not delivered with this prospectus supplement. You may request a copy of these filings as well as any future filings incorporated by reference, at no cost, by writing to us at our principal executive offices at the following address: KB Home, 10990 Wilshire Boulevard, Los Angeles, California 90024, Attention: Investor Relations. You may also telephone us at (310) 231-4000.

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PROSPECTUS SUPPLEMENT SUMMARY

The following is a brief summary of the more detailed information appearing elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated or deemed incorporated by reference herein or therein. It does not contain all of the information that may be important to you. You should read carefully this prospectus supplement, the accompanying prospectus and the documents incorporated or deemed incorporated by reference herein or therein, including the Risk Factors and the financial statements and the related notes included elsewhere or incorporated by reference herein or therein, before making a decision with respect to an investment in the notes.

KB HOME

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

RECENT DEVELOPMENTS

On February 11, 2015, we reported preliminary quarter-to-date net order and community count information for our first fiscal quarter of 2015. Net orders for new homes were 1,499 quarter-to-date through February 6, 2015, representing an increase of 25%, compared to net orders of 1,201 through February 7 in the first quarter of last year. The current year quarter-to-date net order value rose 26% to \$519.2 million, up from \$413.7 million in the year earlier quarter-to-date period. We have opened nineteen new communities quarter-to-date through February 6, 2015. At the start of the current quarter, we had 227 communities open for sales, up 19% from 191 communities at the same time a year ago. These preliminary net order, net order value and community count results are unaudited, should not be considered indicative of results for the full quarter, and may be adjusted in our financial statements as of and for the quarterly period ending February 28, 2015. Actual results may differ materially due to a number of factors, including those referred to in Forward-Looking Statements in this prospectus supplement and Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended November 30, 2014, which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

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The summary below describes the principal terms of the notes offered hereby. Certain of the terms and conditions described below are subject to important limitations and exceptions. You should read this entire prospectus supplement and the accompanying prospectus carefully, including Description of the Notes in this prospectus supplement and Description of Debt Securities in the accompanying prospectus, before making an investment in the notes. In this section, KB Home, we, our, and us mean KB Home excluding our subsidiaries, unless otherwise stated or the context otherwise requires.

Issuer	KB Home, a Delaware corporation.
The Notes	\$250.0 million aggregate principal amount of 7.625% Senior Notes due 2023.
Maturity	May 15, 2023.
Interest	Annual rate: 7.625%, accruing from February 17, 2015. Every six months on May 15 and November 15. First payment: May 15, 2015.
Guarantees	Payment of principal of and premium, if any, and interest on the notes offered hereby will be unconditionally guaranteed, jointly and severally, on a senior unsecured basis by certain of our operating subsidiaries, which we sometimes refer to as the guarantors. Each of these guarantors is also required to guarantee, on a senior unsecured basis, our outstanding 6 ¹ / ₄ % Senior Notes due 2015, 9.100% Senior Notes due 2017, 7 ¹ / ₄ % Senior Notes due 2018, 4.75% Senior Notes due 2019, 8.00% Senior Notes due 2020, 7.000% Senior Notes due 2021, 7.5% Senior Notes due 2022 and 1.375% Convertible Senior Notes due 2019 (collectively, our existing senior notes), and our obligations under our \$200.0 million unsecured revolving credit facility (our revolving credit facility). Under certain circumstances, any or all of the guarantors may be released from their guarantees of the notes offered hereby, and other subsidiaries of KB Home may or may not be required to guarantee the notes. Each guarantor's guarantee of the notes offered hereby will rank equally with all other unsecured and unsubordinated indebtedness and guarantees of that guarantor, including its guarantees of our borrowings and other obligations under our existing senior notes and our revolving credit facility. Your right to payment under the guarantees of the notes offered hereby will be effectively subordinated to all of our guarantors' existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. See Description of Debt Securities Guarantees and Description of Debt Securities Ranking Ranking of Senior Debt Securities and Guarantees in the accompanying prospectus.

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Ranking

The notes offered hereby will be our unsecured and unsubordinated obligations and will rank equally with all of our other unsecured and unsubordinated indebtedness including, without limitation, our existing senior notes and our revolving credit facility. Your right to payment under the notes and guarantees offered hereby will be:

structurally subordinated to all existing and future indebtedness, trade payables, guarantees and other liabilities of our subsidiaries that are not guarantors of the notes, which we refer to herein as non-guarantor subsidiaries. Non-guarantor subsidiaries had approximately \$115.5 million of liabilities outstanding, excluding intercompany liabilities, as of November 30, 2014; and

effectively subordinated to all our existing and future secured indebtedness, and all of our guarantors' existing and future secured indebtedness, the aggregate principal amount of which indebtedness was approximately \$38.3 million at November 30, 2014, comprised principally of indebtedness secured by purchase money mortgages on real property, to the extent of the value of the assets securing such indebtedness.

See Risk Factors Risk Factors Relating to the Notes Our ability to service our debt, including the notes, depends upon cash provided to us by our subsidiaries; the notes are structurally subordinated to the liabilities of our subsidiaries that are not guarantors of the notes, and the notes and guarantees are effectively subordinated to secured indebtedness of us and the guarantors in this prospectus supplement and Description of Debt Securities Ranking Ranking of Senior Debt Securities and Guarantees and Description of Debt Securities Holding Company Structure in the accompanying prospectus.

Use of Proceeds

We estimate the net proceeds from the sale of the notes offered hereby will be approximately \$246.7 million after deducting the underwriting discount and our estimated expenses relating to the offering. We intend to use the net proceeds from this offering (i) to retire our 6 ¹/₄% Senior Notes due 2015, by redemption on the optional redemption terms specified for such notes, purchase or repayment at maturity on June 15, 2015, and/or (ii) for general corporate purposes, including without limitation working capital, land acquisition and land development. See Use of Proceeds in this prospectus supplement.

Optional Redemption

We may redeem the notes, in whole at any time or in part from time to time, at our option. Prior to November 15, 2022 (the date that is six months prior to the maturity of the notes), the redemption price will be equal to the greater of (1) 100% of the principal amount of the notes to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed (exclusive of interest accrued to the applicable redemption date), discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the

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Treasury Rate (as defined herein) plus 50 basis points, plus, in each case, accrued and unpaid interest on the notes being redeemed to, but excluding, the applicable redemption date. On or after November 15, 2022 (the date that is six months prior to the maturity of the notes) and until maturity, the redemption price will be equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest on the notes being redeemed to, but excluding, the applicable redemption date. See Description of the Notes Optional Redemption in this prospectus supplement.

Certain Covenants

Under the indenture that will govern the notes offered hereby, we have agreed to certain restrictions on secured debt, sale and leaseback transactions and mergers, consolidations and transfers of substantially all of our assets. However, these covenants are subject to a number of important exceptions and limitations, and you should carefully review the information with respect to these covenants and the related definitions appearing in the accompanying prospectus under Description of Debt Securities Certain Covenants, Description of Debt Securities Consolidation, Merger and Sale of Assets and Description of Debt Securities Certain Definitions.

Offer to Repurchase Upon a Change of Control Triggering Event

Upon a change of control triggering event, we will be required to make an offer to repurchase all outstanding notes offered hereby at a price in cash equal to 101% of the principal amount of the notes, plus any accrued and unpaid interest to, but not including, the repurchase date. See Description of the Notes Change of Control Offer in this prospectus supplement.

Book-Entry Notes

The notes offered hereby will be issued in book-entry form and represented by one or more global notes deposited with a custodian for The Depository Trust Company and registered in the name of The Depository Trust Company or its nominee. See Description of Debt Securities Book-Entry; Delivery and Form in the accompanying prospectus.

Certain U.S. Federal Income Tax Considerations

For a summary of certain U.S. federal income tax considerations relevant to the holding and disposing of the notes, see Certain U.S. Federal Income Tax Considerations in this prospectus supplement.

Risk Factors

You should carefully review the information in this prospectus supplement under the caption Risk Factors, as well as the other information in this prospectus supplement, the accompanying prospectus and the documents incorporated or deemed incorporated by reference herein or therein, in evaluating an investment in the notes offered hereby.

