

1 COUGHLIN STOIA GELLER
2 RUDMAN & ROBBINS LLP
3 TRAVIS E. DOWNS III (148274)
4 KATHLEEN A. HERKENHOFF (168562)
5 ELLEN GUSIKOFF STEWART (144892)
6 BENNY C. GOODMAN III (211302)
7 655 West Broadway, Suite 1900
8 San Diego, CA 92101-3301
9 Telephone: 619/231-1058
10 619/231-7423 (fax)
11 travisd@csgrr.com
12 kathyh@csgrr.com
13 elleng@csgrr.com
14 bennyg@csgrr.com

15 - and -
16 SHAWN A. WILLIAMS (213113)
17 AELISH M. BAIG (201279)
18 100 Pine Street, Suite 2600
19 San Francisco, CA 94111
20 Telephone: 415/288-4545
21 415/288-4534 (fax)
22 shawnw@csgrr.com
23 abaig@csgrr.com

24 ROBBINS UMEDA & FINK, LLP
25 JEFFREY P. FINK (199291)
26 610 West Ash Street, Suite 1800
27 San Diego, CA 92101
28 Telephone: 619/525-3990
619/525-3991 (fax)
fink@ruflaw.com

Lead Counsel for Plaintiffs

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA
WESTERN DIVISION

21	In re KB HOME SHAREHOLDER	}	Master File No. CV-06-05148-FMC(CTx)
22	DERIVATIVE LITIGATION		
23	This Document Relates To:	}	NOTICE OF PROPOSED SETTLEMENT
24	ALL ACTIONS.		

25
26
27
28

1 **TO: ALL CURRENT RECORD HOLDERS AND BENEFICIAL OWNERS**
2 **OF COMMON STOCK OF KB HOME (“KB HOME” OR THE**
3 **“COMPANY”) AS OF DECEMBER 9, 2008 (THE “RECORD DATE”)**
4 **(“CURRENT KB HOME SHAREHOLDERS”).**

5 **PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY.**
6 **THIS NOTICE RELATES TO A PROPOSED SETTLEMENT AND**
7 **DISMISSAL OF THE ABOVE-CAPTIONED SHAREHOLDERS’**
8 **DERIVATIVE ACTION AND A PARALLEL ACTION PENDING IN**
9 **THE SUPERIOR COURT OF THE STATE OF CALIFORNIA FOR THE**
10 **COUNTY OF LOS ANGELES AND CONTAINS IMPORTANT**
11 **INFORMATION REGARDING YOUR RIGHTS. YOUR RIGHTS MAY**
12 **BE AFFECTED BY THESE LEGAL PROCEEDINGS IN THE**
13 **ACTIONS. IF THE COURT APPROVES THE SETTLEMENT, YOU**
14 **WILL BE FOREVER BARRED FROM CONTESTING THE**
15 **APPROVAL OF THE PROPOSED SETTLEMENT AND FROM**
16 **PURSUING THE RELEASED CLAIMS.**

17 **IF YOU HOLD KB HOME COMMON STOCK FOR THE BENEFIT OF**
18 **ANOTHER, PLEASE PROMPTLY TRANSMIT THIS DOCUMENT TO**
19 **SUCH BENEFICIAL OWNER.**

20 **THE COURT HAS MADE NO FINDINGS OR DETERMINATIONS**
21 **CONCERNING THE MERITS OF THE ACTIONS. THE RECITATION**
22 **OF THE BACKGROUND AND CIRCUMSTANCES OF THE**
23 **SETTLEMENT CONTAINED HEREIN DOES NOT CONSTITUTE THE**
24 **FINDINGS OF THE COURT. IT IS BASED ON REPRESENTATIONS**
25 **MADE TO THE COURT BY COUNSEL FOR THE PARTIES.**

26 Notice is hereby provided to you of the proposed settlement (the “Settlement”)
27 of shareholder derivative litigation summarized in this Notice and set forth in the
28 parties’ Stipulation of Settlement (the “Stipulation”). This Notice is provided by
Order of the United States District Court for the Central District of California,
Western Division (the “Court”). It is not an expression of any opinion by the Court.
It is to notify you of the terms of the proposed Settlement, and your rights related
thereto. Except for any terms specifically defined herein, this Notice incorporates by
reference the definitions in the Stipulation, and all terms used herein shall have the
same meanings as set forth in the Stipulation.

