

KB HOME
Form DEF 14A
February 26, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
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KB HOME
(Name of Registrant as Specified In Its Charter)

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

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Dear Fellow Stockholder:

Together with the Board of Directors and management team of KB Home, I am pleased to invite you to our 2016 Annual Meeting of Stockholders. The meeting will be held on Thursday, April 7, 2016 at 9:00 a.m., Pacific Time, at The Fairmont Miramar Hotel, 101 Wilshire Boulevard in Santa Monica, California.

At the Annual Meeting, we will consider the items of business below. More information on these items is in the attached Notice of 2016 Annual Meeting of Stockholders and Proxy Statement. Your vote on these items is very important, and we encourage you to vote via the Internet, telephone or mail as soon as possible to ensure that your vote is counted.

Items of Business	Board Recommendation
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Elect ten directors, each to serve for a one-year term	FOR
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Advisory vote to approve named executive officer compensation	FOR
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Approve the Amended KB Home 2014 Equity Incentive Plan	FOR
--	-----

Ratify the appointment of our independent registered public accounting firm	FOR
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Following the formal business at the Annual Meeting, we will discuss our 2015 fiscal year results and provide you with an opportunity to ask questions.

2015 in Review

Overall, we view 2015 as a year of important progress, as we accelerated our profitable growth while simultaneously laying the groundwork to sustain our momentum in 2016.

We set aggressive targets for 2015 related to our revenues, pretax income and community count, among other key metrics, to motivate strong year-over-year performance and drive growth. While we experienced generally favorable conditions in most of our served markets, with healthy supply and demand dynamics fueled by steady employment and economic gains over the course of the year, the housing market remained below historically normalized levels. Yet, in spite of the industry trend of relatively slow growth, we produced solid results against our goals.

In 2015, we delivered 8,196 homes, which, together with an increase in our average selling price to an all-time high, drove a 26% year-over-year increase in our total revenues. We crossed the \$3 billion mark in revenues, achieving a significant milestone as we increased the scale of our business. We leveraged our revenue growth to produce a 34% year-over-year improvement in pretax income to \$127 million, our best performance since 2006 and our third consecutive year of profitability. We utilized a portion of our substantial deferred tax asset last year to shelter our pretax income from income taxes, helping to improve our liquidity position.

We also continued to support the growth of our business by investing approximately \$967 million of capital in land and land development in 2015. We remained disciplined in our investment approach, evaluating opportunities against our research-based and returns-focused standards. Reflecting this investment, we concluded 2015 with a 9% increase in our year-end community count and 247 communities open for sales. Over the past three years, we have expanded our community count by 44%, targeting attractive, land-constrained locations across our geographically-diverse served markets.

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Through this focused approach, we increased our year-over-year net order value by 26% to \$3.3 billion in 2015, with our net orders increasing 22% to 9,253. We also ended the year with our highest fourth-quarter backlog value since 2007. At \$1.3 billion, our 2015 year-end backlog value represented a 40% increase relative to 2014, which positions us well for solid growth entering our new fiscal year.

We refer you to our Annual Report on Form 10-K for the fiscal year ended November 30, 2015 for additional details on our 2015 performance, as well as our outlook for 2016.

A Sustainable Future

As many of you know, KB Home has a long-standing commitment to sustainability, and integrating sustainability principles into the homes we build. We are a leader in utilizing state-of-the-art, sustainable building practices to construct energy and water efficient homes to conserve natural resources while also lowering the total cost of homeownership for our customers. I am extremely proud of our accomplishments, and I believe our work in this area differentiates us in our industry. I am pleased to share with you several honors that we received in 2015 in recognition of our leadership in sustainability:

ENERGY STAR® Partner of the Year – Sustained Excellence Award – Honoring organizations that make outstanding contributions to protecting the environment through energy efficiency. This was our fifth consecutive year of receiving the award.

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ENERGY STAR Partner of the Year – Climate Communications Award – Honoring organizations that raise public awareness of the impact of climate change. We are the first and only homebuilder to earn this distinction, and we have received the honor two years in a row.

2015 WaterSense® Sustained Excellence Award Winner – We are the first and only national homebuilder to be recognized with this award for our work in water efficiency innovation.

In Closing

As we go to print with this letter, we continue to expect housing market conditions to remain generally favorable in 2016, with further improvement toward more normalized conditions. Against this backdrop, combined with our higher backlog levels and our ownership and control of all of the lots we need to achieve our 2016 delivery targets, we believe we are well positioned to accomplish our key strategic goals for 2016.

We remain committed to increasing stockholder value and thank you for your continued support of KB Home. We hope to see you on April 7.

Sincerely,

JEFFREY T. MEZGER

President and Chief Executive Officer

February 26, 2016

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NOTICE OF 2016 ANNUAL MEETING OF STOCKHOLDERS

Time and Date: 9:00 a.m., Pacific Time, on Thursday, April 7, 2016.

Location: The Fairmont Miramar Hotel, 101 Wilshire Boulevard, Santa Monica, CA 90401.