Listing; No Prior Market

We currently do not intend to list the notes offered hereby on any securities exchange, there is currently no market for the notes and there can be no assurance that one will develop. See Underwriting in this prospectus supplement.

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FORWARD-LOOKING STATEMENTS

You are cautioned that certain statements contained or incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as expects, anticipates, intends, plans, believes, estimates, hopes, and similar expressions constitute forward-looking statements. In addition, any statement that we may make or provide concerning future financial or operating performance (including, without limitation, future revenues, community count, homes delivered, net orders, selling prices, sales pace per new home community, expenses, expense ratios, housing gross profits, housing gross profit margins, earnings or earnings per share, or growth or growth rates), future market conditions, future interest rates, and other economic conditions, ongoing business strategies or prospects, future dividends and changes in dividend levels, the value of our backlog (including amounts that we expect to realize upon delivery of homes included in our backlog and the timing of those deliveries), the value of our net orders, potential future asset acquisitions and the impact of completed acquisitions, future share issuances or repurchases, future debt issuances, repurchases or redemptions and possible future actions are also forward-looking statements. Forward-looking statements are based on our current expectations and projections about future events and are subject to risks, uncertainties, and assumptions about our operations, economic and market factors, and the homebuilding industry, among other things. These statements are not guarantees of future performance, and we have no specific policy or intention to update these statements.

Actual events and results may differ materially from those expressed or forecasted in forward-looking statements due to a number of factors. The most important risk factors that could cause our actual performance and future events and actions to differ materially from such forward-looking statements include, but are not limited to the following: general economic, employment and business conditions; population growth, household formations and demographic trends; adverse market conditions, including an increased supply of unsold homes, declining home prices and greater foreclosure and short sale activity, among other things, that could negatively affect our consolidated financial statements, including due to additional impairment or land option contract abandonment charges, lower revenues and operating and other losses; conditions in the capital, credit and financial markets (including residential mortgage lending standards, the availability of residential mortgage financing and mortgage foreclosure rates); material prices and availability; subcontracted trade labor costs and availability; changes in interest rates; inflation; our debt level, including our ratio of debt to capital, and our ability to adjust our debt level, maturity schedule and structure and to access the equity, credit, capital or other financial markets or other external financing sources, including raising capital through the public or private issuance of common stock, debt or other securities, and/or project financing, on favorable terms; our compliance with the terms and covenants of our revolving credit facility; weak or declining consumer confidence, either generally or specifically with respect to purchasing homes; competition for home sales from other sellers of new and resale homes, including lenders and other sellers of homes obtained through foreclosures or short sales; weather conditions, significant natural disasters and other environmental factors; government actions, policies, programs and regulations directed at or affecting the housing market (including the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, tax credits, tax incentives and/or subsidies for home purchases, tax deductions for residential mortgage interest payments and property taxes, tax exemptions for profits on home sales, programs intended to modify existing mortgage loans and to prevent mortgage foreclosures and the standards, fees and size limits applicable to the purchase or insuring of mortgage loans by government-sponsored enterprises and government agencies), the homebuilding industry, or construction activities; decisions regarding federal fiscal and monetary policies, including those relating to taxation, government spending, interest rates and economic stimulus measures; the availability and cost of land in desirable areas; our warranty claims experience with respect to homes previously delivered and actual warranty costs incurred, including our warranty claims and costs experience at certain of our communities in Florida; legal or regulatory proceedings or claims; our ability to use/realize the net deferred tax assets we have generated; our ability to successfully implement our current and planned strategies and initiatives with respect to product, geographic and market positioning (including our efforts to expand our inventory base/pipeline with desirable land positions or interests at reasonable cost and to expand our community count, open additional new

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home communities for sales, sell higher-priced homes and more design options, increase the size and value of our backlog, and our operational and investment concentration in markets in California), revenue growth, asset optimization (including by effectively balancing home sales prices and sales pace in our new home communities), asset activation and/or monetization, local field management and talent investment, containing and leveraging overhead costs, gaining share in our served markets and increasing our housing gross profit margins; consumer traffic to our new home communities and consumer interest in our product designs and offerings, particularly from higher-income consumers; cancellations and our ability to realize our backlog by converting net orders to home deliveries; our home sales and delivery performance, particularly in key markets in California; our ability to generate cash from our operations, enhance our asset efficiency, increase our operating income margin and/or improve our return on invested capital; the manner in which our homebuyers are offered and whether they are able to obtain residential mortgage loans and mortgage banking services, including from Home Community Mortgage, our mortgage banking joint venture with Nationstar Mortgage LLC; the performance of Home Community Mortgage; information technology failures and data security breaches; the possibility that the proposed offer and sale of the notes offered hereby will not close timely, or at all; and other events outside of our control. See our Annual Report on Form 10-K for the fiscal year ended November 30, 2014 and our other filings with the SEC for a further discussion of these and other risks and uncertainties applicable to our business.

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RISK FACTORS

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

Risk Factors Relating to KB Home

For a discussion of risks and uncertainties relating to KB Home and our business, see Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended November 30, 2014, which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

Risk Factors Relating to the Notes

Your right to receive payments on the notes will be effectively subordinated to the rights of any existing or future secured creditors of our company. Further, the guarantees of these notes will be effectively subordinated to all of our guarantors existing or future secured indebtedness.

Your right to receive payments on the notes will be effectively subordinated to the rights of any existing or future secured creditors of ours, and the guarantees of the notes will be effectively subordinated to all of our guarantors existing or future secured indebtedness, to the extent of the value of the assets securing such indebtedness. In the event of any distribution or payment of our assets in any insolvency, foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding, holders of secured indebtedness will have a priority claim to those of our or our guarantors assets that constitute their collateral. Holders of the notes will participate ratably in our remaining assets with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the notes. As a result, holders of the notes may receive less, ratably, than holders of secured indebtedness.

Our ability to service our debt, including the notes, depends upon cash provided to us by our subsidiaries; the notes are structurally subordinated to the liabilities of our subsidiaries that are not guarantors of the notes, and the notes and guarantees are effectively subordinated to secured indebtedness of us and the guarantors.

The notes will initially be guaranteed by certain of our subsidiaries. A portion of our revenue and income is generated by, and a portion of our assets is held by, the non-guarantor subsidiaries. The non-guarantor subsidiaries generated approximately 11% of our consolidated revenues during the fiscal year ended November 30, 2014, and the non-guarantor subsidiaries held approximately 7% of our consolidated assets at

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November 30, 2014. For further information, you should review note 22 to our consolidated financial statements appearing in our Annual Report on Form 10-K for the fiscal year ended November 30, 2014, which is incorporated by reference in this prospectus supplement and the accompanying prospectus and includes condensed consolidating financial statements that separately present information regarding the results of operations and financial condition of the guarantor and non-guarantor subsidiaries.

We are a holding company, and we conduct our operations through subsidiaries. We derive substantially all our revenues from our subsidiaries, and all of our operating assets are owned by our subsidiaries. As a result, our cash flow and our ability to service our debt, including the notes, depends on the results of operations of our subsidiaries and upon the ability of our subsidiaries to provide us with cash to pay amounts due on our obligations, including our existing senior notes and the notes offered hereby. Our subsidiaries are separate and distinct legal entities and the non-guarantor subsidiaries have no obligation to make payments on the notes offered hereby or to make any funds available for that purpose. In addition, dividends, loans, or other distributions from our subsidiaries to us may be subject to contractual and other restrictions, are dependent upon the results of operations of our subsidiaries and are subject to other business considerations.

Because of our holding company structure, the notes will be structurally subordinated to all existing and future liabilities of the non-guarantor subsidiaries. These liabilities may include, among others, indebtedness, trade payables, guarantees, lease obligations and letter of credit obligations. Therefore, our rights and the rights of our creditors, including the holders of the notes, to participate in the assets of any non-guarantor subsidiary upon that subsidiary's liquidation or reorganization will be subject to the prior claims of that subsidiary's creditors and of the holders of any indebtedness or other obligations guaranteed by that subsidiary, except to the extent that we may ourselves be a creditor with recognized claims against that subsidiary. However, even if we are allowed claims as a creditor of a non-guarantor subsidiary, our claims would still be effectively subordinated to any security interests in, or mortgages or other liens on, the assets of that subsidiary and would be subordinate to any indebtedness of that subsidiary senior to claims held by us. As of November 30, 2014, the non-guarantor subsidiaries had approximately \$115.5 million of liabilities outstanding, excluding intercompany liabilities, to which the notes would be structurally subordinated.