1 **I. WHY THE COMPANY HAS ISSUED THIS NOTICE**

2 Your rights may be affected by the settlement of the action styled *In re KB*
3 *Home Shareholder Derivative Litigation*, Master File No. CV-06-05148-FMC(CTx)
4 (the “Federal Action”), and the related action pending in the Superior Court of the
5 State of California for the County of Los Angeles entitled *In re KB Home Derivative*
6 *Litigation*, Master Case No. BC355179 (the “State Action”) (collectively with the
7 Federal Action, the “Actions”). All parties to the Actions have agreed upon terms to
8 settle the Actions and have signed the Stipulation on file with the Court setting forth
9 those settlement terms.

10 On February 9, 2009, at 3:00 p.m., the Court will hold a hearing (the “Final
11 Hearing”) in the Federal Action. The purpose of the Final Hearing is to determine:
12 (i) whether the terms of the Settlement are fair, reasonable, and adequate and should
13 be approved; (ii) whether a final judgment should be entered; and (iii) such other
14 matters as may be necessary or proper under the circumstances.

15 **II. SUMMARY OF THE ACTIONS**

16 On August 16, 2006, plaintiff John Redfield filed a complaint in the United
17 States District Court for the Central District of California, Western Division, Case No.
18 CV-06-5148-FMC. On August 31, 2006, plaintiff Doris Staehr filed a complaint
19 under the caption *Staehr v. Karatz, et al.*, Case No. CV-06-5515 in the same court.
20 The two complaints were consolidated by order dated September 21, 2006, as *In re*
21 *KB Home Shareholder Derivative Litigation*, Master File No. CV-06-5148-
22 FMC(CTx). In the same order, John Redfield and Doris Staehr were appointed lead
23 plaintiffs, and co-lead counsel were appointed.

24
25
26
27
28

1 On and after July 10, 2006, two shareholder derivative actions were filed in the
2 Superior Court of the State of California for the County of Los Angeles and were
3 consolidated as *In re KB Home Derivative Litigation*, Master Case No. BC355179.¹

4 Both the Federal Action and the State Action allege claims on behalf of KB
5 Home against certain current and former KB Home officers and directors, arising
6 from or relating to the granting of stock options at the Company between 1999 and
7 2005.

8 On August 24, 2006, KB Home announced that it had been notified by the
9 United States Securities and Exchange Commission (“SEC”) of an informal
10 investigation into its historical stock option grants and procedures. On October 19,
11 2006, KB Home filed a Report on 12b-25 with the SEC stating that the Company
12 would be unable to timely file its Report on Form 10-Q for the quarter ended August
13 31, 2006, due to the ongoing internal investigation into KB Home’s stock option
14 grants. The Company also stated in the same report that the Audit and Compliance
15 Committee of the Company’s Board of Directors had reached the preliminary
16 conclusion that “the actual measurement dates for financial accounting purposes of
17 certain stock option grants likely differ from the recorded grant dates,” and “[a]s a
18 result, additional non-cash charges for stock based compensation relating to these
19 grants may need to be recorded.”

20 On November 12, 2006, the Company announced that its internal investigation
21 had concluded that during the period from 1998 to 2005, the Company used incorrect
22 measurement dates for financial reporting purposes, and that “the incremental non-
23 cash compensation expense arising from these errors is not likely to exceed an
24 aggregate of \$50 million, spread over the vesting periods of the options in question.
25 The errors also require an increased tax provision.”

26
27 ¹ On February 7, 2007, the Superior Court of California, County of Los Angeles,
28 entered an order staying the State Action pending resolution of the Federal Action.

1 On December 8, 2006, KB Home announced that its management had
2 determined that, due to incorrect measurement dates for stock option grants, certain of
3 its previously issued financial statements “should no longer be relied upon and will be
4 restated.” At the time, KB Home estimated that the total incremental non-cash
5 compensation expense arising from the stock option dating errors would be
6 approximately \$41 million, that its balance sheet would be impacted by an increase of
7 approximately \$60 million in liabilities with a corresponding decrease in shareholders’
8 equity, and that its income tax provision would increase by approximately \$15
9 million.