Items of Business: (1) Elect ten directors, each to serve for a one-year term;
(2) Advisory vote to approve named executive officer compensation;
(3) Approve the Amended KB Home 2014 Equity Incentive Plan; and
(4) Ratify the appointment of our independent registered public accounting firm.

The accompanying Proxy Statement describes these items in more detail. We have not received notice of any other matters that may be properly presented at the meeting.

Record Date: You can vote at the meeting and at any adjournment or postponement of the meeting if you were a stockholder of record on February 5, 2016.

Voting: Please vote as soon as possible, even if you plan to attend the meeting, to ensure your shares will be represented. You do not need to attend the meeting to vote if you vote before the meeting. If you are a holder of record, you may vote your shares via the Internet, telephone or mail. If your shares are held by a broker or financial institution, you must vote your shares using a method the broker or financial institution provides.

Annual Report: Copies of our Annual Report on Form 10-K for the fiscal year ended November 30, 2015 (“Annual Report”), including audited financial statements, are being made available to stockholders concurrently with the accompanying Proxy Statement. We anticipate these materials will first be made available on or about February 26, 2016.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To Be Held on April 7, 2016: Our Proxy Statement and Annual Report are available at www.kbhome.com/investor/proxy.

BY ORDER OF THE BOARD OF DIRECTORS,
WILLIAM A. (TONY) RICHELIEU
Vice President and Corporate Secretary
Los Angeles, California
February 26, 2016

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KB HOME
 10990 Wilshire Boulevard
 Los Angeles, CA 90024
 (NYSE:KBH)

PROXY STATEMENT

Your Board of Directors (“Board”) is furnishing this Proxy Statement and a proxy/voting instruction form or a Notice of Internet Availability, as applicable, to you to solicit your proxy for our 2016 Annual Meeting of Stockholders. We anticipate these proxy materials will first be made available on or about February 26, 2016. The Annual Meeting is scheduled for Thursday, April 7, 2016 at The Fairmont Miramar Hotel. The exact location and items of business for the meeting are described in the accompanying Notice of 2016 Annual Meeting of Stockholders. Stockholders can vote via the Internet, telephone or mail or in person at the Annual Meeting, as described below under the heading “Annual Meeting, Voting and Other Information.”

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CORPORATE GOVERNANCE AND BOARD MATTERS

- All directors are independent (except our President and Chief Executive Officer (“CEO”)), and elected annually under a majority voting standard.
- Our standing Board Committees are entirely composed of independent directors.
- We have one class of voting securities and no supermajority voting requirements.
- Directors and senior executives are subject to stock ownership requirements.
- Non-employee directors meet in executive sessions at each in-person Board meeting, and any non-employee director can request additional executive sessions.
- There is Board-level oversight of our political contributions, which are reported in our public Sustainability Reports.
- All employees and non-employee directors are prohibited from pledging or hedging their holdings of our securities.
- Seven of the eight directors serving at the time attended our 2015 Annual Meeting of Stockholders (held April 2, 2015).

Board of Directors

The Board is elected by our stockholders to oversee the management of our business and to assure that the long-term interests of our stockholders are being served. The Board carries out this role subject to Delaware law (our state of incorporation), and in accordance with our Certificate of Incorporation, By-Laws, Ethics Policy and Corporate Governance Principles. As of the date of this Proxy Statement, the Board has nine members. Jeffrey T. Mezger, our CEO, is the only director who is an employee.

The Board held four meetings during 2015. Each director attended at least 75% of the meetings of the Board and of the Board Committees on which he or she served during the year. We expect directors to attend our annual stockholder meetings.

Board Leadership

Since 2007, the Board has been led by an independent Chairman, Mr. Stephen F. Bollenbach. In addition to the responsibilities specified in our Corporate Governance Principles, Mr. Bollenbach, as Chairman, coordinates the Board’s activities, including the scheduling of meetings and non-employee director executive sessions, and the relevant agenda items in each case (in consultation with the CEO as appropriate). Mr. Bollenbach also presides over all Board meetings at which he is present, and chairs the non-employee director executive sessions. Per our Corporate Governance Principles, the Board may also designate such responsibilities to a lead independent director, if one is elected, or to another director or directors.

Upon his election as a director at the Annual Meeting, the Board plans again to elect Mr. Bollenbach as Chairman, continuing his capable service in that role. The Board believes that having an independent director serving as Chairman or as a lead independent director is the most appropriate Board leadership structure, enabling the Board to effectively carry out its role and responsibilities on behalf of KB Home and our stockholders.

Director Independence

We believe that a substantial majority of our directors should be independent. To be independent, the Board must affirmatively determine that a director does not have any material relationship with us based on all relevant facts and circumstances. The Board makes independence determinations based on information supplied by directors, director nominees and other sources, the Board’s Nominating and Corporate Governance Committee’s prior review and recommendation, and certain categorical standards contained in our Corporate Governance Principles that are consistent with New York Stock Exchange (“NYSE”) listing standards. The Board has determined that, other than Mr.

