

KB HOME COASTAL INC

Form 424B2

January 24, 2013

**Table of Contents****CALCULATION OF REGISTRATION FEE**

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered</b>	<b>Proposed Maximum Offering Price per Security</b>	<b>Proposed Maximum Aggregate Offering Price</b>	<b>Amount of Registration Fee</b>
1.375% Convertible Senior Notes due 2019	\$230,000,000(1)	100%	\$230,000,000(1)	\$31,372.00(2)
Guarantees of 1.375% Convertible Senior Notes due 2019	(3)	(3)	(3)	(3)
Common Stock, par value \$1.00 per share, including related preferred stock purchase rights(4)	(5)	(5)	(5)	(5)

- (1) Equals the aggregate principal amount of 1.375% Convertible Senior Notes due 2019 to be registered hereunder and includes \$30.0 million in aggregate principal amount of 1.375% Convertible Senior Notes due 2019 that may be offered and sold pursuant to the exercise in full of the underwriters' over-allotment option to purchase additional 1.375% Convertible Senior Notes due 2019.
- (2) Calculated in accordance with Rule 457(o) and Rule 457(r) under the Securities Act of 1933, as amended (the Securities Act).
- (3) Pursuant to Rule 457(n) under the Securities Act, no separate registration fee is payable with respect to these guarantees.
- (4) Each share of Common Stock is associated with a preferred stock purchase right under the Rights Agreement, dated January 22, 2009, between the company and Computershare Shareowner Services LLC (as successor to Mellon Investor Services LLC), as rights agent. Such rights are not exercisable and do not trade separately from the Common Stock until the occurrence of certain events specified in the Rights Agreement. The value attributable to these rights, if any, is reflected in the value of the Common Stock, and, accordingly, no separate fee is paid.
- (5) There are also being registered hereby an indeterminate number of shares of Common Stock as may be issued from time to time upon conversion of the 1.375% Convertible Senior Notes due 2019, including pursuant to Rule 416 under the Securities Act. Pursuant to Rule 457(i) under the Securities Act, no separate registration fee is required for the shares of Common Stock underlying the 1.375% Convertible Senior Notes due 2019 because no additional consideration is to be received in connection with the exercise of the conversion privilege.

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**As filed pursuant to rule 424(b)(2)  
Under the Securities Act of 1933  
Registration No. 333-176930**

**PROSPECTUS SUPPLEMENT**

**(To Prospectus dated September 20, 2011)**

**\$200,000,000**

**1.375% Convertible Senior Notes due 2019**

We are offering \$200.0 million in aggregate principal amount of our 1.375% Convertible Senior Notes due 2019. We have granted the underwriters named below the right to purchase, exercisable during the 30-day period beginning on the date of this prospectus supplement, up to an additional \$30.0 million in aggregate principal amount of notes to cover over-allotments.

The notes will bear interest at a rate of 1.375% per year, payable semiannually in arrears on February 1 and August 1 of each year, beginning on August 1, 2013. We will also pay interest on November 1, 2018.

Holders may surrender their notes for conversion at any time prior to the close of business on the business day immediately preceding the stated maturity date.

Upon conversion, we will deliver a number of shares of our common stock, per \$1,000 principal amount of notes, equal to the conversion rate, as described in this prospectus supplement.

The initial conversion rate will be 36.5297 shares of our common stock for each \$1,000 principal amount of notes, which represents an initial conversion price of approximately \$27.37 per share. If certain corporate transactions occur on or prior to the stated maturity date, we will increase the conversion rate for a holder that elects to convert its notes in connection with such a corporate transaction.

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If a fundamental change, as defined herein, occurs prior to the stated maturity date, holders may require us to purchase for cash all or any portion of their notes at a fundamental change purchase price equal to 100% of the principal amount of the notes to be purchased, *plus* accrued and unpaid interest to, but excluding, the fundamental change purchase date.

We may not redeem the notes prior to November 6, 2018. On or after November 6, 2018, and prior to the stated maturity date, we may at our option redeem all or part of the notes for cash at a price equal to 100% of the principal amount of the notes being redeemed, *plus* accrued and unpaid interest to, but not including, the redemption date. No sinking fund is provided for the notes.

The notes will be unconditionally guaranteed, jointly and severally, by certain of our operating subsidiaries on a senior unsecured basis. The notes will be our senior unsecured obligations and will rank equally with all of our other senior unsecured indebtedness.