10 On January 9, 2007, Federal Plaintiffs filed a Verified Consolidated
11 Shareholder Derivative Complaint (“Consolidated Complaint”). On April 2 and 3,
12 2007, Defendants filed various motions to dismiss the Consolidated Complaint,
13 seeking to dismiss Federal Plaintiffs’ claims for, among other reasons, failure to state
14 a claim and failure to make a pre-suit demand on the KB Home Board of Directors.

15 On May 18, 2007, Federal Plaintiffs filed a Motion for Partial Summary
16 Judgment seeking summary adjudication for their claims against defendant Bruce
17 Karatz (“Karatz”) for filing false proxy statements in violation of Section 14(a) of the
18 Securities Exchange Act of 1934 (and Rule 14a-9 promulgated thereunder) and for
19 insider trading against defendants Karatz and Gary A. Ray (“Ray”) in violation of
20 California Corporations Code section 25402. Federal Plaintiffs also filed their
21 oppositions to Defendants’ motions to dismiss on May 22, 2007.

22 On May 25, 2007, defendant Ray filed a Motion to Deny Plaintiffs’ Motion for
23 Partial Summary Judgment or to Continue Hearing. The parties submitted several
24 stipulations and proposed orders suspending further briefing and hearings on the
25 pending motions in order to mediate the Actions.

26 On May 11, 2007, Plaintiffs made their initial settlement demand on the
27 Company. Between August 2007 and October 2008, Federal Plaintiffs, the Individual
28 Defendants and KB Home engaged in extensive arm’s-length negotiations over the

1 terms of reimbursements to the Company, option cancellations and re-pricing, and
2 corporate governance reform measures to be adopted by the Company as part of any
3 resolution of the Federal Action. On August 13 and 14, 2007, counsel for the Federal
4 and State Plaintiffs, counsel for nominal party KB Home, and counsel for the
5 Individual Defendants and Defendants' insurers held a mediation before the
6 Honorable Daniel Weinstein (Ret.) in an attempt to resolve the Federal Action. The
7 parties continued their arm's-length negotiations over a protracted period, both in
8 larger groups of all parties and smaller groups of selected parties, with further
9 mediations in Northern California and New York on August 18, 2007; November 26-
10 27, 2007; April 8, 2008; June 6, 2008; and August 13, 2008. Judge Weinstein
11 conducted all of these sessions in person, and also participated in numerous phone
12 calls, conference calls, and other communications during this 14-month process.

13 As a result of these negotiations, on or about October 15, 2008, the Settling
14 Parties reached an agreement-in-principle for the resolution of the Actions, as
15 documented herein.

16 All parties to the Actions have agreed to a resolution of the claims asserted
17 therein and any and all claims which could have been asserted therein, as set forth in
18 the Stipulation. All parties and their counsel concur that the Settlement described
19 herein is fair, reasonable, adequate, and in the best interest of KB Home and its
20 shareholders.

21 **III. TERMS OF THE PROPOSED DERIVATIVE SETTLEMENT**

22 The principal terms, conditions and other matters that are part of the Settlement,
23 which is subject to approval by the Court, are summarized below. This summary
24 should be read in conjunction with, and is qualified in its entirety by reference to, the
25 text of the Stipulation, which has been filed with the Court.

26 The terms of the Settlement set forth in the Stipulation include the following:

27 1. The Defendants in the Actions acknowledge that the commencement and
28 prosecution of the Actions related to and preceded the payments to the Company and

1 corporate governance reforms adopted and/or to be implemented by KB Home as
2 described in the Stipulation. The Defendants acknowledge that such payments and
3 corporate governance enhancements confer a substantial benefit to KB Home.

4 (a) Corporate Governance Reforms. KB Home and the Federal
5 Plaintiffs have conducted negotiations and have reached agreement regarding various
6 corporate governance issues, including certain enhancements to internal controls and
7 procedures at the Company, which include internal controls and procedures that relate
8 to certain of the allegations raised in the Actions, and which measures have been
9 reviewed and agreed upon by counsel for the State Plaintiffs. KB Home
10 acknowledges that the Actions were a material factor in the Company's decision to
11 adopt and/or maintain the corporate governance provisions set forth in the Stipulation.

