

KB HOME
Form 10-Q
April 08, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended February 29, 2016.

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from [] to [].

Commission File No. 001-09195

KB HOME

(Exact name of registrant as specified in its charter)

Delaware

95-3666267

(State of incorporation)

(IRS employer identification number)

10990 Wilshire Boulevard

Los Angeles, California 90024

(310) 231-4000

(Address and telephone number of principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of February 29, 2016. There were 84,121,831 shares of the registrant's common stock, par value \$1.00 per share, outstanding on February 29, 2016. The registrant's grantor stock ownership trust held an additional 9,760,831 shares of the registrant's common stock on that date.

KB HOME
FORM 10-Q
INDEX

	Page Number
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
Consolidated Statements of Operations - Three Months Ended February 29, 2016 and February 28, 2015	<u>3</u>
Consolidated Balance Sheets - February 29, 2016 and November 30, 2015	<u>4</u>
Consolidated Statements of Cash Flows - Three Months Ended February 29, 2016 and February 28, 2015	<u>5</u>
<u>Notes to Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>48</u>
<u>Item 4. Controls and Procedures</u>	<u>48</u>
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>48</u>
<u>Item 1A. Risk Factors</u>	<u>48</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>48</u>
<u>Item 6. Exhibits</u>	<u>49</u>
<u>SIGNATURES</u>	<u>50</u>
<u>INDEX OF EXHIBITS</u>	<u>51</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

KB HOME

CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands, Except Per Share Amounts – Unaudited)

	Three Months Ended	
	February 29, 2016	February 28, 2015
Total revenues	\$678,371	\$580,121
Homebuilding:		
Revenues	\$675,742	\$577,888
Construction and land costs	(568,818)	(492,418)
Selling, general and administrative expenses	(87,932)	(71,072)
Operating income	18,992	14,398
Interest income	152	103
Interest expense	(3,697)	(5,338)
Equity in loss of unconsolidated joint ventures	(603)	(347)
Homebuilding pretax income	14,844	8,816
Financial services:		
Revenues	2,629	2,233
Expenses	(859)	(964)
Equity in income (loss) of unconsolidated joint ventures	(587)	414
Financial services pretax income	1,183	1,683
Total pretax income	16,027	10,499
Income tax expense	(2,900)	(2,700)
Net income	\$13,127	\$7,799
Earnings per share:		
Basic	\$.15	\$.08
Diluted	\$.14	\$.08
Weighted average shares outstanding:		
Basic	89,239	91,954
Diluted	99,427	101,700
Cash dividends declared per common share	\$.025	\$.025
See accompanying notes.		

KB HOME
CONSOLIDATED BALANCE SHEETS
(In Thousands – Unaudited)

	February 29, 2016	November 30, 2015
Assets		
Homebuilding:		
Cash and cash equivalents	\$323,076	\$559,042
Restricted cash	4,357	9,344
Receivables	152,089	152,682
Inventories	3,468,644	3,313,747
Investments in unconsolidated joint ventures	68,572	71,558
Deferred tax assets, net	779,396	782,196
Other assets	113,060	112,774
Financial services	4,909,194	5,001,343
Total assets	12,862	14,028
	\$4,922,056	\$5,015,371
Liabilities and stockholders' equity		
Homebuilding:		
Accounts payable	\$167,575	\$183,770
Accrued expenses and other liabilities	483,286	513,414
Notes payable	2,652,705	2,625,536
Financial services	3,303,566	3,322,720
Stockholders' equity:	1,432	1,817
Common stock	115,548	115,548
Paid-in capital	681,699	682,871
Retained earnings	1,477,570	1,466,713
Accumulated other comprehensive loss	(17,319)	(17,319)
Grantor stock ownership trust, at cost	(105,871)	(109,936)
Treasury stock, at cost	(534,569)	(447,043)
Total stockholders' equity	1,617,058	1,690,834
Total liabilities and stockholders' equity	\$4,922,056	\$5,015,371
See accompanying notes.		