Key Governance Documents

- Corporate Governance Principles: provide the primary framework within which we conduct our business and pursue our strategic goals.
- Ethics Policy: establishes the ethical standards we expect our non-employee directors, senior executives and employees to follow when representing KB Home. To this end, all employees, including our senior executives, and our non-employee directors must comply with our Ethics Policy.

Mezger, all directors who served in 2015 and all director nominees are independent. In making its independence determinations, the Board found that:

• Michael M. Wood's independence was not impaired by, and he did not have a direct or indirect material interest in, our receipt of consulting services and research data in 2015 from a firm in which he owns a <1% passive equity interest.

Kenneth M. Jastrow, II's independence was not impaired by, and he did not have a direct or indirect material interest in, our considering in 2015 the purchase of land and land development-related rights from Forestar Group, Inc., where he served as non-executive chairman until September 2015 and as a director until December 2015.

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Director nominee Dr. Stuart A. Gabriel’s independence is not impaired by his participation on our national advisory board from 2009 to 2015, where he and other outside experts periodically provided advice on our sustainability initiatives. Dr. Gabriel was not paid for his participation other than reimbursement of travel-related expenses to attend meetings. Like other national advisory board participants, Dr. Gabriel could designate qualified charitable organizations to receive donations from us. Based on Dr. Gabriel’s participation from 2013 to 2015, he could designate up to \$2,500 in donations to charitable organizations in each such year. Of this amount, we donated \$1,500 in each such year to an organization for which he serves as a director. Dr. Gabriel no longer participates on our national advisory board.

Board Committee Information

The Board has three standing committees — Audit and Compliance (“Audit Committee”); Management Development and Compensation (“Compensation Committee”); and Nominating and Corporate Governance (“Nominating Committee”). The Board appoints the members of and has adopted a charter for each Board Committee. At each regular Board meeting, the Board Committee Chairs report to the Board on their committee’s activities. The Board and each Board Committee conduct an annual evaluation of their respective performance. The Board has delegated certain responsibilities and authority to each Board Committee, as described below. Each Board Committee member served during all of 2015, other than Robert L. Patton, Jr., who joined both the Audit Committee and the Nominating Committee upon his election to the Board on July 15, 2015. In addition, Melissa Lora rotated from the Nominating Committee to the Compensation Committee on July 16, 2015.

Audit Committee FY2015 Meetings: 6

Members

Melissa Lora (Chair)
 Dr. Thomas W. Gilligan
 Robert L. Patton, Jr.
 Michael M. Wood
 Each member is financially literate.
 Ms. Lora is an “audit committee financial expert,” per NYSE listing standards and Securities and Exchange Commission (“SEC”) rules.

Primary Duties

The Audit Committee is charged with the duties and responsibilities in its charter, which include general oversight of our accounting and reporting practices and audit process, including our independent registered public accounting firm’s qualifications, independence, retention, compensation and performance; and is authorized to act on the Board’s behalf with respect to our incurring, guaranteeing or redeeming debt and approving our entry into certain transactions. Per its charter, the Audit Committee reviewed and approved updates to our Ethics Policy that became effective as of October 31, 2015. The Audit Committee is a separately designated standing audit committee as defined in Section 3(a)(58)(A) of the Securities Exchange Act of 1934.

Compensation Committee

FY2015 Meetings: 6

Members

Kenneth M. Jastrow, II (Chair)
 Stephen F. Bollenbach
 Timothy W. Finchem
 Robert L. Johnson
 Melissa Lora
 Each member is a “non-employee director” under SEC rules and is an “outside director” under Section 162(m) of the Internal Revenue Code (“Code”).

Primary Duties

The Compensation Committee is charged with the duties and responsibilities in its charter, which include evaluating and compensating our CEO; determining our CEO’s direct reports’ compensation; and recommending non-employee director compensation and benefits. The Compensation Committee receives assistance from our management and has retained an outside compensation consultant, Frederic W. Cook & Co., Inc. (“FWC”), as described below under the heading “Executive Compensation Decision-Making Process and Policies.” The Compensation Committee may delegate its duties and responsibilities to our management, excluding the authority to grant equity-based awards, or to a subcommittee.

Compensation Committee Interlocks

Insider Participation

None of our directors

or executive officers

had any relationship

that would constitute a

“compensation

committee interlock” as

described under SEC

rules.

Nominating Committee

FY2015 Meetings: 4

Members

Timothy W. Finchem (Chair)

Primary Duties

Stephen F. Bollenbach
Dr. Thomas W. Gilligan
Robert L. Johnson
Robert L. Patton, Jr.
Michael M. Wood

The Nominating Committee is charged with the duties and responsibilities in its charter, which include overseeing our corporate governance policies and practices; reviewing “related party transactions,” as discussed below; overseeing annual Board and Board Committee performance evaluations; and identifying, evaluating and recommending qualified director candidates to the Board. The Nominating Committee also regularly evaluates the skills and characteristics of current and potential directors, and identified for each present director nominee certain specific skills and qualifications that supported the Board’s determination that each should serve as a director, as described below under the heading “Election of Directors.”