Concurrently with this offering, under a separate prospectus supplement, we are offering 5,500,000 shares of our common stock (or 6,325,000 shares if the underwriters in that offering exercise their option to purchase additional shares in full). The closing of this offering of notes is not conditioned upon the closing of the concurrent offering of our common stock, and the closing of the concurrent offering of our common stock is not conditioned upon the closing of this offering.

We do not intend to apply to list the notes on any securities exchange or for inclusion of the notes on any automated dealer quotation system. Our common stock is listed on the New York Stock Exchange under the symbol KBH. On January 23, 2013, the closing sale price of our common stock was \$18.63 per share.

**Investing in the notes involves risks. See Risk Factors beginning on page S-8 of this prospectus supplement.**

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

	Per Note	Total
Public Offering Price	100.00%	\$ 200,000,000
Underwriting Discount	2.75%	\$ 5,500,000
Proceeds to KB Home (before estimated expenses)	97.25%	\$ 194,500,000

The public offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from January 29, 2013. The underwriters expect that the notes will be delivered on or about January 29, 2013.

*Joint Book Running Managers*

**Citigroup**  
**BofA Merrill Lynch**

**Credit Suisse**  
**Deutsche Bank Securities**

The date of this prospectus supplement is January 23, 2013.

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You should rely only on the information contained in or incorporated or deemed incorporated by reference in this prospectus supplement and the accompanying prospectus. Neither we nor any of the underwriters have authorized anyone to provide you with any information other than the information contained in or incorporated or deemed incorporated by reference in this prospectus supplement and the accompanying prospectus. We are not making any offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained in or incorporated or deemed incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate only as of the date on the front of this prospectus supplement, the date on the front of the accompanying prospectus or the date of the applicable incorporated document, as the case may be. Our business, financial condition, results of operations and prospects may have changed since those dates.

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

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

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

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

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**PROSPECTUS SUPPLEMENT SUMMARY**

*The following is a brief summary of the more detailed information appearing elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated or deemed incorporated by reference herein or therein. It does not contain all of the information that may be important to you. You should read carefully this prospectus supplement, the accompanying prospectus and the documents incorporated or deemed incorporated by reference herein or therein, including the Risk Factors and the financial statements and the related notes included elsewhere or incorporated by reference herein or therein, before making a decision with respect to an investment in the notes. Unless the context otherwise requires, all information in this prospectus supplement assumes no exercise of the underwriters' over-allotment option.*

**KB HOME**

We are one of the largest and most recognized homebuilding companies in the United States, with operating divisions in the following regions and states: West Coast California; Southwest Arizona, Nevada and New Mexico; Central Colorado and Texas; and Southeast Florida, Maryland, North Carolina and Virginia. Founded in 1957, we are listed on the New York Stock Exchange under the ticker symbol KBH. We are incorporated in Delaware. Our principal executive offices are located at 10990 Wilshire Boulevard, Los Angeles, California 90024. Our telephone number is (310) 231-4000.

**RECENT DEVELOPMENTS**

**Preliminary Quarter-to-Date Net Orders**

On January 22, 2013, we reported preliminary quarter-to-date net orders for our first fiscal quarter of 2013. Net orders for new homes were 750 quarter-to-date through January 18, 2013, representing an increase of 54%, compared to net orders of 488 through January 20, 2012 in the first quarter of last year. As we announced, while the improved quarter-to-date net orders compare favorably to the weak net order performance in the prior year period, the relative improvement is expected to moderate as the fiscal first quarter 2013 continues. In addition, these preliminary net order results are unaudited, should not be considered indicative of results for the full quarter, and may be adjusted in our full quarter reported financial statements. Actual results may differ materially due to a number of factors, including those referred to in Forward-Looking Statements in this prospectus supplement and Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended November 30, 2012, which is incorporated or deemed incorporated by reference in this prospectus supplement and the accompanying prospectus.

**Concurrent Common Stock Offering**

Concurrently with this offering of notes, under a separate prospectus supplement, we are offering 5,500,000 shares of our common stock (6,325,000 shares if the underwriters in that offering exercise their option to purchase additional shares in full) in an underwritten public offering, which we refer to herein as the common stock offering. Unless the context requires, all information in this prospectus supplement assumes that the underwriters do not exercise their option to purchase such additional shares. The closing of this offering of notes is not conditioned upon the closing of the concurrent common stock offering, and the closing of the concurrent common stock offering is not conditioned upon the closing of this offering. The foregoing description and other information regarding the common stock offering is included herein solely for informational purposes. Nothing in this prospectus supplement should be construed as an offer to sell, or a solicitation of an



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offer to buy, any shares of common stock in the common stock offering, and no part of the common stock offering is incorporated by reference in this prospectus supplement.