12 (b) Payments to KB Home

13 (i) Terms Relating to Defendant Karatz: Counsel for Federal
14 Plaintiffs, State Plaintiffs, Karatz, and KB Home have conducted negotiations for the
15 settlement of any and all claims that Karatz may have against the Company and any
16 and all claims the Company may have against Karatz related to the claims alleged in
17 the Actions and have agreed to the following:

- 18 • Defendant Karatz has made or shall make a cash payment to KB Home in
19 the total amount of \$8,494,890.50, which shall include a credit for
20 \$6,714,819.27 already paid to KB Home by Karatz on October 7, 2008;
- 21 • Defendant Karatz agrees to forfeit 1,379,594 shares of his restricted KB
22 Home stock and 3,011,452 outstanding vested and unvested options to
23 purchase KB Home common stock;
- 24 • Defendant Karatz agrees to release the Company from any claims or
25 potential claims for vested unexpired options and any unpaid amounts from
26 the Company and for any claims or potential claims for cash severance,
27 including without limitation, the \$62 million cash payment Karatz claims is
28 called for in accordance with Section 5(c) of his Employment Agreement,

1 and any claims to any other benefits under Section 6 of his Employment
2 Agreement with KB Home (including lifetime medical benefits, dental
3 benefits, and office and administrative support). In exchange, the Company
4 agrees to release Karatz from any claims or potential claims that have been
5 or could have been alleged by KB Home or Federal or State Plaintiffs in the
6 Federal and State Actions. The Company further agrees that,
7 notwithstanding any other provision of the Stipulation, Karatz does not
8 release and the Company agrees not to compromise or seek termination of
9 (1) any and all of its indemnification obligations to Karatz under Delaware
10 law, the Company's Articles of Incorporation and Bylaws, or in agreements
11 between the Company and Karatz (or any disputes the parties may currently
12 have with respect to these issues), and (2) certain vested and/or related
13 rights held by Karatz, specifically, his deferred compensation, retirement
14 plan and Supplemental Executive Retirement Plan benefits, his Death
15 Benefit Only life insurance benefit, his unpaid, prorated incentive
16 compensation and UPP payments for 2006 (minus a \$1,000,000 deduction)
17 and 156,325 net shares of KB Home restricted stock to be released to
18 Karatz, as detailed in the Stipulation.

19 (ii) Terms Relating to Defendant Ray: Counsel for Federal
20 Plaintiffs, State Plaintiffs, Ray, and KB Home have conducted negotiations for the
21 settlement of any and all claims that Ray may have against the Company and any and
22 all claims the Company may have against Ray related to the claims alleged in the
23 Actions and have agreed to the following:

- 24 • Defendant Ray shall make a \$1,000,000 cash payment to KB Home and will
25 relinquish his entire account balance of approximately \$164,000 in the KB
26 Home Non-Qualified Deferred Compensation Plan;
- 27 • Defendant Ray agrees that, as a result of the circumstances under which he
28 separated from KB Home, he shall forfeit all 11,800 shares of his restricted

1 KB Home stock and 251,544 outstanding vested and unvested options to
2 purchase KB Home common stock;

- 3 • Defendant Ray agrees to release the Company from any claims or potential
4 claims for vested unexpired options and any unpaid amounts from the
5 Company. Defendant Ray also agrees to release the Company from any
6 claims or potential claims for: any benefits under KB Home's Retirement
7 Plan; any benefits under KB Home's Death Benefit Only Plan; and for
8 unpaid bonuses, unpaid UPP performance awards or any other
9 compensation or claims in connection with his employment at KB Home.
10 In exchange, the Company agrees to release Ray from any claims or
11 potential claims that have been or could have been alleged by KB Home or
12 Federal or State Plaintiffs in the Federal and State Actions. The Company
13 further agrees not to compromise or seek termination of any and all of its
14 indemnification obligations to Ray under Delaware law, the Company's
15 Articles of Incorporation and Bylaws, or agreements between the Company
16 and Ray. KB Home and Ray acknowledge and agree that the Federal
17 Action was a material factor in Ray's decision to forfeit restricted stock,
18 cancel options to purchase KB Home common stock, release any claims or
19 potential claims for unpaid amounts or stock options, and make a cash
20 contribution to the Company.