The notes will also be effectively subordinated to our existing and future secured indebtedness and the guarantees will be effectively subordinated to the existing and future secured indebtedness of the guarantors of the notes. The aggregate principal amount of such existing indebtedness was approximately \$38.3 million at November 30, 2014 and was comprised principally of indebtedness secured by purchase money mortgages on real property.

Each guarantor of the notes offered hereby is also required to guarantee, on a senior unsecured basis, our existing senior notes and our obligations under our revolving credit facility. Each guarantor's guarantee of the notes offered hereby will rank equally with all other unsecured and unsubordinated indebtedness and guarantees of that guarantor, including its guarantees of our borrowings and other obligations under our existing senior notes and our revolving credit facility. At November 30, 2014, we had \$2.54 billion outstanding of existing senior notes and no outstanding borrowings under our revolving credit facility. Your right to payment under the guarantees of the notes offered hereby will be effectively subordinated to the secured indebtedness of the guarantors of the notes to the extent of the value of the assets securing such indebtedness, as described above.

Although our revolving credit facility imposes certain limitations on our ability to incur indebtedness which may affect our liquidity, the indenture that will govern the notes offered hereby does not contain any limitation on the amount of unsecured liabilities, including indebtedness and guarantees, that we and our subsidiaries may incur in the future. See Despite current indebtedness levels, we may still be able to incur substantially more debt. This could further exacerbate the risks described above and Failure to comply with the restrictions and covenants imposed by our revolving credit facility could restrict future borrowing or cause any outstanding indebtedness to become immediately due and payable.

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Federal and state laws allow courts, under specific circumstances, to void guarantees and to require you to return payments received from guarantors.

The notes will initially be guaranteed by the guarantors and, under certain circumstances, other subsidiaries of ours may or may be required to guarantee the notes. Any of these guarantees may be subject to review as fraudulent transfers under federal bankruptcy law and comparable provisions of state fraudulent transfer laws in the event a bankruptcy or reorganization case is commenced by or on behalf of one of the guarantors or if a lawsuit is commenced against one of the guarantors by or on behalf of an unpaid creditor of such guarantor. Although the elements that must be found for a guarantee to be determined to be a fraudulent transfer vary depending upon the law of the jurisdiction that is being applied, as a general matter, if a court were to find that, at the time any guarantor issued its guarantee of the notes:

it issued the guarantee to delay, hinder or defraud present or future creditors; or

it received less than reasonably equivalent value or fair consideration for issuing the guarantee at the time it issued the guarantee, and

- (i) was insolvent or rendered insolvent by reason of issuing the guarantee; or
 - (ii) was engaged, or about to engage, in a business or transaction for which its remaining assets constituted unreasonably small capital to carry on its business; or
 - (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay as they mature,
- then the court could void the obligations under such guarantee, subordinate the guarantee to the guarantor's other debt or take other action detrimental to you and the guarantees of the notes, including directing the return of any payments received from the guarantor.

The measures of insolvency for purposes of fraudulent transfer laws vary depending upon the law of the jurisdiction that is being applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a person would be considered insolvent if, at the time it incurred the debt or issued its guarantee:

the present fair value of its assets was less than the amount that would be required to pay its liabilities on its existing debts, including contingent liabilities; or

it could not pay its debts as they become due.

We cannot be sure as to the standard that a court would use to determine whether or not the guarantors were solvent at a relevant time, or, regardless of the standard that the court uses, that the issuance of the guarantees would not be voided or the guarantees would not be subordinated to the guarantors' other debt. Any guarantee could also be subject to the claim that, because the guarantee was incurred for our benefit, and only indirectly for the benefit of the applicable guarantor, the obligations of the applicable guarantor were incurred for less than fair consideration or reasonably equivalent value.

Corporate benefit laws and other limitations on guarantees may adversely affect the validity and enforceability of the guarantees of the notes.

The guarantees by the guarantors provide the holders of the notes with a direct claim against the assets of the guarantors. The guarantees, however, will be limited to the maximum amount that can be guaranteed by a particular guarantor without rendering the guarantee, as it relates to that guarantor, voidable or otherwise ineffective under applicable law. This limit may not be effective to protect such guarantees from being voided under fraudulent transfer laws. This limit may also eliminate any guarantor's obligations or reduce such guarantor's obligations to an amount that effectively makes the guarantee worthless. In a recent Florida bankruptcy case, a similar limit was found to be ineffective to prevent

the guarantees from being avoided as fraudulent transfers in their entirety.

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In addition, enforcement of any of these guarantees against any guarantor will be subject to certain defenses available to guarantors generally. These laws and defenses include those that relate to fraudulent conveyance or transfer (as described in the preceding risk factor), voidable preference, corporate purpose or benefit, preservation of share capital, thin capitalization and regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a guarantor may have no liability or reduced liability under its guarantee.

The guarantors may be released from their guarantees of the notes under certain circumstances.

Any or all of the guarantors of the notes may be released from their respective guarantees under certain circumstances specified in the indenture that will govern the notes. If this were to occur, holders of the notes would be structurally subordinated to the liabilities of such released guarantors, as described above, which could have a material adverse effect on the value of the notes. See Description of the Notes General in this prospectus supplement and Description of Debt Securities Guarantees in the accompanying prospectus.

All of our currently outstanding unsecured indebtedness is scheduled to mature prior to the notes offered hereby.

At November 30, 2014, we had \$2.54 billion of existing senior notes outstanding that will rank equally with the notes offered hereby. Based on the stated maturities of our existing notes as set forth in Capitalization, all of these existing senior notes are scheduled to mature prior to the stated maturity of the notes offered hereby.

We may not be able to repurchase the notes upon a change of control triggering event.

Upon the occurrence of a change of control triggering event (as defined in Description of the Notes in this prospectus supplement), we will be required to make an offer to each holder of the notes to repurchase all or any part of such holder's notes at a price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to, but not including, the date of repurchase. If we experience a change of control triggering event, we cannot assure you that we would have sufficient financial resources available to repurchase the notes in cash at such time. The terms governing our 9.100% Senior Notes due 2017, 4.75% Senior Notes due 2019, 8.00% Senior Notes due 2020, 7.000% Senior Notes due 2021 and 7.5% Senior Notes due 2022 provide for a similar offer to repurchase requirement with respect to the applicable series of securities. In addition, if a fundamental change under the terms of our 1.375% Convertible Senior Notes due 2019 occurs prior to their stated maturity date, which may occur due to a transaction or other event that also constitutes a change of control triggering event, we may be required by the holders of such notes to purchase all or any part of such holder's notes at a price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to but not including, the date of purchase. As of the date of this prospectus supplement, the aggregate principal amount of our 9.100% Senior Notes due 2017, 4.75% Senior Notes due 2019, 8.00% Senior Notes due 2020, 7.00% Senior Notes due 2021, 7.5% Senior Notes due 2022 and 1.375% Convertible Senior Notes due 2019 is \$265,000,000, \$400,000,000, \$350,000,000, \$450,000,000, \$350,000,000 and \$230,000,000, respectively. Our failure to repurchase these securities would result in a default under the applicable securities, which could, in turn, result in defaults under our revolving credit facility and our other debt agreements, and have material adverse consequences for us and the holders of the notes offered hereby.

The terms of the indenture and the notes provide only limited protection against significant corporate events that could affect adversely your investment in the notes.