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**Potential Revolving Credit Facility**

We have engaged Citigroup Global Markets Inc. ( CGMI ) to assemble a syndicate of financial institutions to provide a new \$200 million unsecured revolving credit facility. CGMI has informed us that it has received commitments from several financial institutions with respect to this credit facility (all of which are affiliates of the underwriters in this offering), subject to execution of satisfactory documentation. The definitive terms of, and the obligations of KB Home, CGMI and/or any members of the syndicate of financial institutions to enter into, such a revolving credit facility or any similar credit facility are subject to additional discussions and negotiations among the parties, and there is no assurance that a new revolving credit facility or similar facility for KB Home will be consummated.

**Nationstar Mortgage Joint Venture**

On January 22, 2013, we announced that we have entered into an agreement with Nationstar Mortgage LLC, our current preferred mortgage lender and the principal operating subsidiary of Nationstar Mortgage Holdings Inc., to form Home Community Mortgage, LLC, a limited liability company that will offer an array of mortgage banking services to KB Home customers. Nationstar will continue to operate as our preferred mortgage lender until Home Community Mortgage is fully deployed, which is expected in the latter part of this year.

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*The summary below contains basic information about this offering and the notes and related guarantees. It may not contain all of the information that is important to you. You should read this entire prospectus supplement and accompanying prospectus carefully, including Description of the Notes in this prospectus supplement and Description of Debt Securities in the accompanying prospectus, before making an investment in the notes. In this section, KB Home, we, our, and us mean KB Home excluding our subsidiaries, unless otherwise stated or the context requires.*

<b>Issuer</b>	KB Home, a Delaware corporation.
<b>Securities Offered(1)</b>	\$200,000,000 in aggregate principal amount of 1.375% Convertible Senior Notes due 2019 (plus up to an additional \$30,000,000 in aggregate principal amount to cover over-allotments).
<b>Maturity</b>	February 1, 2019, unless earlier purchased, redeemed or converted.
<b>Interest</b>	1.375% per year, payable semiannually in arrears on February 1 and August 1 of each year, beginning on August 1, 2013. We will also pay interest on November 1, 2018. We will pay additional interest, if any, at our election as the sole remedy relating to the failure to comply with our reporting obligations as described under Description of the Notes Events of Default in this prospectus supplement.
<b>Guarantees</b>	<p>All of our payment and delivery obligations on the notes will be unconditionally guaranteed, jointly and severally, on a senior unsecured basis by certain of our operating subsidiaries, which we refer to herein as the guarantors. Each of these guarantors also guarantees, on a senior unsecured basis, our outstanding 5<sup>3</sup>/<sub>4</sub>% Senior Notes due 2014, 5<sup>7</sup>/<sub>8</sub>% Senior Notes due 2015, 6<sup>1</sup>/<sub>4</sub>% Senior Notes due 2015, 9.100% Senior Notes due 2017, 7<sup>1</sup>/<sub>4</sub>% Senior Notes due 2018, 8.00% Senior Notes due 2020 and 7.5% Senior Notes due 2022 (collectively, our existing senior notes).</p> <p>Each guarantor's guarantee of the notes offered hereby will rank equally with all other unsecured and unsubordinated indebtedness and guarantees of that guarantor, including its guarantees of our borrowings and other obligations under our existing senior notes. Your right to payment under the guarantees of the notes offered hereby will be effectively subordinated to all existing and future secured indebtedness of the guarantors of the notes to the extent of the value of the assets securing such indebtedness. See Description of Debt Securities Guarantees and Description of Debt Securities Ranking Ranking of Senior Debt Securities and Guarantees in the accompanying prospectus.</p> <p>Under certain circumstances, any or all of the guarantors may be released from their guarantees of the notes, and other subsidiaries of ours may, or may be required to, guarantee the notes.</p>
<b>Ranking</b>	The notes offered hereby will be our unsecured and unsubordinated obligations and will rank equally with all of our other senior



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unsecured indebtedness including, without limitation, our existing senior notes. Your right to payment under the notes offered hereby will be:

structurally subordinated to all existing and future indebtedness, trade payables, guarantees and other liabilities of the subsidiaries of ours that are not guarantors of the notes, which we refer to herein as non-guarantor subsidiaries. Non-guarantor subsidiaries had approximately \$188.0 million of liabilities outstanding, excluding intercompany liabilities, as of November 30, 2012; and

effectively subordinated to all our existing and future secured indebtedness, and the guarantees will be effectively subordinated to all the existing and future secured indebtedness of the guarantors of the notes, in each case to the extent of the value of the assets securing such indebtedness. Such indebtedness, currently comprised principally of indebtedness secured by purchase money mortgages on real property, was approximately \$44.5 million at November 30, 2012.