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Board Role in Risk Oversight

Our management is charged with assessing, monitoring and addressing risks in the operation of our business. As described below, the Board oversees our management’s development and implementation of policies, plans and processes for assessing, monitoring and addressing risks so that they are appropriate. The Board has delegated its risk oversight responsibilities to the Audit Committee, except for employee compensation-related risks that are the Compensation Committee’s purview.

Audit Committee Role. The Audit Committee oversees an annual enterprise risk management assessment performed by our management that identifies significant risk areas to our business and corresponding mitigating factors, and it requests or receives periodic updates as it or our management deem necessary or appropriate. The Audit Committee Chair reports to the Board regarding identified significant risks as deemed appropriate. In addition, at each of its regular meetings, the Audit Committee receives reports from each of our senior finance, accounting, legal and internal audit executives, and meets in separate executive sessions with each such executive and with representatives of our independent registered public accounting firm.

Compensation Committee Role. The Compensation Committee oversees an annual risk assessment of our employee compensation policies and programs that is performed by FWC in conjunction with our management and is focused on potential design and implementation risks. The Compensation Committee also carries out its risk oversight role on an ongoing basis through its review and, to the degree appropriate, specific approval of compensation arrangements as they are being developed by our senior human resources personnel. The Compensation Committee Chair reports to the Board regarding significant risks as deemed appropriate. Based on this oversight approach and the outcome of the most recent annual risk assessment, we do not believe that our present employee compensation policies and programs are likely to have a material adverse effect on us.

Certain Relationships and Related Party Transactions

Pursuant to its charter, the Nominating Committee must review and approve or ratify any transaction, arrangement or relationship (or series of similar transactions, arrangements or relationships) in which we participate and in which a director, a director nominee, an executive officer or a beneficial owner of five percent or more of our common stock (or, in each case, an immediate family member) had or will have a direct or indirect material interest (a “Covered Transaction”), except transactions within the categories described at right or as otherwise determined by the Board. Covered individuals and stockholders are expected to inform our Corporate Secretary of Covered Transactions, and we collect information from our directors, director nominees and executive officers about their affiliations and affiliations of their family members so that we can review our records for any such transactions.

Pre-Approved Transaction Categories

- Any transaction in which the total amount involved is less than or equal to \$120,000;
- The employment and compensation (a) of a director or executive officer if the individual’s compensation is reported in our annual proxy statement, or (b) of any other executive officer who is not an immediate family member of one of the foregoing individuals or a director nominee if such executive officer’s compensation was approved, or recommended for approval, by the Compensation Committee;
- Any transaction that would not (a) need to be reported under federal securities laws, (b) be deemed to impair a director’s independence under our Corporate Governance Principles or (c) be deemed to be a conflict of interest under our Ethics Policy; and
- Any transaction where an individual’s interest therein arises solely from ownership of our common stock and all holders of our common stock received the same benefit on a pro-rata basis.

The Nominating Committee will approve or ratify a Covered Transaction if, based on a review of all material facts of the transaction and feasible alternatives, the Nominating Committee deems the transaction to be in our and our stockholders’ best interests. The Nominating Committee determined that there were no Covered Transactions during 2015.

Director Qualifications and Nominations

The Nominating Committee evaluates and recommends individuals for election to the Board at regular or special meetings and at any point during the year, taking into consideration the attributes listed in our Corporate Governance Principles and diversity of background and personal experience, among other factors. Diversity may encompass race, ethnicity, national origin and gender, geographic residency, educational and professional history, community or public

service, expertise or knowledge base and/or other tangible and intangible aspects of an individual in relation to the personal characteristics of current directors and potential director nominees. There is no formal policy as to how diversity is applied, and an individual's background and personal experience, while important, do not necessarily outweigh other any other factors.

Individuals may be nominated by current directors, and the Nominating Committee has retained professional search firms from time to time to assist with director recruitment. Current directors recommended Mr. Patton as a candidate prior to his election to the Board in July 2015 and Dr. Gabriel as a director nominee. Security holders may propose director nominees by following the procedures set forth in our By-Laws, which require, among other things, timely advance written notice to our Corporate Secretary of any potential nominee that contains specified information about the nominee and the nominating stockholder. Security holder director nominees are considered in the same manner as any other potential nominees.

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Our directors (other than Mr. Mezger, who is not paid for his Board service) are primarily compensated under our Non-Employee Directors Compensation Plan (“Director Plan”). Director Plan compensation is provided on a “Director Year” basis, a period that begins on the date of an annual meeting and ends on the day before the following annual meeting. Director Plan compensation in 2015 reflected terms the Board set in October 2014, as described below. As a director nominee, Dr. Gabriel has not received any compensation under the Director Plan or otherwise for Board-related service.

Director Plan Compensation

Board Retainer	\$100,000
Equity Grant (value)	\$145,000
	\$25,000 (Audit Committee)
Committee Chair Retainers	\$18,000 (Compensation Committee)
	\$15,000 (Nominating Committee)
	\$10,000 (Audit and Compliance)
Committee Member Retainers	\$7,000 (Compensation Committee)
	\$5,000 (Nominating Committee)
Meeting Fees	\$1,500 (for each additional meeting)

Director Plan Compensation Components

Board and Board Committee Retainers. These retainers are paid in quarterly cash installments over a Director Year. Each director may elect instead to receive the value of their respective retainers in shares of our common stock or an equal number of stock units, in either case granted on the same date as the below-described equity grant.