While the indenture and the notes contain terms intended to provide protection to holders upon the occurrence of certain events involving significant corporate transactions or our creditworthiness, these terms are limited and may not be sufficient to protect your investment in the notes. As described under Description of the Notes Change of Control Offer in this prospectus supplement, upon the occurrence of a change of control triggering event, we will be required to make an offer to each holder of the notes to repurchase their notes at 101% of their principal amount. However, the definition of the term change of control triggering event is

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limited and does not cover a variety of transactions (such as acquisitions by us or recapitalizations) that could negatively affect the value of your notes. If we were to enter into a significant corporate transaction that would negatively affect the value of the notes, but that would not constitute a change of control triggering event, you would not have any rights to require us to repurchase the notes prior to their maturity, which also would adversely affect your investment.

Additionally, Delaware courts have held that incumbent directors are permitted to approve as a continuing director of a board any person, including one nominated by a dissident stockholder and not recommended by the board, as long as the approval is granted in good faith and in accordance with the board's fiduciary duties, and that incumbent directors would be breaching their fiduciary duties if such approval was withheld without a reasonable basis. Accordingly, a holder of notes may not be able to require us to repurchase notes as a result of the change in the composition of the directors on our board. Moreover, certain provisions in indentures, such as continuing director provisions, could function to entrench an incumbent board of directors and could raise enforcement concerns if adopted in violation of a board's fiduciary duties. If such a provision were found unenforceable, holders would not be able to require us to repurchase notes as a result of a change of control resulting from a change in the composition of our board. See "Description of the Notes—Change of Control Offer" in this prospectus supplement.

Despite current indebtedness levels, we may still be able to incur substantially more debt. This could further exacerbate the risks described above.

We and our subsidiaries may be able to incur substantial additional indebtedness, including secured debt, in the future, subject to certain limitations as described in the risk factor below. The terms of the indenture governing the notes do not fully prohibit us or our subsidiaries from doing so. See "Description of Debt Securities—Certain Covenants" in the accompanying prospectus. If we incur substantial additional indebtedness in the future, these higher levels of indebtedness may affect our ability to pay the principal of and interest on the notes, or to repurchase the notes upon a change of control triggering event, and our creditworthiness generally. In addition, if we incur any additional indebtedness that ranks *pari passu* with the notes offered hereby, the holders of such debt will be entitled to share ratably with you in any proceeds distributed in connection with any insolvency, foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding. This may have the effect of reducing the amount of proceeds paid to you. If new debt is added to our existing debt levels, the related risks that we and our subsidiaries now face could intensify.

Failure to comply with the restrictions and covenants imposed by our revolving credit facility could restrict future borrowing or cause any outstanding indebtedness to become immediately due and payable.

Under the terms of our revolving credit facility, we are required, among other things, to maintain compliance with various covenants, including financial covenants relating to tangible net worth, leverage, and liquidity or interest coverage. The revolving credit facility is also governed by a borrowing base requirement and includes a limitation on investments in joint ventures and non-guarantor subsidiaries. If we fail to comply with these restrictions or covenants, the participating financial institutions could terminate the revolving credit facility, cause borrowings under the revolving credit facility, if any, to become immediately due and payable and/or demand that we compensate them for waiving instances of noncompliance. In addition, under certain circumstances, a default under the revolving credit facility could cause a default with respect to our existing senior notes and the notes offered hereby and result in the acceleration of the maturity of our existing senior notes and the notes, and our inability to borrow under the revolving credit facility, which would have a material adverse impact on our liquidity and on our consolidated financial statements. Moreover, we may need to curtail our investment activities and other uses of cash to maintain compliance with the restrictions and covenants under the revolving credit facility. For further information regarding our revolving credit facility, you should review "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and note 13 to our consolidated financial statements, in each case, included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2014, which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

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The notes may not have an active market, so you may be unable to sell your notes at the price you desire or at all.

The notes are a new issue of securities for which there is currently no active trading market. We cannot assure you that a trading market for the notes will develop or, if a trading market develops, that it will be maintained, that you will be able to sell any of the notes at a particular time (if at all) or that the prices you receive if or when you sell the notes will be above their initial offering price. In addition, we do not intend to apply to list the notes on any securities exchange or for inclusion of the notes on any automated dealer quotation system. The underwriters have advised us that they intend to make a market in the notes, but they are not obligated to do so and may discontinue any market-making in the notes at any time in their sole discretion and without notice.

Moreover, even if you are able to sell your notes, you may not receive a favorable price for your notes. Any future trading prices of the notes could be subject to significant fluctuation and will depend on many factors, including, among other things, prevailing interest rates, our operating results and financial condition, our prospects or the prospects for companies in our industry generally, the market for similar securities, the supply of notes trading in the secondary market, actual or anticipated governmental or Federal Reserve actions or policies and general economic conditions. These factors are interrelated in complex and unpredictable ways. As a result, the effect of any one factor may be offset or magnified by the effect of another factor. In addition, there may be a limited number of buyers if you decide to sell your notes. This may affect the price you receive for your notes or your ability to sell your notes at all.

Changes in our credit ratings may adversely affect the value of the notes.

Any credit ratings applied to the notes are an assessment of our ability to pay our obligations, including obligations under the notes. Ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the view of each rating agency at the time the rating is issued. An explanation of the significance of a rating may be obtained from the relevant rating agency. Ratings are not recommendations to buy, sell or hold securities, and there can be no assurance that ratings will remain in effect for any given period of time or that ratings will not be lowered, suspended or withdrawn entirely by the rating agencies, if, in each rating agency's judgment, circumstances so warrant. Each rating should be evaluated independently of any other rating. The assignment by any such rating agency of a rating on the notes lower than the rating expected by investors or actual or anticipated changes or downgrades in our credit ratings, including on our existing senior notes or the notes, such as an announcement that our ratings are under further review for a downgrade, could adversely affect the market value or liquidity of your notes and increase our corporate borrowing costs.

The notes may be issued with original issue discount (OID) for U.S. federal income tax purposes.

The notes may be issued with OID for U.S. federal income tax purposes if the issue price of the notes is less than the stated principal amount of the notes by more than a *de minimis* amount. If the notes are issued with OID, U.S. holders of the notes will be required to include amounts in gross income on a constant yield basis for U.S. federal income tax purposes in advance of the receipt of cash payments to which such income is attributable and regardless of the holder's method of tax accounting. For more information, see Certain U.S. Federal Income Tax Considerations in this prospectus supplement.

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In the event of a bankruptcy, holders may not have a claim with respect to OID, if any, on the notes constituting unmatured interest under the U.S. Bankruptcy Code.

If a bankruptcy petition were filed by or against us under the U.S. Bankruptcy Code after the issuance of the notes, the principal amount of each note offered hereby in excess of its issue price (*i.e.*, OID) is treated as unmatured interest to the extent not amortized as of the date of the bankruptcy filing. The claim of a holder of a note in a bankruptcy proceeding in respect of the notes with respect to this OID, if any, would be limited to the portion thereof that had accreted prior to the date of the commencement of the bankruptcy case. Holders of notes would not be entitled to receive any additional portion of the OID, if any, that accreted through the duration of a bankruptcy proceeding.

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USE OF PROCEEDS

We estimate the net proceeds from the sale of the notes offered hereby will be approximately \$246.7 million after deducting the underwriting discount and our estimated expenses relating to the offering. We intend to use the net proceeds from this offering (i) to retire our 6 ¹/₄% Senior Notes due 2015, of which \$199.9 million aggregate principal amount was outstanding as of the date of this prospectus supplement, by redemption on the optional redemption terms specified for such notes, purchase or repayment at maturity on June 15, 2015, and/or (ii) for general corporate purposes, including without limitation working capital, land acquisition and land development. Our 6 ¹/₄% Senior Notes due 2015 bear interest at a rate of 6.25% per annum. Any purchases of our 6 ¹/₄% Senior Notes due 2015 may be made through open market transactions, privately negotiated transactions, tender offers or otherwise.

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The following table shows our cash and cash equivalents and restricted cash and total capitalization at November 30, 2014:

on an actual basis; and

on an as adjusted basis to reflect the issuance and sale of the notes offered hereby, and the retirement of all outstanding 6 1/4% Senior Notes due 2015 by redemption.

You should read this table in conjunction with (i) Selected Consolidated Financial Data and Use of Proceeds appearing elsewhere, or incorporated by reference, in this prospectus supplement, (ii) the information set forth under Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2014, which is incorporated by reference in this prospectus supplement, and (iii) the financial statements and notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended November 30, 2014, which is also incorporated by reference in this prospectus supplement and the accompanying prospectus.