**Optional Redemption**

We may not redeem the notes prior to November 6, 2018. On or after November 6, 2018, and prior to the stated maturity date, we may at our option redeem all or part of the notes for cash at a price equal to 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest to, but not including, the redemption date, on at least 30 and not more than 60 days notice. No sinking fund is provided for the notes.

**Conversion**

Holders may surrender their notes for conversion at any time prior to the close of business on the business day immediately preceding the stated maturity date.

However, no beneficial owner of notes will be entitled to receive shares of our common stock upon conversion of the notes and any delivery of shares of our common stock upon conversion of the notes will be void and of no effect (i) if the beneficial owner of such notes or certain persons with which such beneficial owner is affiliated or associated is an Acquiring Person (as defined in our stockholder rights plan), or (ii) to the extent (but only to the extent) that such receipt or delivery would cause the beneficial owner of such notes or such persons to become an Acquiring Person. See Description of the Notes Conversion of Notes Conversion Restrictions in this prospectus supplement.

The initial conversion rate for the notes will be 36.5297 shares of our common stock for each \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$27.37 per share of our common stock). On conversion, holders of the notes will not be entitled to receive cash in lieu of shares of our common stock, except for cash in lieu of fractional shares.

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Subject to the restrictions described above, upon conversion, we will deliver a number of shares of our common stock, per \$1,000 principal amount of notes, equal to the conversion rate (together with a cash payment in lieu of any fractional share). Settlement will occur on the third business day following the relevant conversion date. See Description of the Notes Conversion of Notes Settlement upon Conversion and Description of the Notes Conversion of Notes Conversion Restrictions in this prospectus supplement.

Holders will not receive any additional cash payment or additional shares of our common stock representing accrued and unpaid interest, if any, upon conversion of a note, except in limited circumstances. Instead, interest will be deemed to be paid by the consideration delivered to you upon conversion of a note.

The conversion rate for the notes is subject to adjustment as described under Description of the Notes Conversion of Notes Conversion Rate Adjustments and Description of the Notes Adjustment to Conversion Rate upon Conversion upon a Make-Whole Adjustment Event. An adjustment to the conversion rate will result in a corresponding (but inverse) adjustment to the conversion price.

**Common Stock Ownership Limitations**

At November 30, 2012, we had deferred tax assets, net of deferred tax liabilities, totaling \$880.1 million against which we have provided a full valuation allowance. The benefit of these deferred tax assets, among other things, would be reduced or eliminated if we experience an ownership change, as determined under Internal Revenue Code Section 382. In 2009, we amended our restated certificate of incorporation and adopted our stockholder rights plan in order to block or deter transfers of our common stock that could result in an ownership change. Although these measures do not guarantee complete protection against an ownership change, the combined effect of our certificate of incorporation and stockholder rights plan may be to limit your ability to, directly or indirectly, make acquisitions or dispositions of our common stock. See Risk Factors Risk Factors Relating to the Notes and Our Common Stock Our certificate of incorporation and stockholder rights plan may limit the extent to which you can, directly or indirectly, acquire or dispose of our common stock, and our net operating loss carryforwards could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code in this prospectus supplement.

**Increase to Conversion Rate Following a Make-Whole Adjustment Event**

If certain corporate events as described in this prospectus supplement under Description of the Notes Adjustment to Conversion Rate upon Conversion upon a Make-Whole Adjustment Event occur at any time prior to the stated maturity date, each of which we refer to herein as a make-whole adjustment event, the conversion rate for any notes converted following such make-whole adjustment event

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will, in certain circumstances and for a limited period of time, be increased by a number of additional shares of our common stock. A description of how the number of additional shares will be determined and a table showing the number of additional shares of our common stock, if any, by which the conversion rate will be increased following a make-whole adjustment event is set forth under **Description of the Notes** **Adjustment to Conversion Rate upon Conversion upon a Make-Whole Adjustment Event** in this prospectus supplement.

