

**KB HOME**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES**  
(In Thousands, Except Percentages)

Ratio of Net Debt to Total Capital

The following table reconciles the Company's ratio of debt to total capital calculated in accordance with generally accepted accounting principles (GAAP) to the non-GAAP financial measure of the Company's ratio of net debt to total capital:

	November 30, 2010	November 30, 2009
Mortgages and notes payable	\$ 1,775,529	\$ 1,820,370
Stockholders' equity	631,878	707,224
	<u>\$ 2,407,407</u>	<u>\$ 2,527,594</u>
Total capital		
Ratio of debt to total capital	<u>73.8%</u>	<u>72.0%</u>
Mortgages and notes payable	\$ 1,775,529	\$ 1,820,370
Less: Cash and cash equivalents and restricted cash	(1,019,878)	(1,289,007)
Net debt	<u>755,651</u>	<u>531,363</u>
Stockholders' equity	631,878	707,224
	<u>\$ 1,387,529</u>	<u>\$ 1,238,587</u>
Total capital		
Ratio of net debt to total capital	<u>54.5%</u>	<u>42.9%</u>

The ratio of net debt to total capital is a non-GAAP financial measure, which the Company calculates by dividing mortgages and notes payable, net of homebuilding cash and cash equivalents and restricted cash, by total capital (mortgages and notes payable, net of homebuilding cash and cash equivalents and restricted cash, plus stockholders' equity). The most directly comparable GAAP measure is the ratio of debt to total capital. The Company believes the ratio of net debt to total capital is a relevant and useful financial measure to investors in understanding the leverage employed in its operations and as an indicator of the Company's ability to obtain external financing.