	At November 30, 2014	
	Actual(1)	As Adjusted(2)
	(In thousands)	
Cash, cash equivalents and restricted cash		
Cash and cash equivalents(3)	\$ 356,366	\$ 399,818
Restricted cash(4)	27,235	27,235
Total cash, cash equivalents and restricted cash	\$ 383,601	\$ 427,053
Mortgages and notes payable		
Mortgages and land contracts due to land sellers and other loans	\$ 38,250	\$ 38,250
6 1/4% Senior Notes due 2015(5)	199,891	
9.100% Senior Notes due 2017(6)	262,729	262,729
7 1/4% Senior Notes due 2018(7)	299,402	299,402
4.75% Senior Notes due 2019(8)	400,000	400,000
8.00% Senior Notes due 2020(9)	346,253	346,253
7.000% Senior Notes due 2021(10)	450,000	450,000
7.5% Senior Notes due 2022(11)	350,000	350,000
1.375% Convertible Senior Notes due 2019(12)	230,000	230,000
Notes offered hereby		250,000
Total mortgages and notes payable	2,576,525	2,626,634
Total stockholders' equity	1,595,910	1,592,541
Total capitalization	\$ 4,172,435	\$ 4,219,175

- (1) Audited; amounts in this column reflect rounding.
- (2) Unaudited; amounts in this column reflect rounding and receipt of the net proceeds of this offering after deducting the underwriting discount and our estimated expenses.
- (3) The As Adjusted column assumes the receipt of net proceeds, after deducting the underwriting discount and our estimated expenses, from the issuance of \$250.0 million in aggregate principal amount of notes at par in this offering, less the payment of the estimated redemption price on our outstanding 6 1/4% Senior Notes due 2015.

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- (4) Represents cash collateral for existing letter of credit facilities.
- (5) Represents carrying amount, with the Actual amount of \$199.9 million being the current principal amount of the outstanding 6 ¹/₄% Senior Notes due 2015 and the As Adjusted amount of \$0 assuming redemption of all outstanding 6 ¹/₄% Senior Notes due 2015. While we presently intend to retire our 6 ¹/₄% Senior Notes due 2015 with a portion of the proceeds of this offering, we are not obligated to redeem our 6 ¹/₄% Senior Notes due 2015. We may, at our option, elect to retire our 6 ¹/₄% Senior Notes due 2015 by means other than redemption, which may result in related costs that are greater or less than costs associated with a redemption. See Use of Proceeds in this prospectus supplement.

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- (6) Represents carrying amount, with principal amount of \$265.0 million.
- (7) Represents carrying amount, with principal amount of \$300.0 million.
- (8) Represents carrying amount, with principal amount of \$400.0 million.
- (9) Represents carrying amount, with principal amount of \$350.0 million.
- (10) Represents carrying amount, with principal amount of \$450.0 million.
- (11) Represents carrying amount, with principal amount of \$350.0 million.
- (12) Represents carrying amount, with principal amount of \$230.0 million.

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The following table sets forth selected consolidated financial information from our audited consolidated financial statements as of and for the fiscal years ended November 30, 2014, 2013, 2012, 2011 and 2010. You should read the selected consolidated financial data presented below in conjunction with our financial statements and the accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the fiscal year ended November 30, 2014, which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

	2014	Fiscal Year Ended November 30, 2013 2012 2011 (in Thousands, Except Per Share Amounts)			2010
Homebuilding:					
Revenues	\$ 2,389,643	\$ 2,084,978	\$ 1,548,432	\$ 1,305,562	\$ 1,581,763
Operating income (loss)	115,969	92,084	(20,256)	(103,074)	(16,045)
Total assets	4,747,064	3,183,595	2,557,243	2,480,369	3,080,306
Mortgages and notes payable	2,576,525	2,150,498	1,722,815	1,583,571	1,775,529
Financial Services:					
Revenues	\$ 11,306	\$ 12,152	\$ 11,683	\$ 10,304	\$ 8,233
Operating income	7,860	9,110	8,692	6,792	5,114
Total assets	10,486	10,040	4,455	32,173	29,443
Consolidated:					
Revenues	\$ 2,400,949	\$ 2,097,130	\$ 1,560,115	\$ 1,315,866	\$ 1,589,996
Operating income (loss)	123,829	101,194	(11,564)	(96,282)	(10,931)
Net income (loss)(a)	918,349	39,963	(58,953)	(178,768)	(69,368)
Total assets	4,757,550	3,193,635	2,561,698	2,512,542	3,109,749
Mortgages and notes payable	2,576,525	2,150,498	1,722,815	1,583,571	1,775,529
Stockholders' equity	1,595,910	536,086	376,806	442,657	631,878
Diluted earnings (loss) per share	\$ 9.25	\$.46	\$ (.76)	\$ (2.32)	\$ (.90)
Cash dividends declared per common share	\$.1000	\$.1000	\$.1375	\$.2500	\$.2500
Ratio of earnings to fixed charges(b)	1.24x	1.27x	(c)	(c)	(c)

- (a) Net income for the year ended November 30, 2014 included the impact of an \$825.2 million deferred tax asset valuation allowance reversal in the 2014 fourth quarter, which represented the reversal of all but \$41.2 million of our deferred tax asset valuation allowance.
- (b) We compute earnings by adding fixed charges (except capitalized interest) and amortization of previously capitalized interest to pretax earnings (excluding undistributed earnings of unconsolidated joint ventures). We compute fixed charges by adding interest expense and capitalized interest and the portion of rental expense we consider to be interest.
- (c) Earnings for the fiscal years ended November 30, 2012, 2011 and 2010 were insufficient to cover fixed charges for the periods by \$61.8 million, \$119.4 million and \$15.4 million, respectively.

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DESCRIPTION OF THE NOTES

We will issue the notes offered hereby under a base indenture dated as of January 28, 2004, as amended and supplemented, between us, the Guarantors (as defined in the accompanying prospectus under **Description of Debt Securities - Certain Definitions**) party thereto from time to time and U.S. Bank National Association (successor in interest to SunTrust Bank), as trustee (the **Trustee**), which we refer to as the **Indenture**.

The notes offered hereby are a series of **senior debt securities** and the Indenture is the **senior indenture** referred to in the accompanying prospectus under the heading **Description of Debt Securities - Certain Definitions**. Certain terms of the notes will be set forth in an officers' certificate. This description of the notes supplements and, to the extent it is inconsistent, replaces only with respect to the notes offered hereby the description of the general terms and provisions of the debt securities, the senior debt securities and the senior indenture that appears in the accompanying prospectus under the heading **Description of Debt Securities - Certain Definitions** to which description reference is made and which you should read. The following description of selected terms of the notes and the Indenture is not complete and is qualified in its entirety by reference to the Indenture, the officers' certificate governing the terms of the notes and the form of certificate evidencing the notes, copies of which have been or will be filed as exhibits to the registration statement of which the accompanying prospectus is a part or to the documents incorporated or deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus. We urge you to read these documents in their entirety, as they, and not this description, define your rights as a holder of the notes. You may request a copy of these documents at our address shown under **Where You Can Find More Information** in this prospectus supplement.

Some of the terms, whether or not capitalized, used in this description are defined in the accompanying prospectus under **Description of Debt Securities - Certain Definitions**. Some of the terms, whether or not capitalized, used but not defined under this **Description of the Notes** or under **Description of Debt Securities - Certain Definitions** in the accompanying prospectus have the meanings given to them in the Indenture or the officers' certificate governing the terms of the notes. In this **Description of the Notes**, when we refer to **KB Home**, **we**, **our** or **us**, we are referring to **KB Home** and not to any of its subsidiaries, except as otherwise expressly provided or the context otherwise requires.

Unless the context otherwise requires, references below in this **Description of the Notes** to the notes means the notes offered hereby.