**Purchase of Notes at Your Option upon a Fundamental Change**

Holders may require us to purchase for cash all or any portion of their notes upon the occurrence of a fundamental change at the fundamental change purchase price equal to 100% of the principal amount of the notes being purchased, plus accrued and unpaid interest to, but excluding, the fundamental change purchase date. For the definition of **fundamental change** and related information, see **Description of the Notes** **Purchase of Notes at Your Option upon a Fundamental Change** in this prospectus supplement.

**Concurrent Common Stock Offering**

Concurrently with this offering of notes, under a separate prospectus supplement, we are offering 5,500,000 shares of our common stock (6,325,000 shares if the underwriters option to purchase additional shares is exercised in full) in an underwritten public offering. The closing of this offering of notes is not conditioned upon the closing of the concurrent common stock offering, and the closing of the concurrent common stock offering is not conditioned upon the closing of this offering. See **Prospectus Supplement Summary** **Recent Developments** **Concurrent Common Stock Offering** in this prospectus supplement.

**Use of Proceeds**

We estimate that the net proceeds from this offering, after deducting the underwriting discount and estimated offering expenses payable by us, will be approximately \$194.1 million (or approximately \$223.3 million if the underwriters over-allotment option is exercised in full). We estimate that the net proceeds from the concurrent common stock offering, after deducting the underwriting discount and estimated offering expenses payable by us, will be approximately \$95.2 million (or approximately \$109.6 million if the underwriters option to purchase additional shares is exercised in full). The closing of this offering of notes is not conditioned upon the closing of the concurrent common stock offering, and the closing of the concurrent common stock offering is not conditioned upon the closing of this offering.

We intend to use the net proceeds from this offering together with the net proceeds of the concurrent common stock offering, if consummated, for general corporate purposes, including without limitation land acquisition and development. See **Use of Proceeds** in this prospectus supplement.

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<b>Trading</b>	We do not intend to apply to list the notes on any securities exchange or for inclusion of the notes on any automated dealer quotation system. Our common stock is listed on the New York Stock Exchange under the ticker symbol KBH.
<b>Risk Factors</b>	You should carefully review the information in this prospectus supplement under the caption Risk Factors, as well as the other information in this prospectus supplement, the accompanying prospectus and the documents incorporated or deemed incorporated by reference herein or therein, in evaluating an investment in the notes.
<b>Certain U.S. Federal Income Tax Considerations</b>	You should consult your tax advisor with respect to the United States federal income tax consequences of owning the notes and the common stock into which the notes may be converted in light of your own particular situation and with respect to any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction. See Certain U.S. Federal Income Tax Considerations in this prospectus supplement.
<b>Trustee, Paying Agent and Conversion Agent</b>	U.S. Bank National Association.
<b>Global Securities; Book-Entry Form</b>	The notes will be issued in book-entry form and will be represented by global certificates deposited with, or on behalf of, The Depository Trust Company ( DTC ) and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.

(1) Unless otherwise stated, all information in this prospectus supplement assumes no exercise of the underwriters' over-allotment option.



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**RISK FACTORS**

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

***Risk Factors Relating to KB Home***

For a discussion of risks and uncertainties relating to KB Home and our business, see Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended November 30, 2012, which is incorporated by reference in this prospectus supplement and the accompanying prospectus.

***Risk Factors Relating to the Notes and Our Common Stock***

**We will continue to have the ability to incur debt after this offering. If we incur substantial additional debt, these higher levels of debt may affect our ability to pay the principal of and interest on the notes.**

We and our subsidiaries may be able to incur substantial additional debt in the future, some of which may be secured debt. If we incur substantial additional indebtedness in the future, these higher levels of indebtedness may affect our ability to pay the principal of and interest on the notes, or any fundamental change purchase price, and our creditworthiness generally.

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

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

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

The notes will initially be guaranteed by certain of our subsidiaries. However, a substantial portion of our revenue and income is generated by, and a substantial portion of our assets is held by, the non-guarantor

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subsidiaries. For example, the non-guarantor subsidiaries generated approximately 37% of our consolidated revenues during the fiscal year ended November 30, 2012, and the non-guarantor subsidiaries held approximately 28% of our consolidated assets at November 30, 2012. For further information, you should review note 21 to our consolidated financial statements appearing in our Annual Report on Form 10-K for the fiscal year ended November 30, 2012, which is incorporated or deemed incorporated by reference in this prospectus supplement and the accompanying prospectus and includes condensed consolidating financial statements that separately present the results of operations and financial condition of the guarantor and non-guarantor subsidiaries.