21 (iii) Terms Relating to Insurance Monies: In conjunction with
22 this Settlement, various insurance carriers have also agreed to pay KB Home \$21.5
23 million.

24 (iv) KB Home, Karatz and Ray acknowledge and agree that the
25 negotiations between and among the Settling Parties was the direct cause of Karatz's
26 and Ray's decision to forfeit the restricted stock and options identified above, to
27 release any claims identified above; and Karatz's, Ray's and the D&O carriers'
28 decisions to make the cash contributions to the Company identified above.

1 2. The Stipulation also provides for the entry of judgment dismissing the
2 Federal Action against KB Home and the Individual Defendants with prejudice and,
3 as explained in more detail in the Stipulation, barring and releasing certain known or
4 unknown claims that have been, or could have been, brought in any court by the
5 Plaintiffs in the Actions or by KB Home, or any of its shareholders, against KB Home
6 and the Individual Defendants relating to any of the claims or matters that were or
7 could have been alleged or asserted in any of the pleadings or papers filed in the
8 Actions. The Stipulation further provides that the entry of judgment will bar and
9 release any known or unknown claims that have been or could have been brought by
10 the Defendants against Plaintiffs or Plaintiffs' Counsel arising out of, relating to, or in
11 connection with, the institution, prosecution, assertion, settlement, or resolution of the
12 Actions. In addition, after the Effective Date (as defined in the Stipulation), the State
13 Action will be dismissed with prejudice.

14 **IV. PLAINTIFFS' COUNSEL'S ATTORNEYS' FEES AND**
15 **EXPENSES**

16 After negotiating the payments to the Company and the Corporate Governance
17 Reforms, counsel for Plaintiffs and KB Home, with the actual assistance and
18 participation of Judge Weinstein, negotiated the attorneys' fees to be paid to counsel
19 for Plaintiffs in light of the substantial benefits conferred upon the Company. KB
20 Home has agreed to pay \$10,500,000 to counsel for Plaintiffs in the Actions for their
21 fees and expenses, subject to Court approval ("Fee Award"). The Fee Award includes
22 fees and expenses incurred by Plaintiffs' Counsel in connection with the prosecution
23 and settlement of the Actions. To date, Plaintiffs' Counsel have not received any
24 payments in connection with the Actions. The Fee Award will compensate Plaintiffs'
25 Counsel for the results achieved in the Actions.
26
27
28

1 **V. REASONS FOR THE SETTLEMENT**

2 Counsel for the Settling Parties believe that the Settlement is in the best
3 interests of the Settling Parties, including KB Home, and Current KB Home
4 Shareholders.

5 **A. Why Did Plaintiffs Agree to Settle?**

6 Plaintiffs' Counsel conducted an extensive investigation relating to the claims
7 and the underlying events and transactions alleged in the Actions. Plaintiffs' Counsel
8 analyzed the evidence adduced during their investigation, and researched the
9 applicable law with respect to the claims of Plaintiffs, Current KB Home
10 Shareholders, and KB Home against the Defendants and the potential defenses
11 thereto.

12 Based upon their investigation as set forth above, Plaintiffs and their counsel
13 have concluded that the terms and conditions of the Stipulation are fair, reasonable,
14 and adequate to Plaintiffs, Current KB Home Shareholders, and KB Home, and in
15 their best interests, and have agreed to settle the claims raised in the Actions pursuant
16 to the terms and provisions of the Stipulation after considering, among other things:
17 (a) the substantial benefits that Current KB Home Shareholders and KB Home have
18 received or will receive from the Settlement, (b) the attendant risks of continued
19 litigation of the Actions, (c) actions taken by the Company and its Board of Directors
20 in response to alleged options dating issues at KB Home, and (d) the desirability of
21 permitting the Settlement to be consummated.