General

The notes will constitute a single series of senior debt securities under the Indenture, initially limited to \$250,000,000 in aggregate principal amount. Under the Indenture, **KB Home** may, without the consent of the holders of the notes, from time to time in the future **reopen** the series and issue additional notes of the same series. The notes offered by this prospectus supplement and the accompanying prospectus and any additional notes we may issue in the future upon such a reopening will constitute a single series of debt securities under the Indenture. This means that, in circumstances where the Indenture provides for the holders of debt securities of any series to vote or take any action, the notes offered by this prospectus supplement and the accompanying prospectus and any additional notes that we may issue by reopening the series will vote or take that action as a single class.

The notes will mature on May 15, 2023. The notes will bear interest from February 17, 2015 at the rate of 7.625% per annum, payable in cash semi-annually in arrears on May 15 and November 15 of each year, commencing May 15, 2015 to the persons in whose names the notes are registered, subject to certain exceptions as provided in the Indenture, at the close of business on May 1 or November 1, as the case may be, immediately preceding such May 15 or November 15. Interest on the notes will be computed on the basis of a 360-day year consisting of twelve 30-day months.

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The notes will be unsecured and unsubordinated obligations of KB Home. See Risk Factors Risk Factors Relating to the Notes Our ability to service our debt, including the notes, depends upon cash provided to us by our subsidiaries; the notes are structurally subordinated to the liabilities of our subsidiaries that are not guarantors of the notes, and the notes and guarantees are effectively subordinated to secured indebtedness of us and the guarantors in this prospectus supplement and Description of Debt Securities Holding Company Structure and Description of Debt Securities Ranking Ranking of Senior Debt Securities and Guarantees in the accompanying prospectus.

All of our payment and delivery obligations under the notes will be unconditionally guaranteed, jointly and severally, on an unsecured basis, initially by the following Guarantors:

Guarantor	State of Incorporation or Organization
KB HOME Coastal Inc.	California
KB HOME Colorado Inc.	Colorado
KB HOME Florida LLC	Delaware
KB HOME Fort Myers LLC	Delaware
KB HOME Greater Los Angeles Inc.	California
KB HOME Jacksonville LLC	Delaware
KB HOME Las Vegas Inc.	Nevada
KB HOME Lone Star Inc.	Texas
KB HOME Nevada Inc.	Nevada
KB HOME Phoenix Inc.	Arizona
KB HOME Reno Inc.	Nevada
KB HOME Sacramento Inc.	California
KB HOME South Bay Inc.	California
KB HOME Tampa LLC	Delaware
KB HOME Treasure Coast LLC	Delaware
KB HOME Tucson Inc.	Arizona
KBSA, Inc.	Texas

Each guarantee will be the unsecured and unsubordinated obligation of the related Guarantor. See Risk Factors Risk Factors Relating to the Notes Our ability to service our debt, including the notes, depends upon cash provided to us by our subsidiaries; the notes are structurally subordinated to the liabilities of our subsidiaries that are not guarantors of the notes, and the notes and guarantees are effectively subordinated to secured indebtedness of us and the guarantors in this prospectus supplement and Description of Debt Securities Holding Company Structure and Description of Debt Securities Ranking Ranking of Senior Debt Securities and Guarantees in the accompanying prospectus. Under certain circumstances specified in the Indenture, any or all of the Guarantors may be released from their guarantees of the notes, and other subsidiaries of KB Home may or may be required to guarantee the notes. See Description of Debt Securities Guarantees in the accompanying prospectus. The guarantees may be subject to review as fraudulent transfers under applicable law. See Risk Factors Risk Factors Relating to the Notes Federal and state laws allow courts, under specific circumstances, to void guarantees and to require you to return payments received from guarantors in this prospectus supplement.

The notes will not be entitled to the benefit of any sinking fund. In addition, the Indenture does not contain any provisions to protect holders of the notes in the event of a highly leveraged transaction, other than with respect to certain change in control transactions. See Change of Control Offer and Risk Factors Risk Factors Relating to the Notes The terms of the indenture and the notes provide only limited protection against significant corporate events that could affect adversely your investment in the notes in this prospectus supplement.

The notes will be entitled to the benefit of the covenants described in the accompanying prospectus under Description of Debt Securities Certain Covenants and Description of Debt Securities Consolidation, Merger and Sale of Assets. However, these covenants are subject to a number of important exceptions and

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limitations, and you should carefully review the information with respect to these covenants and the related definitions appearing in the accompanying prospectus under those captions and **Description of Debt Securities** **Certain Definitions**.

The notes will be issued in book-entry form and represented by one or more global notes registered in the name of The Depository Trust Company, as Depository, or its nominee. This means that you will not be entitled to receive a certificate for the notes that you purchase except under the limited circumstances described in the accompanying prospectus under **Description of Debt Securities** **Book-Entry; Delivery and Form**.

Optional Redemption

The notes will be redeemable, in whole at any time or from time to time in part, at KB Home's option on any date of redemption (each, a **Redemption Date**). Prior to November 15, 2022 (the date that is six months prior to the maturity of the notes), the redemption price for the notes to be redeemed will be equal to the greater of:

(a) 100% of the principal amount of the notes to be redeemed on that **Redemption Date**, and

(b) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed (exclusive of interest accrued to the applicable **Redemption Date**) discounted to such **Redemption Date** on a semiannual basis, assuming a 360-day year consisting of twelve 30-day months, at the **Treasury Rate** plus 50 basis points,

plus, in the case of both clause (a) and (b) above, accrued and unpaid interest on the principal amount of the notes being redeemed to, but excluding, such **Redemption Date**.

On or after November 15, 2022 (the date that is six months prior to the maturity of the notes) and until their maturity, the redemption price for the notes to be redeemed will be equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest on the principal amount of the notes being redeemed to, but excluding, such **Redemption Date**.

Notwithstanding the foregoing, installments of interest on notes whose stated maturity is on or prior to the relevant **Redemption Date** will be payable to the holders of such notes (or one or more Predecessor Securities) registered as such at the close of business on the relevant Regular Record Date according to their terms and the provisions of the Indenture.

Treasury Rate means, with respect to any **Redemption Date** for the notes:

(a) the yield, under the heading that represents the average for the immediately preceding week, appearing in the most recently published statistical release designated **H.15(519)** or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption **Treasury Constant Maturities**, for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Final Maturity Date for the notes, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the **Treasury Rate** shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month); or

(b) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such **Redemption Date**.

The **Treasury Rate** shall be calculated on the third Business Day preceding the applicable **Redemption Date**. As used in the immediately preceding sentence and in the definition of **Reference Treasury Dealer Quotations**

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below, the term **Business Day** means each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in The City of New York are authorized or obligated by law, regulation or executive order to close.

Comparable Treasury Issue means, with respect to any Redemption Date for the notes, the United States Treasury security selected by the Independent Investment Bankers as having a maturity comparable to the remaining term of the notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the notes to be redeemed.

Independent Investment Bankers means, with respect to any Redemption Date for the notes, (a) Credit Suisse Securities (USA) LLC and its successors, (b) Merrill Lynch, Pierce, Fenner & Smith Incorporated and its successors, (c) Citigroup Global Markets Inc. and its successors and (d) Deutsche Bank Securities Inc. and its successors or, if any such firm or any successor to such firm, as the case may be, is unwilling or unable to select the Comparable Treasury Issue, the remaining of (a)-(d) exclusively or, if none of such firms or any successor to such firms, as the case may be, is willing or able to select the Comparable Treasury Issue, an independent investment banking institution of national standing appointed by the Trustee after consultation with KB Home.

Comparable Treasury Price means, with respect to any Redemption Date for the notes:

- (a) the average of four Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or
- (b) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Reference Treasury Dealer means each of (a) Credit Suisse Securities (USA) LLC and its successors, (b) Merrill Lynch, Pierce, Fenner & Smith Incorporated and its successors, (c) Citigroup Global Markets Inc. and its successors and (d) Deutsche Bank Securities Inc. and its successors (provided that for each of (a)-(d), however, if such firm or any such successor, as the case may be, shall cease to be a primary U.S. Government securities dealer in New York City (a **Primary Treasury Dealer**), the Trustee, after consultation with KB Home, will substitute therefor another **Primary Treasury Dealer**), and (e) one other **Primary Treasury Dealer** selected by the Trustee after consultation with KB Home.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any Redemption Date for the notes, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third Business Day preceding such Redemption Date.