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

Because of our holding company structure, the notes offered hereby will be structurally subordinated to all existing and future liabilities of the non-guarantor subsidiaries. These liabilities may include, among others, indebtedness, trade payables, guarantees, lease obligations and letter of credit obligations. Therefore, our rights and the rights of our creditors, including the holders of the notes, to participate in the assets of any non-guarantor subsidiary upon that subsidiary's liquidation or reorganization will be subject to the prior claims of that subsidiary's creditors and of the holders of any indebtedness or other obligations guaranteed by that subsidiary, except to the extent that we may ourselves be a creditor with recognized claims against that subsidiary. However, even if we are allowed claims as a creditor of a non-guarantor subsidiary, our claims would still be effectively subordinated to any security interests in, or mortgages or other liens on, the assets of that subsidiary and would be subordinate to any indebtedness of that subsidiary senior to that held by us. As of November 30, 2012, the non-guarantor subsidiaries had approximately \$188.0 million of liabilities outstanding, excluding intercompany liabilities, to which the notes offered hereby would be structurally subordinated.

The notes offered hereby will also be effectively subordinated to our existing and future secured indebtedness and the guarantees will be effectively subordinated to the existing and future secured indebtedness of the guarantors of the notes. The aggregate principal amount of such existing indebtedness, currently comprised principally of indebtedness secured by purchase money mortgages on real property, was approximately \$44.5 million at November 30, 2012.

Each guarantor of the notes offered hereby also guarantees, on a senior unsecured basis, our existing senior notes. Each guarantor's guarantee of the notes offered hereby will rank equally with all other unsecured and unsubordinated indebtedness and guarantees of that guarantor, including its guarantees of our borrowings and other obligations under our existing senior notes. At November 30, 2012, we had \$1.67 billion outstanding of existing senior notes. Your right to payment under the guarantees of the notes offered hereby will be effectively subordinated to the secured indebtedness of the guarantors of the notes to the extent of the value of the assets securing such indebtedness, as described above.

The indenture that will govern the notes offered hereby does not contain any limitation on the amount of unsecured liabilities, including indebtedness and guarantees, that we and our subsidiaries may incur in the future.

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

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The notes offered hereby will initially be guaranteed by the guarantors and, under certain circumstances, other subsidiaries of ours may, or may be required to, guarantee the notes. Any of these guarantees may be

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

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

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

- (i) was insolvent or rendered insolvent by reason of issuing the guarantee; or
- (ii) was engaged, or about to engage, in a business or transaction for which its remaining assets constituted unreasonably small capital to carry on its business; or
- (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay as they mature,

then the court could void the obligations under such guarantee, subordinate the guarantee to that of the guarantor's other debt or take other action detrimental to you and the guarantees of the notes offered hereby, including directing the return of any payments received from the guarantor.

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

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

it could not pay its debts as they become due.

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

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

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

In addition, enforcement of any of these guarantees against any guarantor will be subject to certain defenses available to guarantors generally. These laws and defenses include those that relate to fraudulent conveyance or

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transfer (as described in the preceding risk factor), voidable preference, corporate purpose or benefit, preservation of share capital, thin capitalization and regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a guarantor may have no liability or decreased liability under its guarantee.

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

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

### **Recent regulatory actions may adversely affect the trading price and liquidity of the notes.**

We expect that many investors in, and potential purchasers of, the notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the notes. Investors that employ a convertible arbitrage strategy with respect to convertible debt instruments typically implement that strategy by selling short the common stock underlying the convertible notes and dynamically adjusting their short position while they hold the notes. Investors may also implement this strategy by entering into swaps on our common stock in lieu of or in addition to short selling the common stock. As a result, any specific rules regulating equity swaps or short selling of securities or other governmental action that interferes with the ability of market participants to effect short sales or equity swaps with respect to our common stock could adversely affect the ability of investors in, or potential purchasers of, the notes to conduct the convertible arbitrage strategy that we believe they would otherwise employ, or seek to employ, with respect to the notes. This could, in turn, adversely affect the trading price and liquidity of the notes.

The SEC and other regulatory and self-regulatory authorities have implemented various rules and may adopt additional rules in the future that may impact those engaging in short selling activity involving equity securities (including our common stock). In particular, Rule 201 of SEC Regulation SHO generally restricts short selling when the price of a covered security triggers a circuit breaker by falling 10% or more from the security's closing price as of the end of regular trading hours on the prior day. If this circuit breaker is triggered, short sale orders can be displayed or executed for the remainder of that day and the following day only if the order price is above the current national best bid, subject to certain limited exceptions. Because our common stock is a covered security, these Rule 201 restrictions, if triggered, may interfere with the ability of investors in, and potential purchasers of, the notes, to effect short sales in our common stock and conduct a convertible arbitrage strategy.