22 In particular, Plaintiffs and their counsel considered the significant litigation
23 risk inherent in these shareholder derivative actions. The law imposes significant
24 burdens on plaintiffs for pleading and proving a shareholder derivative claim. While
25 Plaintiffs believe their claims are meritorious, Plaintiffs acknowledge that there is a
26 substantial risk that the Actions may not succeed in producing a recovery in light of
27 the applicable legal standards and possible defenses. Plaintiffs and their counsel
28

1 believe that, under the circumstances, they have obtained the best possible relief for
2 KB Home and Current KB Home Shareholders.

3 **B. Why Did the Defendants Agree to Settle?**

4 The Defendants have strenuously denied, and continue strenuously to deny,
5 each and every allegation of liability made against them or that could have been made
6 against them in the Actions, and assert that they have meritorious defenses to those
7 claims and that judgment should be entered dismissing all claims against them with
8 prejudice. The Defendants have thus entered into the Stipulation solely to avoid the
9 continuing additional expense, inconvenience, and distraction of this burdensome
10 litigation and to avoid the risks inherent in any lawsuit, and without admitting any
11 wrongdoing or liability whatsoever.

12 **VI. FINAL HEARING**

13 On February 9, 2009, at 3:00 p.m., the Court will hold a final hearing at the
14 United States District Court for the Central District of California, Western Division,
15 Courtroom 750, 255 East Temple Street, Los Angeles, CA 90012 (“Final Hearing”).
16 At the Final Hearing, the Court will consider whether the terms of the Settlement are
17 fair, reasonable, and adequate and thus should be finally approved and whether the
18 Federal Action should be dismissed with prejudice, and the Judgment described in the
19 Stipulation entered thereon, pursuant to the Stipulation.

20 **VII. RIGHT TO ATTEND FINAL HEARING**

21 Any Current KB Home Shareholder may, but is not required to, appear in
22 person at the Final Hearing. If you want to be heard at the Final Hearing, then you
23 must first comply with the procedures for objecting, which are set forth below. The
24 Court has the right to change the hearing date or time without further notice. Thus, if
25 you are planning to attend the Final Hearing, you should confirm the date and time
26 before going to the Court. ***CURRENT KB HOME SHAREHOLDERS WHO HAVE***
27 ***NO OBJECTION TO THE SETTLEMENT DO NOT NEED TO APPEAR AT THE***
28 ***FINAL HEARING OR TAKE ANY OTHER ACTION.***

1 **VIII. RIGHT TO OBJECT TO THE SETTLEMENT AND**
2 **PROCEDURES FOR DOING SO**

3 You have the right to object to any aspect of the Settlement. You must object in
4 writing, and you may request to be heard at the Final Hearing. If you choose to
5 object, then you must follow these procedures.

6 **A. You Must Make Detailed Objections in Writing**

7 Any objections must be presented in writing and must contain the following
8 information:

- 9 1. Your name, legal address, and telephone number;
- 10 2. Proof of being a Current KB Home Shareholder as of the Record Date;
- 11 3. The date(s) you acquired your KB Home shares;
- 12 4. A statement of your position with respect to the matters to be heard at the
13 Final Hearing, including a statement of each objection being made;
- 14 5. The grounds for each objection or the reasons for your desiring to appear
15 and to be heard;
- 16 6. Notice of whether you intend to appear at the Final Hearing (this is not
17 required if you have lodged your objection with the Court); and
- 18 7. Copies of any papers you intend to submit to the Court, along with the
19 names of any witness(es) you intend to call to testify at the Final Hearing and the
20 subject(s) of their testimony.
- 21 8. The Court may not consider any objection that does not substantially
22 comply with these requirements.

23 **B. You Must Timely Deliver Written Objections to the Court,
24 Plaintiffs' Counsel, and Defendants' Counsel**

25 YOUR WRITTEN OBJECTIONS MUST BE ON FILE WITH THE CLERK
26 OF THE COURT NO LATER THAN JANUARY 26, 2009. The Court Clerk's
27 address is:
28

1 Clerk of the Court
2 UNITED STATES DISTRICT COURT
3 CENTRAL DISTRICT OF CALIFORNIA
4 WESTERN DIVISION
5 Edward R. Roybal Federal Building and Courthouse
6 255 East Temple Street
7 Los Angeles, CA 90012

8 YOU ALSO MUST DELIVER COPIES OF THE MATERIALS TO
9 PLAINTIFFS' COUNSEL AND COUNSEL FOR DEFENDANTS SO THEY ARE
10 RECEIVED NO LATER THAN JANUARY 26, 2009. Counsel's addresses are:

11 ***Co-Lead Counsel for Federal Plaintiffs***

12 Ellen Gusikoff Stewart
13 COUGHLIN STOIA GELLER
14 RUDMAN & ROBBINS LLP
15 655 West Broadway, Suite 1900
16 San Diego, CA 92101

17 ***Co-Lead Counsel for State Plaintiffs***

18 Daniel L. Germain
19 ROSMAN & GERMAIN LLP
20 16311 Ventura Boulevard, Suite 1200
21 Encino, CA 91436

22 ***Counsel for Nominal Party KB Home***

23 Bruce A. Abbott
24 MUNGER, TOLLES & OLSON LLP
25 355 South Grand Avenue, 35th Floor
26 Los Angeles, CA 90071

27 ***Counsel for Defendant Bruce Karatz***

28 Christopher G. Caldwell
CALDWELL, LESLIE & PROCTOR, PC
1000 Wilshire Boulevard, Suite 600
Los Angeles, CA 90017

1 ***Counsel for Defendant Gary Ray***

2 Mark E. Beck
3 ORRICK, HERRINGTON & SUTCLIFFE
4 777 S. Figueroa Street, Suite 3200
5 Los Angeles, CA 90017

6 ***Counsel for Defendants James A. Johnson, Ray R. Irani, Luis G.
7 Nogales, Ron Burkle, Kenneth M. Jastrow II, J. Terrence Lanni,
8 Michael G. McCaffery, Melissa Lora, Leslie Moonves, Timothy W.
9 Finchem, Jeffrey T. Mezger, Robert Freed, Jay L. Moss, Michael F.
10 Henn, Albert Z. Praw, Glen Barnard, John E. Goodwin, Domenico
11 Cecere, Cory F. Cohen, William R. Hollinger, Leah S.W. Bryant,
12 Steven M. Davis, Lawrence E. Oglesby, Barry A. Munitz, Sanford C.
13 Sigoloff, Henry G. Cisneros, Charles R. Rinehart, Steve Bartlett,
14 Guy Nafilyan and Lisa G. Kalmbach***

15 Michael Farhang
16 GIBSON, DUNN & CRUTCHER LLP
17 333 South Grand Avenue
18 Los Angeles, CA 90071

19 ***Counsel for Defendant Richard B. Hirst***

20 Bert Deixler
21 PROSKAUER ROSE LLP
22 2049 Century Park East, Suite 3200
23 Los Angeles, CA 90067

24 Unless the Court orders otherwise, your objection will not be considered unless it is
25 timely filed with the Court and delivered to Plaintiffs' Counsel and counsel for
26 Defendants.

27 Any Person or entity who fails to object or otherwise request to be heard in the
28 manner prescribed above will be deemed to have waived the right to object to any
aspect of the Settlement or otherwise request to be heard (including the right to
appeal) and will be forever barred from raising such objection or request to be heard
in this or any other action or proceeding.

1 **IX. HOW TO OBTAIN ADDITIONAL INFORMATION**

2 This Notice summarizes the Stipulation. It is not a complete statement of the
3 events of the Actions or the Stipulation.

4 You may inspect the Stipulation and other papers in the Federal Action at the
5 United States District Clerk's office at any time during regular business hours of each
6 business day. The Clerk's office is located at the United States District Court for the
7 Central District of California, Western Division, 312 North Spring Street, Los
8 Angeles, California. However, you must appear in person to inspect these documents.
9 The Clerk's office will not mail copies to you.

10 PLEASE DO NOT CALL, WRITE, OR OTHERWISE DIRECT QUESTIONS
11 TO EITHER THE COURT OR THE CLERK'S OFFICE. Any questions you have
12 about matters in this Notice should be directed by telephone to 619/231-1058 or in
13 writing to Rick Nelson, c/o Shareholder Relations, Coughlin Stoia Geller Rudman &
14 Robbins LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101.

15 DATED December 24, 2008

BY ORDER OF THE COURT
UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF
CALIFORNIA
WESTERN DIVISION

16
17
18
19
20
21
22
23
24
25
26
27
28