KB HOME
 CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In Thousands – Unaudited)

	Three Months Ended	
	February 29, 2016	February 28, 2015
Cash flows from operating activities:		
Net income	\$13,127	\$7,799
Adjustments to reconcile net income to net cash used in operating activities:		
Equity in (income) loss of unconsolidated joint ventures	1,190	(67)
Amortization of discounts and issuance costs	1,881	1,920
Depreciation and amortization	900	805
Deferred income taxes	2,800	2,600
Stock-based compensation	2,893	3,181
Inventory impairments and land option contract abandonments	1,966	448
Changes in assets and liabilities:		

BLACKROCK
 VIRGINIA
 MUNICIPAL
 BOND
 TRUST NOVEMBER
 30, 2015 3

Schedule of Investments (continued)

BlackRock Virginia Municipal Bond Trust (BHV)

Derivative Financial Instruments Outstanding as of Period End

Financial Futures Contracts

Contracts

Short	Issue	Expiration	Notional Value	Unrealized Depreciation
(2)	10-Year U.S. Treasury Note	March 2016	\$252,875	\$ (503)
(2)	5-Year U.S. Treasury Note	March 2016	\$237,359	(128)
(1)	Long U.S. Treasury Bond	March 2016	\$154,000	(525)
Total				\$ (1,156)

Portfolio Abbreviations

AGM	Assured Guaranty Municipal Corp.
AMBAC	American Municipal Bond Assurance Corp.
AMT	Alternative Minimum Tax (subject to)
EDA	Economic Development Authority
GO	General Obligation Bonds
HDA	Housing Development Authority
IDA	Industrial Development Authority
M/F	Multi-Family
NPFGC	National Public Finance Guarantee Corp.
RB	Revenue Bonds
S/F	Single-Family

Schedule of Investments (continued)

BlackRock Virginia Municipal Bond Trust (BHV)

Fair Value Hierarchy as of Period End

Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs to valuation techniques are categorized into a fair value hierarchy consisting of three broad levels for financial reporting purposes as follows:

Level 1 unadjusted price quotations in active markets/exchanges for identical assets or liabilities that the Trust has the ability to access

Level 2 other observable inputs (including, but not limited to, quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including Trust's own assumptions used in determining the fair value of investments and derivative financial instruments)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the fair value hierarchy classification is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The significant unobservable inputs used by the Global Valuation Committee in determining the price for Fair Valued Investments are typically categorized as level 3.

Changes in valuation techniques may result in transfers into or out of an assigned level within the hierarchy. In accordance with the Trust's policy, transfers between different levels of the fair value hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investments and derivative financial instruments and is not necessarily an indication of the risks associated with investing in those securities. For information about the Trust's policy regarding valuation of investments and derivative financial instruments, refer to the Trust's most recent financial statements as contained in its annual report.

The following tables summarize the Trust's investments and derivative financial instruments categorized in the disclosure hierarchy:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Long-Term Investments ¹		\$ 39,499,407		\$ 39,499,407
Short-Term Securities	\$ 997,515			997,515
Total	\$ 997,515	\$ 39,499,407		\$ 40,496,922

¹ See above Schedule of Investments for values in each sector.

	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments¹				
Liabilities:				
Interest rate contracts	\$ (1,156)			\$ (1,156)

¹ Derivative financial instruments are financial futures contracts, which are valued at the unrealized appreciation (depreciation) on the instrument.

For Trust compliance purposes, the Trust's sector classifications refer to any one or more of the sector sub-classifications used by one or more widely recognized market indexes or rating group indexes, and/or as defined by the investment advisor. These definitions may not apply for purposes of this report, which may combine such sector sub-classifications for reporting ease.

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NOVEMBER 30, 2015

5

Schedule of Investments (concluded)

BlackRock Virginia Municipal Bond Trust (BHV)

The Trust may hold assets and/or liabilities in which the fair value approximates the carrying amount for financial reporting purposes. As of period end, such assets and/or liabilities are categorized within the disclosure hierarchy as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Cash pledged for financial futures contracts	\$ 7,950			\$ 7,950
Liabilities:				
TOB Trust Certificates		\$ (3,859,659)		(3,859,659)
VRDP Shares		(11,600,000)		(11,600,000)
Total	\$ 7,950	\$ (15,459,659)		\$ (15,451,709)

During the period ended November 30, 2015, there were no transfers between levels.

Item 2 Controls and Procedures

- 2(a) The registrant's principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended.
- 2(b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3 Exhibits

Certifications Attached hereto

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BlackRock Virginia Municipal Bond Trust

By: /s/ John M. Perlowski
John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock Virginia Municipal Bond Trust

Date: January 22, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ John M. Perlowski
John M. Perlowski
Chief Executive Officer (principal executive officer) of
BlackRock Virginia Municipal Bond Trust

Date: January 22, 2016

By: /s/ Neal J. Andrews
Neal J. Andrews
Chief Financial Officer (principal financial officer) of
BlackRock Virginia Municipal Bond Trust

Date: January 22, 2016