Final Maturity Date means May 15, 2023.

Notice of any redemption by KB Home will be mailed at least 30 days but not more than 60 days before any Redemption Date to each holder of notes to be redeemed. If less than all the notes are to be redeemed at the option of KB Home, the Trustee will select, in such manner as it deems fair and appropriate, the notes (or portions thereof) to be redeemed. Unless KB Home defaults in payment of the redemption price (including, without limitation, interest, if any, accrued to, but excluding, the applicable Redemption Date), on and after any Redemption Date interest will cease to accrue on the notes or portions thereof called for redemption on such Redemption Date.

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Change of Control Offer

If a Change of Control Triggering Event occurs, unless we have exercised our option to redeem the notes by notifying the noteholders to that effect as described above, we will be required to make an offer (a Change of Control Offer) to each holder of notes to repurchase all or any part (equal to \$2,000 or any integral multiples of \$1,000 in excess thereof) of that holder's notes on the terms set forth in such notes. In a Change of Control Offer, we will be required to offer payment in cash equal to 101% of the aggregate principal amount of the notes repurchased, plus accrued and unpaid interest, if any, on the notes repurchased up to, but not including, the date of repurchase (a Change of Control Payment). Within 30 days following any Change of Control Triggering Event or, at our option, prior to any Change of Control, but after public announcement of the transaction that constitutes or may constitute the Change of Control, notice will be given to holders of the notes describing the transaction that constitutes or may constitute the Change of Control Triggering Event and offering to repurchase the notes on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date that notice is given or, if the notice is given prior to the Change of Control, no earlier than 30 days and no later than 60 days from the date on which the Change of Control Triggering Event occurs, other than in each case as may be required by law (a Change of Control Payment Date). The notice will, if mailed prior to the date of consummation of the Change of Control, state that the Change of Control Offer is conditioned on the Change of Control Triggering Event occurring on or prior to the applicable Change of Control Payment Date.

On each Change of Control Payment Date, we will, to the extent lawful:

accept for payment all notes or portions of notes properly tendered and not withdrawn pursuant to the terms of the Change of Control Offer;

deposit with the paying agent an amount equal to the Change of Control Payment in respect of all notes or portions of notes properly tendered; and

deliver or cause to be delivered to the Trustee the notes properly tendered and accepted together with an Officers' Certificate stating the aggregate principal amount of notes or portions of notes being repurchased.

We will not be required to make a Change of Control Offer upon the occurrence of a Change of Control Triggering Event if a third party makes such an offer in the manner, at the times and price and otherwise substantially in compliance with the requirements for an offer made by us and the third party promptly purchases all notes properly tendered and not withdrawn under its offer. In addition, we will not repurchase any notes if there has occurred and is continuing on the Change of Control Payment Date an event of default under the Indenture or our revolving credit facility, other than a default in the payment of the Change of Control Payment upon a Change of Control Triggering Event.

To the extent that we are required to offer to repurchase the notes upon the occurrence of a Change of Control Triggering Event, we may not have sufficient financial resources available to repurchase the notes in cash at such time. In addition, our ability to repurchase the notes for cash may be limited by law or the terms of other agreements relating to our indebtedness outstanding at the time, including, but not limited to, the terms governing our 9.100% Senior Notes due 2017, our 4.75% Senior Notes due 2019, our 8.00% Senior Notes due 2020, our 7.000% Senior Notes due 2021 and our 7.5% Senior Notes due 2022, which provide for a similar offer to repurchase requirement with respect to the applicable series of notes. In addition, if a fundamental change under the terms of our 1.375% Convertible Senior Notes due 2019 occurs prior to their stated maturity date, we may be required by each holder of such notes to purchase all or any part of such holder's notes at a price equal to 100% of the principal amount of such notes, plus accrued and unpaid interest, if any, to but not including, the date of purchase. As of the date of this prospectus supplement, the aggregate principal amount of our 9.100% Senior Notes is \$265,000,000, the aggregate principal amount of our 4.75% Senior Notes is \$400,000,000, the aggregate principal amount of our 8.00% Senior Notes is \$350,000,000, the aggregate principal amount of our 7.000% Senior Notes is \$450,000,000 and the aggregate principal amount of our 7.5% Senior Notes is \$350,000,000, and the aggregate principal amount of our 1.375% Convertible Senior Notes is \$230,000,000. The

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failure to make such repurchase of any of the 9.100% Senior Notes, the 4.75% Senior Notes, the 8.00% Senior Notes, the 7.000% Senior Notes, the 7.5% Senior Notes or the 1.375% Convertible Senior Notes would result in a default under the applicable notes. See Risk Factors Risk Factors Relating to the Notes We may not be able to repurchase the notes upon a change of control triggering event in this prospectus supplement.

The definition of Change of Control includes a phrase relating to the direct or indirect sale, transfer, conveyance or other disposition of all or substantially all of our assets and the assets of our subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase substantially all, there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of the notes to require us to repurchase such holder's notes as a result of a sale, transfer, conveyance or other disposition of less than all of our assets and the assets of our subsidiaries, taken as a whole, to another person or group may be uncertain. In such case, the holders of the notes may not be able to resolve this uncertainty without legal action.

We will comply in all material respects with the requirements of Rule 14e-1 under the Exchange Act, and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any such securities laws or regulations conflict with the Change of Control Offer provisions of the notes, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the Change of Control Offer provisions of the notes by virtue of any such conflict.

For purposes of the Change of Control Offer provisions of the notes, the following terms will be applicable:

Change of Control means the occurrence of any of the following:

- (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of our assets and the assets of our subsidiaries, taken as a whole, to any person, other than to us or one of our subsidiaries;
- (2) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any person becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of our outstanding Voting Stock or other Voting Stock into which our Voting Stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares;
- (3) our consolidation with, or our merger with or into, any person, or any person consolidates with, or merges with or into, us, in either case, pursuant to a transaction in which any of our outstanding Voting Stock or the Voting Stock of such other person is converted into or exchanged for cash, securities or other property, other than pursuant to a transaction in which shares of our Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock of the surviving person or any direct or indirect parent company of the surviving person immediately after giving effect to such transaction, measured by voting power rather than number of shares;
- (4) the first day on which a majority of the members of our board of directors are not Continuing Directors; or
- (5) the adoption by our Board of Directors of a plan relating to our liquidation or dissolution.

Notwithstanding the foregoing, a transaction (or series of related transactions) will not be deemed to involve a Change of Control under clauses (1) or (2) above if we become a direct or indirect wholly-owned subsidiary of a holding company and (a) the direct or indirect holders of a majority of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of a majority of our Voting Stock immediately prior to that transaction or (b) the shares of our Voting Stock outstanding immediately prior to such transaction are converted into or exchanged for a majority of the Voting Stock of such holding company immediately after giving effect to such transaction.

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The term *person* is used in this definition as that term is used in Section 13(d)(3) of the Exchange Act.

Change of Control Triggering Event means the occurrence of both a Change of Control and a Rating Event.

Continuing Director means, as of any date of determination, any member of our Board of Directors who (1) was a member of our Board of Directors on the date the notes were issued, (2) was nominated for election to our Board of Directors with the approval of a committee of the Board of Directors consisting of a majority of independent Continuing Directors or (3) was nominated for election, elected or appointed to our Board of Directors with the approval of a majority of the Continuing Directors who were members of our Board of Directors at the time of such nomination, election or appointment (either by a specific vote or by approval of a proxy statement in which such member was named as a nominee for election as a director, without objection by such member to such nomination).

Investment Grade Rating means a rating equal to or higher than Baa3 (or the equivalent) by Moody's and BBB- (or the equivalent) by S&P, or, if applicable, the equivalent investment grade credit rating by any Substitute Rating Agency or Substitute Rating Agencies.

Moody's means Moody's Investors Service, Inc., or any successor thereto.

Rating Agencies means (1) each of Moody's and S&P and (2) if any of Moody's or S&P ceases to rate the applicable notes or fails to make a rating of the applicable notes publicly available for reasons outside of our control, a Substitute Rating Agency in lieu thereof.