Equity Grant. Except as described below, each director may elect to receive the value of the equity grant in shares of our common stock or an equal number of stock units, in either case granted on the first date of a Director Year. Each stock unit represents the right to receive one share of our common stock on the earlier of a change in control or the date a director leaves the Board. Directors receive dividends on common stock grants, or cash payments on stock units at the same time and in an equivalent amount as any dividend paid on a share of our common stock.

If a director has not satisfied the stock ownership requirement by the applicable time (described below under the heading “Stock Ownership Requirements”), the director can only receive stock units for the equity grant, and cannot dispose of any shares of our common stock until the director satisfies the stock ownership requirement or leaves the Board.

Meeting Fees. These fees are payable for attending any Board or Board Committee meeting above its number of regularly-scheduled meetings, up to five additional meetings. Eligibility for fees for attending more than five additional meetings is subject to the approval of the Chairman/respective Committee Chair. No meeting fees were paid in 2015.

Directors elected to the Board other than at an annual meeting receive prorated Director Plan compensation, with equity grants made on the date of election. We also pay directors’ travel-related expenses for Board meetings and Board activities.

Director Compensation During Fiscal Year 2015

Name(a)	Fees Earned or Paid in Cash (\$)(b)	Stock Awards (\$)(c)	Option Awards (\$)	All Other Compensation (\$)(d)	Total (\$)
Mr. Bollenbach	\$375,000	\$145,000	\$—	\$—	\$520,000
Mr. Finchem	20,000	267,000	—	—	287,000
Dr. Gilligan	110,000	145,000	—	—	255,000
Mr. Jastrow	110,250	145,000	—	13,545	268,795
Mr. Johnson	95,000	157,000	—	—	252,000
Ms. Lora	—	275,000	—	—	275,000
Mr. Patton	28,750	72,500	—	—	101,250

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Mr. Wood	110,000	145,000	—	—	255,000
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(a) Mr. Patton was elected to the Board on July 15, 2015 and therefore received prorated compensation during 2015.

(b) Fees Earned or Paid in Cash. These amounts represent payments of Board and Board Committee retainers based on directors' elections to receive the retainers in cash. The amount shown for Mr. Bollenbach also includes a \$300,000

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Chairman of the Board retainer, which he may keep if removed from the Board without cause. As Chairman, Mr. Bollenbach is not eligible for any Board Committee retainers.

Stock Awards. These amounts represent the aggregate grant date fair value of the shares of our common stock or stock units granted to our directors in 2015 computed as described in Note 19. Employee Benefit and Stock Plans in the Notes to the Consolidated Financial Statements in our Annual Report, except that estimates of forfeitures (c) related to service-based vesting conditions have been disregarded. All such grants were made on April 2, 2015, except that the grants to Mr. Patton were made on July 15, 2015, the date he was elected to the Board. Below are the number of shares of our common stock or stock units granted to each director in 2015 and each director's total holdings of equity-based awards as of February 16, 2016.

Name	2015 Common Stock Grants (#)	2015 Stock Unit Grants (#)	Total Holdings (#)(i)
Mr. Bollenbach	9,136	—	207,503
Mr. Finchem	—	16,823	148,378
Dr. Gilligan	—	9,136	48,238
Mr. Jastrow	—	9,136	135,767
Mr. Johnson	9,892	—	138,004
Ms. Lora	—	17,327	188,804
Mr. Patton	4,420	—	4,420
Mr. Wood	—	9,136	25,279

Total Holdings. These amounts reflect the directors' total respective outstanding holdings of equity-based awards, consisting of common stock, stock unit and stock option grants in the following respective amounts:

Mr. Bollenbach 9,136, 54,264 and 144,103; Mr. Finchem 0, 93,028 and 55,350; Dr. Gilligan 0, 21,349 and 26,889; Mr. Jastrow 0, 80,417 and 55,350; Mr. Johnson 9,892, 34,769 and 93,343; Ms. Lora 0, 122,234 and 66,570; Mr. Patton 4,420, 0 and 0; and Mr. Wood 0, 13,901 and 11,378. All such stock options were granted prior to

October 2014, when the current Director Plan terms were made effective and stock option awards ceased being a component of director compensation. Some of these stock options held by Messrs. Bollenbach (88,753) and

(i) Johnson (37,993) and Ms. Lora (11,220) have 15-year terms and generally must be exercised by the earlier of their respective terms or the first anniversary of their leaving the Board. The remainder have ten-year terms and generally must be exercised by the earlier of their respective terms or the third anniversary of the grantee leaving the Board. Based on the directors' respective elections, each such stock option represents a right to receive shares of our common stock equal in value to the positive difference between the option's stated exercise price and the fair market value of a share of our common stock on an exercise date, and are therefore settled in a manner similar to stock appreciation rights (and are referred to in this Proxy Statement as "Director SARs"). In 2014, the Board authorized us to repurchase shares of our common stock or issue stock payment awards under our 2014 Equity Incentive Plan to effect settlements of these previously granted Director SARs, though none have been so settled.