The SEC has also approved a pilot program, which is referred to herein as the single stock circuit breaker program, allowing securities exchanges and the Financial Industry Regulatory Authority, Inc. (FINRA) to halt trading in securities included in the S&P 500 Index, Russell 1000 Index and certain exchange traded funds and notes if the price of any such security moves 10% or more from a sale price in a five-minute period. Beginning on August 8, 2011, the single stock circuit breaker program was expanded to include all other NMS stocks, and imposes a trading halt in these additional stocks in the event of any price movement of 30% or 50% (or more), depending upon the trading price of the stock. The single stock circuit breaker program is currently set to expire on February 4, 2013. The SEC also recently approved two proposals submitted by national securities exchanges and FINRA. One initiative is the Limit Up-Limit Down plan, which will replace the single stock circuit breaker program and require securities exchanges, alternative trading systems, broker-dealers and other trading centers to establish policies and procedures that prevent the execution of trades and the display of offers from occurring outside of a specified price band. If bid or offer quotations are at the far limit of the price band for more than 15 seconds, trading in that security will be subject to a five-minute trading pause. The Limit Up-Limit Down plan is scheduled to go into effect on a one-year pilot basis on February 4, 2013.





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The second initiative will change existing stock exchange and FINRA rules that establish a market-wide circuit breaker system. The existing market-wide circuit breaker system provides for specified market-wide halts in trading of stock for certain periods following specified market declines. The changes will lower the percentage-decline thresholds for triggering a market-wide trading halt and shorten the amount of time that trading is halted. Market declines under the new system will be measured by reference to the S&P 500 Index rather than the Dow Jones Industrial Average, and the trigger thresholds will be calculated daily rather than quarterly. The changes to the market-wide circuit breaker system are scheduled to go into effect on a one-year pilot basis on February 4, 2013.

The restrictions on trading imposed by the single stock circuit breaker program, the market-wide circuit breaker system and, when effective, the Limit Up-Limit Down plan may interfere with the ability of investors in, and potential purchasers of, the notes to effect short sales in our common stock and conduct a convertible arbitrage strategy.

The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act ) also introduced regulatory uncertainty that may impact trading activities relevant to the convertible notes. This legislation will require many over-the-counter swaps and security-based swaps to be centrally cleared through regulated clearinghouses and traded on exchanges or comparable trading facilities. In addition, swap dealers, security-based swap dealers, major swap participants and major security-based swap participants will be required to comply with margin and capital requirements as well as public reporting requirements to provide transaction and pricing data on both cleared and uncleared swaps. These requirements could adversely affect the ability of investors in, or potential purchasers of, the notes to maintain a convertible arbitrage strategy with respect to the notes (including increasing the costs incurred by such investors in implementing such strategy). This could, in turn, adversely affect the trading price and liquidity of the notes. We cannot predict how the SEC and other regulators will ultimately implement this legislation or the magnitude of the effect that this legislation will have on the trading price or liquidity of the notes. Although the direction and magnitude of the effect that the amendments to Regulation SHO, FINRA and securities exchange rule changes and/or implementation of the Dodd-Frank Act may have on the trading price and the liquidity of the notes will depend on a variety of factors, many of which cannot be determined at this time, past regulatory actions have had a significant impact on the trading prices and liquidity of convertible debt instruments. For example, between July 2008 and September 2008, the SEC issued a series of emergency orders placing restrictions on the short sale of the common stock of certain financial services companies. The orders made a convertible arbitrage strategy difficult to execute and adversely affected both the liquidity and trading price of convertible debt instruments issued by many of the financial services companies subject to the prohibition. Any governmental action that similarly restricts the ability of investors in, or potential purchasers of, the notes to effect short sales of our common stock, including the amendments to Regulation SHO, FINRA and exchange rule changes and the implementation of the Dodd-Frank Act, could similarly adversely affect the trading price and the liquidity of the notes.

### **Volatility in the market price and trading volume of our common stock could adversely impact the trading price of the notes.**

The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risks described in this Risk Factors section, elsewhere in this prospectus supplement, the accompanying prospectus or the documents incorporated or deemed incorporated by reference herein or therein, or for reasons unrelated to our operations, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability. A decrease in the market price of our common stock would likely adversely impact the trading price of the notes. The market price of our common stock could also be affected by possible sales of our common stock by investors who are concerned about the dilution of their ownership interests as a result of the conversion of some or all of the notes and/or who view the notes as a more attractive means of equity participation in us and by

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hedging or arbitrage trading activity that we expect to develop involving our common stock. This trading activity could, in turn, affect the trading prices of the notes. This may result in greater volatility in the trading price of the notes than would be expected for non-convertible debt securities.