Rating Event means the rating on the notes is lowered independently by each of the Rating Agencies and the notes are rated below an Investment Grade Rating by each of the Rating Agencies, in each case on any day during the period (which period will be extended so long as either of the Rating Agencies has publicly announced that, as a result of the Change of Control, the rating of the notes is under consideration for a possible downgrade) commencing 60 days prior to the first public announcement of the occurrence of a Change of Control or of our intention to effect a Change of Control and ending 60 days following consummation of such Change of Control.

S&P means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc., or any successor thereto.

Substitute Rating Agency means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act selected by us (as certified by a resolution of our Board of Directors) as a replacement agency for Moody's or S&P, or both of them, as the case may be.

Voting Stock means, with respect to any specified *person* (as that term is used in Section 13(d)(3) of the Exchange Act) as of any date, the capital stock of that person that is at the time entitled to vote generally in the election of the board of directors of that person.

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CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

General

The following discussion is a summary of certain United States federal income tax considerations relevant to the purchase, ownership and disposition of the notes offered hereby by an initial holder of the notes who purchases the notes in the initial offering for cash at their issue price within the meaning of Section 1273 of the Internal Revenue Code of 1986, as amended (the Code), and the Treasury regulations thereunder, and who holds the notes as capital assets within the meaning of Section 1221 of the Code. This discussion is based upon the Code, Treasury regulations, and judicial decisions and administrative interpretations thereunder, as of the date hereof, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. We cannot assure you that the Internal Revenue Service (the IRS) will not challenge one or more of the tax consequences described herein, and we have not obtained, nor do we intend to obtain, a ruling from the IRS or an opinion of counsel with respect to the U.S. federal income tax consequences of purchasing, owning or disposing of the notes.

In this discussion, we do not purport to address all tax considerations that may be important to a particular holder in light of the holder's circumstances, or to certain categories of investors (such as banks or other financial institutions, insurance companies, tax-exempt organizations, dealers in securities or currencies, traders in securities electing to mark to market, persons who hold the notes offered hereby through partnerships or other pass-through entities, real estate investment trusts, regulated investment companies, personal holding companies, U.S. persons whose functional currency is not the U.S. dollar, U.S. expatriates or persons who hold the notes offered hereby as part of a hedge, conversion transaction, straddle or other risk reduction transaction) that may be subject to special rules. This discussion also does not address estate and gift tax consequences, alternative minimum tax consequences or any tax considerations arising under the laws of any foreign, state or local jurisdiction.

If a partnership (including any entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the notes offered hereby, the tax treatment of a partner generally will depend upon the status of the partner and upon the activities of the partnership. A partnership considering a purchase of the notes, and partners in such a partnership, should consult their own tax advisors regarding the tax consequences to them of the purchase, ownership, and disposition of the notes.

Under the terms of the notes, we may be obligated in certain circumstances to pay amounts in excess of stated interest or principal on the notes. It is possible that the IRS could assert that the payment of such excess amounts is a contingent payment and the notes are therefore contingent payment debt instruments for U.S. federal income tax purposes. Under the applicable Treasury regulations, however, for purposes of determining whether a debt instrument is a contingent payment debt instrument, remote or incidental contingencies (determined as of the date the notes are issued) are ignored. We believe that the possibility of making additional payments is remote and/or incidental. Accordingly, we do not intend to treat the notes as contingent payment debt instruments. Our position will be binding on holders of the notes, unless a holder timely and explicitly discloses to the IRS that it takes a position different from ours. Our position, however, is not binding on the IRS. If the IRS successfully challenges this position, the timing and amount of income included and the character of the income recognized with respect to the notes may be materially different from the consequences discussed herein. Holders should consult their own tax advisors regarding this issue. The remainder of this discussion assumes that the notes are not treated as contingent payment debt instruments.

YOU SHOULD CONSULT YOUR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO YOU OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE NOTES OFFERED HEREBY, INCLUDING THE EFFECT AND APPLICABILITY OF FEDERAL, STATE, LOCAL OR FOREIGN TAX LAWS.

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Consequences to U.S. Holders

The following discussion summarizes certain U.S. federal income tax considerations relevant to a U.S. holder of the notes offered hereby. You are a U.S. holder for purposes of this discussion if you are a beneficial owner of the notes offered hereby and you are:

an individual who is a U.S. citizen or resident alien;

a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia;

an estate whose worldwide income is subject to U.S. federal income taxation; or

a trust that either is subject to the primary supervision of a court within the United States and which has one or more U.S. persons with authority to control all of its substantial decisions or has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

Interest on the Notes and Original Issue Discount

Stated interest on a note generally will be includible in your gross income as ordinary interest income in accordance with your usual method of accounting for U.S. federal income tax purposes.

If the discount upon issuance of the notes at their issue price is less than 1/4 of 1% of the principal amount of the notes multiplied by the number of complete years to maturity, the notes will be issued without original issue discount (OID) for U.S. federal income tax purposes. If, by contrast, the notes are issued with OID, you will be required to include such OID in gross income as it accrues, in accordance with a constant-yield method based on a compounding of interest, in advance of the receipt of cash attributable to that income and regardless of your method of tax accounting. Under this method, you generally will be required to include in income increasingly greater amounts of OID in successive accrual periods. If the notes are issued to you at an issue price that is greater than the principal amount of the notes, you may elect to amortize such premium as an offset to interest income.

You should consult your tax advisor concerning the consequences of holding notes issued with OID.

Sale, Exchange, Redemption or Other Taxable Disposition of the Notes

Upon the disposition of a note offered hereby by sale, exchange, redemption or other taxable disposition, you generally will recognize a capital gain or loss equal to the difference between (i) the amount realized on the disposition (other than amounts attributable to accrued interest not previously recognized as income, which will be treated as ordinary interest income as described above) and (ii) your adjusted federal income tax basis in the note. Your adjusted federal income tax basis in a note offered hereby generally will equal the cost of the note to you (adjusted to account for any OID previously included in income, and any amortized bond premium). Any capital gain or loss will be a long-term capital gain or loss if you have held the note offered hereby for longer than one year on the date of disposition. You should consult your tax advisors regarding the treatment of capital gains (which may be taxed at lower rates than ordinary income for certain non-corporate taxpayers) and losses (the deductibility of which is subject to certain limitations).

Medicare Surtax

Certain U.S. holders who are individuals, estates or trusts may be required to pay an additional 3.8 percent Medicare surtax on, among other things, interest income (including OID, if any) and capital gains from the sale or other disposition of a note, subject to certain limitations and exceptions. U.S. holders should consult their own tax advisors regarding the application of this additional surtax to their investment in the notes.

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Backup Withholding and Information Reporting

Information reporting will apply to payments of principal and interest (including OID, if any) made by us on, or the proceeds of the sale or other disposition of, the notes offered hereby with respect to certain non-corporate U.S. holders, and backup withholding may apply unless the recipient of such payment provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information, or otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax, and any amount withheld under the backup withholding rules is allowable as a credit against your U.S. federal income tax liability, provided the required information is timely provided to the IRS.

Consequences to Non-U.S. Holders

The following discussion summarizes certain U.S. federal income tax considerations relevant to a non-U.S. holder of the notes offered hereby. You are a non-U.S. holder for purposes of this discussion if you are a beneficial owner of the notes offered hereby and are not a U.S. holder or an entity that is treated as a partnership for U.S. federal income tax purposes.

U.S. Federal Withholding Tax

The United States generally imposes a 30% (or lower applicable treaty rate) withholding tax on payments of interest (including OID, if any) to non-U.S. holders not effectively connected with their conduct of a trade or business in the United States (or, where required by an applicable tax treaty, not attributable to a United States permanent establishment or fixed base). The 30% (or lower applicable treaty rate) U.S. federal withholding tax will not apply to any payment of interest (including OID, if any) on the notes offered hereby provided that:

you do not actually or constructively own 10% or more of the total combined voting power of all classes of our voting stock within the meaning of the Code and applicable Treasury regulations;

you are not a controlled foreign corporation that is related to us through stock ownership; and