All Other Compensation. This amount for Mr. Jastrow represents a premium we paid for a life insurance policy maintained to fund charitable donations under the Directors' Legacy Program, which is described below. In 2015, (d) we paid a total of \$27,090 in premiums for program life insurance policies, including for the policy maintained with respect to Mr. Jastrow. Some of these life insurance policies did not require premium payments in 2015.

Premium payments, where required, vary depending on participants' respective ages and other factors. The total amount payable under the program at November 30, 2015 was \$15.2 million.

Indemnification Agreements

We have agreements with our directors that provide them with indemnification and advancement of expenses to supplement what our Certificate of Incorporation and insurance policies provide, subject to certain limitations.

Directors' Legacy Program

We established the Directors' Legacy Program in 1995 to recognize our and our directors' interests in supporting educational institutions and other charitable organizations. The Board closed the program to new participants in 2007. As a result, Messrs. Bollenbach, Johnson, Mezger, Patton and Wood and Dr. Gilligan do not, and Dr. Gabriel, if he is elected to the Board, will not, participate in the program. Under the program, we will make a charitable donation on each participating director's behalf of up to \$1 million to up to five participant-designated, qualifying institutions or

organizations. Donations are paid in ten equal annual installments directly to the designated recipient institutions or organizations after a participating director's death. All participating directors have fully vested in their donation amount; however, neither they nor their families receive any proceeds, compensation or tax savings associated with the program.

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ELECTION OF DIRECTORS

The Board will present as nominees at the Annual Meeting, and recommends our stockholders elect to the Board, each of the individuals named below for a one-year term ending with the election of directors at our 2017 Annual Meeting. Each nominee has consented to being nominated and has agreed to serve as a director if elected. Other than Dr. Gabriel and Mr. Patton, each nominee is standing for re-election. Dr. Gabriel is not currently a director. Mr. Patton was elected to the Board on July 15, 2015. Should any of the nominees become unable to serve as a director prior to the Annual Meeting, the individuals named as proxies for the meeting will, unless otherwise directed, vote for the election of another person as the Board may recommend. On the date of the Annual Meeting, if the individuals nominated by the Board are elected as directors, the Board will have ten members. There are no term limits for directors.

Voting Standard
To be elected, each director nominee must receive a majority of votes cast in favor (i.e., the votes cast for a nominee’s election must exceed the votes cast against the nominee’s election).

Director Resignation Policy

Our Corporate Governance Principles provide that a director nominee who fails to win election to the Board in an uncontested election is expected to tender his or her resignation from the Board (or to have previously submitted a conditional tender). An “uncontested election” is one in which there is no director nominee that has been nominated by a stockholder in accordance with our By-Laws. This election is an uncontested election. If an incumbent director fails to receive the required vote for election in an uncontested election, the Nominating Committee will act promptly to determine whether to accept the director’s resignation and will submit its recommendation for consideration by the Board. The Board expects the director whose resignation is under consideration to abstain from participating in any decision regarding that resignation. The Nominating Committee and the Board may consider any relevant factors in deciding whether to accept a director’s resignation.

BOARD RECOMMENDATION: FOR THE ELECTION OF EACH DIRECTOR NOMINEE

Director Nominees

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

Stephen F. Bollenbach, age 73, is our Non-Executive Chairman of the Board. He was the Co-Chairman and Chief Executive Officer of Hilton Hotels Corporation, a hotel developer and operator, positions he held from May 2004 and February 1996, respectively. He retired from Hilton in October of 2007. Prior to joining Hilton, Mr. Bollenbach was Senior Executive Vice President and Chief Financial Officer for The Walt Disney Company from 1995 to 1996. Before Disney, Mr. Bollenbach was President and Chief Executive Officer of Host Marriott Corporation from 1993 to 1995, and served as Chief Financial Officer of Marriott Corporation from 1992 to 1993. From 1990 to 1992, Mr. Bollenbach was Chief Financial Officer of the Trump Organization. Mr. Bollenbach serves as a director of Time Warner Inc., Macy’s, Inc., and Mondelēz International, Inc. He previously served as a director of American International Group Inc., Moelis & Company, and Harrah’s Entertainment, Inc. Mr. Bollenbach joined the Board in 2007 and has since served as its Non-Executive Chairman. Mr. Bollenbach has several years of experience and expertise as a senior corporate executive and public company board member, including as a lead independent director, and has demonstrated exemplary leadership as Non-Executive Chairman of the Board.

Timothy W. Finchem, age 68, has been Commissioner of the PGA TOUR, a membership organization for professional golfers, since 1994. He joined the TOUR staff as Vice President of Business Affairs in 1987, and was promoted to Deputy Commissioner and Chief Operating Officer in 1989. Mr. Finchem served in the White House as Deputy Advisor to the President in the Office of Economic Affairs in

1978 and 1979, and in the early 1980's, co-founded the National Marketing and Strategies Group in Washington, D.C. He joined the Board in 2005. Mr. Finchem has demonstrated success in broadening the popularity of professional golf among the demographic groups that make up our core homebuyers, and has experience in residential community development. He also has a substantial presence in Florida, one of our key markets.