### **The adjustment to the conversion rate for notes converted in connection with a make-whole adjustment event may not adequately compensate you for any lost value of your notes as a result of such transaction.**

If a make-whole adjustment event occurs and a holder elects to convert its notes in connection with such corporate transaction, we will increase the conversion rate by an additional number of shares of our common stock upon conversion in certain circumstances. The increase in the conversion rate will be determined based on the date on which the make-whole adjustment event occurs or becomes effective and the price paid (or deemed to be paid) per share of our common stock in the make-whole adjustment event, as described below under **Description of the Notes Adjustment to Conversion Rate upon Conversion upon a Make-Whole Adjustment Event**. The adjustment to the conversion rate for notes converted in connection with a make-whole adjustment event may not adequately compensate you for any lost value of your notes as a result of such transaction. In addition, if the price paid (or deemed to be paid) per share of our common stock in the make-whole adjustment event is greater than \$80.00 per share or less than \$18.25 per share (in each case, subject to adjustment), no increase in the conversion rate will be made.

Our obligation to increase the conversion rate upon the occurrence of a make-whole adjustment event could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness and equitable remedies.

### **We may not have the ability to raise the funds necessary to purchase the notes as required upon a fundamental change, and our future debt may contain limitations on our ability to repurchase the notes.**

If a fundamental change as described under **Description of the Notes Purchase of Notes at Your Option upon a Fundamental Change** occurs, holders of notes will have the right to require us to purchase their notes for cash. A fundamental change may also constitute an event of default or prepayment under, and result in the acceleration of the maturity of, our then-existing indebtedness. We cannot assure you that we will have sufficient financial resources, or will be able to arrange financing, to pay the fundamental change purchase price in cash with respect to any notes surrendered by holders for purchase upon a fundamental change. In addition, restrictions in our then-existing credit facilities or other indebtedness, if any, may not allow us to purchase the notes upon a fundamental change or may provide that a fundamental change constitutes an event of default under that agreement. Our failure to purchase the notes upon a fundamental change when required would result in an Event of Default with respect to the notes which could, in turn, constitute an event of default under the terms of our other indebtedness, if any. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and purchase the notes.

### **Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to purchase the notes.**

If a fundamental change occurs, you have the right to require us to purchase your notes. However, the fundamental change provisions will not afford protection to holders of notes in the event of certain transactions that could adversely affect the notes. For example, transactions such as leveraged recapitalizations, refinancings, restructurings or acquisitions initiated by us would not constitute a fundamental change requiring us to repurchase the notes. In addition, holders may not be entitled to require us to purchase their notes upon a fundamental change in certain circumstances involving a significant change in the composition of our board, including in connection with a proxy contest where our board does not endorse a dissident slate of directors but approves them for purposes of the definition of **continuing directors** as set forth under **Description**

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of the Notes Purchase of Notes at Your Option upon a Fundamental Change. In the event of any such transaction,

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holders of the notes would not have the right to require us to purchase their notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting holders of the notes.

**The concurrent common stock offering and future sales of our common stock in the public market could lower the market price for our common stock and adversely impact the trading price of the notes.**

Concurrently with this offering, we are offering 5,500,000 shares of our common stock (or 6,325,000 shares of common stock if the underwriters option to purchase additional shares is exercised in full). This offering is not conditioned on the closing of the concurrent common stock offering, and the concurrent common stock offering is not conditioned on the closing of this offering. In addition, in the future, we may sell additional shares of our common stock to raise capital. Furthermore, a substantial number of shares of our common stock may be issued upon the exercise of stock options and upon conversion of the notes. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sale of substantial amounts of common stock, or the perception that such issuances and sales may occur, could adversely affect the trading price of the notes and the market price of our common stock and impair our ability to raise capital through the sale of additional equity securities.

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

The notes are a new issue of securities for which there is currently no active trading market. We cannot assure you that a liquid market will develop for the notes, that you will be able to sell any of the notes at a particular time (if at all) or that the prices you receive if or when you sell the notes will be above their initial offering price. In addition, we do not intend to apply to list the notes on any securities exchange or for inclusion of the note