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Dr. Stuart A. Gabriel, age 62, is the director of the Richard S. Ziman Center for Real Estate at the University of California, Los Angeles (UCLA), and Professor of Finance and Arden Realty Chair at the UCLA Anderson School of Management. Prior to joining UCLA in 2007, he was director and Lusk Chair in Real Estate at the USC Lusk Center for Real Estate, and was Professor of Finance and Business Economics at the Marshall School of Business at the University of Southern California (USC). Dr. Gabriel serves as a director of KBS Real Estate Investment Trust, Inc., KBS Real Estate Investment Trust II, Inc. and KBS Real Estate Investment Trust III, Inc., and is a consultant to corporate and governmental entities. He holds a Ph.D. in Economics from the University of California, Berkeley. Dr. Gabriel previously served on the economics staff of the Federal Reserve Board in Washington D.C., as a visiting scholar at the Federal Reserve Bank of San Francisco, and as President of the American Real Estate and Urban Economics Association. Dr. Gabriel's significant professional experience in and distinguished study of macroeconomics and real estate, mortgage and finance markets provides considerable knowledge and insight with respect to the economic, regulatory and financial drivers that affect housing and homebuilding at local, regional and national levels. In addition, with his nearly two decades of service in leadership roles at two of the most preeminent academic institutions in the country—UCLA and USC—he has substantial management and administrative expertise, and is highly respected for his perspective on housing and land use matters in California, an important market for us, and nationally.

Dr. Thomas W. Gilligan, age 61, is the Tad and Dianne Taube Director of the Hoover Institution on War, Revolution and Peace at Stanford University, a position he was appointed to in September 2015. The Hoover Institution is a public policy research center devoted to the advanced study of economics, politics, history, and political economy, as well as international affairs. From 2008 until his appointment at the Hoover Institution, Dr. Gilligan served as the Dean of the McCombs School of Business at The University of Texas at Austin. Prior to his appointment at the McCombs School of Business, Dr. Gilligan held several key administrative roles at the Marshall School of Business at the University of Southern California (USC), including as interim Dean, as the Vice-Dean of Undergraduate Education, as director of the Ph.D. program, and as the Chair of the Finance and Business Economics Department. He is a director of Southwest Airlines Co., and has served as a consultant to businesses in the entertainment, agriculture, service and construction industries, dealing with antitrust and contract issues, as well as pricing strategies. He joined the Board in 2012. Dr. Gilligan has deep knowledge of and significant academic credentials in the fields of finance, economics and business administration, and brings extensive leadership skills and experience from his many years of service as a dean at two of the premier post-graduate business schools in the country. In addition, he is well-known and highly regarded, professionally and personally, in both Texas and California, which are key markets for us.

Kenneth M. Jastrow, II, age 68, has been since 2009 the lead director of MGIC Investment Corporation, a provider of private mortgage insurance, and also serves as a director of Genesis Energy, LLC, the general partner of Genesis Energy, L.P., a publicly traded master limited partnership. He joined the KB Home Board in 2001. Mr. Jastrow previously served as the Non-Executive Chairman of Forestar Group Inc., a real estate and natural resources company, from December 2007 to September 2015 and as a director until December 2015. Mr. Jastrow has several years of experience and leadership in the paper, building products, forestry, real estate and mortgage lending industries, providing critical perspective in businesses that impact the homebuilding industry, and on sustainability practices. He also brings a significant knowledge of corporate governance matters from his service on a number of public company boards, and has a substantial presence in Texas, a key market for us.

Robert L. Johnson, age 69, is founder and chairman of The RLJ Companies, an innovative business network that owns or holds interests in a diverse portfolio of companies in the consumer financial services, private equity, real estate, hospitality, professional sports, film production, gaming, and automobile dealership industries. Prior to forming The RLJ Companies in 2004, Mr. Johnson was founder and chief executive officer of Black Entertainment Television (BET), which was acquired by Viacom Inc. in 2001. He continued to serve as chief executive officer of BET until 2006. In July 2007, Mr. Johnson was named by USA Today as one of the 25 most influential business leaders of the past 25 years. Mr. Johnson currently serves on the board of directors or trustees of the Lowe's Companies, Inc., RLJ Entertainment, Inc., RLJ Lodging Trust, and Strayer Education, Inc. He previously served as a director of RLJ Acquisition, Inc. He joined the Board in 2008. Mr. Johnson has significant experience in real estate, finance, mortgage banking and brand-building enterprises and a unique and diverse background in a number of industry sectors. He also has a substantial presence in Washington D.C. and the mid-Atlantic region, which is an important market for us.

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Melissa Lora, age 53, has been since 2013 the President of Taco Bell International, a segment of Taco Bell Corp., which is a division of Yum! Brands, Inc., one of the world's largest restaurant companies. Ms. Lora joined Taco Bell in 1987, serving as Taco Bell Corp.'s Chief Financial Officer from 2001 to 2012, and then as its Global Chief Financial and Development Officer from 2012 to 2014. Ms. Lora also was Regional Vice President and General Manager from 1998 to 2000 for Taco Bell Corp.'s operations throughout the Northeastern United States. She joined the Board in 2004. Ms. Lora is very knowledgeable of and has substantial experience and expertise in financial matters as well as in managing real estate assets. She has made significant contributions to the work of the Audit Committee since joining the Board and has provided strong leadership as its Chair since 2008

Jeffrey T. Mezger, age 60, has been our President and Chief Executive Officer since November 2006. Prior to becoming President and Chief Executive Officer, Mr. Mezger served as our Executive Vice President and Chief Operating Officer, a position he assumed in 1999. From 1995 until 1999, Mr. Mezger held a number of executive posts in our southwest region, including Division President, Arizona Division, and Senior Vice President and Regional General Manager over Arizona and Nevada. Mr. Mezger joined us in 1993 as president of the Antelope Valley Division in Southern California. He joined the Board in 2006. He is a member of the Executive Board of the USC Lusk Center for Real Estate, is a member of the Policy Advisory Board for the Fisher Center for Real Estate and Urban Economics at the University of California, Berkeley Haas School of Business, serves as Chairman of the Policy Advisory Board for the Harvard Joint Center for Housing Studies and was the founding Chairman of the Executive Committee for the Leading Builders of America. In 2012, Mr. Mezger was inducted into the California Homebuilding Foundation Hall of Fame. As our CEO, Mr. Mezger has demonstrated dedicated and effective leadership, and ownership of our business strategy and its results. He has also established himself as a leading voice in the industry through his nearly 40 years of experience in the public homebuilding sector.

Robert L. Patton, Jr., age 53, has been a partner of Guggenheim Baseball Management since 2012. He became part owner of the Los Angeles Dodgers on May 1, 2012. Mr. Patton principally operates oil and gas properties in Texas and Kansas and has additional investments in many other sectors, including ranching and insurance. He serves on the board of Security Benefit Corporation and the Advisory Council of the University of Texas, College of Liberal Arts. Mr. Patton received a B.B.A. from the University of Texas as well as a J.D. from St. Mary's University and LLM from Southern Methodist University. Mr. Patton has several years of experience in a wide range of industries as well as in real estate development, providing significant expertise and insight on investment management, financial planning, operational execution and regulatory compliance. He also has a substantial presence in Southern California and Texas, which are key markets for us.

Michael M. Wood, age 68, is Founder and Chairman of Redwood Investments LLC, a Washington, D.C. investment company established in 2005 and concentrating in media, real estate and alternative energy. From 2006-2009, Mr. Wood was the U.S. Ambassador to Sweden where he made cooperation between the U.S. and Sweden in alternative energy technology his top priority. In recognition for this work, in 2009, the King of Sweden bestowed on Mr. Wood the insignia of Commander Grand Cross, Order of the Polar Star, a medal given by Sweden's Royal Family to people of foreign birth who make significant contributions to Sweden. Prior to becoming ambassador, Mr. Wood was co-founder and CEO of Hanley Wood LLC, the leading media company in the construction industry and one of the ten largest business-to-business media companies in the U.S. Mr. Wood is also Chairman of Winsight, LLC, a private business-to-business publishing company serving the convenience retailing, restaurant, and on-the-go food industries, and serves on the Board of Directors of Capital Partners for Education

in Washington, D.C. Mr. Wood has extensive knowledge of the homebuilding industry and significant experience in real estate and alternative energy investing, providing substantial insight and expertise with respect to our business operations and longstanding commitment to sustainability. He is also a prominent and respected professional in Washington D.C., an important market for us, and has a distinguished policymaking background.

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OWNERSHIP OF KB HOME SECURITIES

The following table shows, as of February 16, 2016, each stockholder known to us to beneficially own more than five percent of our common stock; and the beneficial ownership of our common stock by each of our directors and named executive officers, and all of our directors and executive officers as a group. Except as otherwise indicated, beneficial ownership is direct and each owner has sole voting and investment power with respect to the reported securities holdings.

Stockholder(a)	Total Beneficial Ownership(b)	Percent of Class	Stock Options(c)	Restricted Common Stock(d)
FMR LLC(e) 245 Summer Street, Boston, MA 02210	12,908,200	14.0%	—	—
BlackRock, Inc.(f) 55 East 52 nd Street, New York, NY 10055	10,308,470	11.2%	—	—
KB Home Grantor Stock Ownership Trust(g) Wells Fargo Retirement and Trust Executive Benefits One West Fourth Street, Winston-Salem, NC 27101	10,135,461	10.7%	—	—
The Vanguard Group, Inc.(h) 100 Vanguard Blvd., Malvern, PA 19355	5,916,507	6.4%	—	—
Donald Smith & Co., Inc.(i) 152 West 57th Street, New York, NY 10019	4,603,214	5.0%	—	—
Directors(j)				