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 CENTRAL DISTRICT OF CALIFORNIA  
 BY [Signature] DEPUTY

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 U.S. DISTRICT COURT  
 CENTRAL DISTRICT OF CALIF.  
 LOS ANGELES  
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**UNITED STATES DISTRICT COURT  
 CENTRAL DISTRICT OF CALIFORNIA**

SECURITIES AND EXCHANGE  
 COMMISSION,

Plaintiff,

vs.

BRUCE E. KARATZ,

Defendant.

Case No. **CV08-06012 AHM (FFM)**

~~PROPOSED~~ FINAL JUDGMENT  
 AS TO DEFENDANT BRUCE E.  
 KARATZ

1 The Securities and Exchange Commission (the "Commission") having filed  
2 a Complaint and Defendant Bruce E. Karatz ("Karatz") having entered a general  
3 appearance; consented to the Court's jurisdiction over Karatz and the subject  
4 matter of this action; consented to entry of this Final Judgment without admitting  
5 or denying the allegations of the Complaint (except as to jurisdiction); waived  
6 findings of fact and conclusions of law; and waived any right to appeal from this  
7 Final Judgment:

8 **I.**

9 IT IS HEREBY ORDERED, ADJUDGED, AND DECREED that Karatz  
10 and his agents, servants, employees, attorneys, and all persons in active concert or  
11 participation with them who receive actual notice of this Final Judgment by  
12 personal service or otherwise are permanently restrained and enjoined from  
13 violating, directly or indirectly, Section 10(b) of the Securities Exchange Act of  
14 1934 (the "Exchange Act"), 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated  
15 thereunder, 17 C.F.R. § 240.10b-5, by using any means or instrumentality of  
16 interstate commerce, or of the mails, or of any facility of any national securities  
17 exchange, in connection with the purchase or sale of any security:

- 18 (a) to employ any device, scheme, or artifice to defraud;
- 19 (b) to make any untrue statement of a material fact or to omit to state a  
20 material fact necessary in order to make the statements made, in the  
21 light of the circumstances under which they were made, not  
22 misleading; or
- 23 (c) to engage in any act, practice, or course of business which operates or  
24 would operate as a fraud or deceit upon any person.

25 **II.**

26 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Karatz  
27 and his agents, servants, employees, attorneys, and all persons in active concert or  
28 participation with them who receive actual notice of this Final Judgment by

1 personal service or otherwise are permanently restrained and enjoined from  
2 violating Section 17(a) of the Securities Act of 1933 (the "Securities Act"), 15  
3 U.S.C. § 77q(a), in the offer or sale of any security by the use of any means or  
4 instruments of transportation or communication in interstate commerce or by use  
5 of the mails, directly or indirectly:

- 6 (a) to employ any device, scheme, or artifice to defraud;
- 7 (b) to obtain money or property by means of any untrue statement of a  
8 material fact or any omission of a material fact necessary in order to  
9 make the statements made, in light of the circumstances under which  
10 they were made, not misleading; or
- 11 (c) to engage in any transaction, practice, or course of business which  
12 operates or would operate as a fraud or deceit upon the purchaser.

13 **III.**

14 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Karatz  
15 and his agents, servants, employees, attorneys, and all persons in active concert or  
16 participation with them who receive actual notice of this Final Judgment by  
17 personal service or otherwise are permanently restrained and enjoined from  
18 violating Exchange Act Rule 13a-14, 17 C.F.R. § 240.13a-14, directly or  
19 indirectly, by falsely signing personal certifications indicating that he has reviewed  
20 periodic reports containing financial statements which an issuer filed with the  
21 Commission pursuant to Section 13(a) of the Exchange Act, 15 U.S.C. § 78m(a),  
22 and that, based on his knowledge,

- 23 (a) these reports do not contain any untrue statement of material fact or  
24 omit to state a material fact necessary to make the statements made, in  
25 light of the circumstances under which such statements were made,  
26 not misleading with respect to the period covered by the report; and

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1 (b) that information contained in these reports fairly present, in all  
2 material respects, the financial condition and results of the issuer's  
3 operations.

4 **IV.**

5 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Karatz  
6 and his agents, servants, employees, attorneys, and all persons in active concert or  
7 participation with them who receive actual notice of this Final Judgment by  
8 personal service or otherwise are permanently restrained and enjoined from aiding  
9 and abetting any violation of Section 13(a) of the Exchange Act, 15 U.S.C.  
10 § 78m(a), and Rules 12b-20, 13a-1, and 13a-13 thereunder, 17 C.F.R. §§ 240.12b-  
11 20, 240.13a-1, and 240.13a-13, by knowingly providing substantial assistance to an  
12 issuer which has a class of securities registered pursuant to Section 12 of the  
13 Exchange Act, 15 U.S.C. § 78l, that files quarterly and annual reports with the  
14 Commission on Forms 10-Q and Forms 10-K that fail to contain material  
15 information necessary to make the required statements in the Forms 10-Q and  
16 Forms 10-K, in light of the circumstances under which they are made, not  
17 misleading.

18 **V.**

19 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Karatz  
20 and his agents, servants, employees, attorneys, and all persons in active concert or  
21 participation with them who receive actual notice of this Final Judgment by  
22 personal service or otherwise are permanently restrained and enjoined from aiding  
23 and abetting any violation of Section 13(b)(2)(A) of the Exchange Act, 15 U.S.C.  
24 § 78m(b)(2)(A), by knowingly providing substantial assistance to an issuer which  
25 has a class of securities registered pursuant to Section 12 of the Exchange Act, 15  
26 U.S.C. § 78l, or that is required to file reports pursuant to Section 15(d) of the  
27 Exchange Act, 15 U.S.C. § 78o(d), in failing to make and keep books, records, and

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1 accounts, which, in reasonable detail, accurately and fairly reflect the transactions  
2 and disposition of the assets of the issuer.

3 **VI.**

4 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Karatz  
5 and his agents, servants, employees, attorneys, and all persons in active concert or  
6 participation with them who receive actual notice of this Final Judgment by  
7 personal service or otherwise are permanently restrained and enjoined from aiding  
8 and abetting any violation of Section 13(b)(2)(B) of the Exchange Act, 15 U.S.C.  
9 § 78m(b)(2)(B), by knowingly providing substantial assistance to an issuer which  
10 has a class of securities registered pursuant to Section 12 of the Exchange Act, 15  
11 U.S.C. § 78l, or that is required to file reports pursuant to Section 15(d) of the  
12 Exchange Act, 15 U.S.C. § 78o(d), in failing to devise and maintain a system of  
13 internal accounting controls sufficient to provide reasonable assurances that  
14 (i) transactions are executed in accordance with management's general or specific  
15 authorization; (ii) transactions are recorded as necessary (a) to permit preparation  
16 of financial statements in conformity with generally accepted accounting principles  
17 or any other criteria applicable to such statements, and (b) to maintain  
18 accountability for assets; (iii) access to assets is permitted only in accordance with  
19 management's general or specific authorization; and (iv) the recorded  
20 accountability for assets is compared with the existing assets at reasonable  
21 intervals and appropriate action is taken with respect to any differences.

22 **VII.**

23 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Karatz  
24 and his agents, servants, employees, attorneys, and all persons in active concert or  
25 participation with them who receive actual notice of this Final Judgment by  
26 personal service or otherwise are permanently restrained and enjoined from  
27 violating Rule 13b2-1 of the Exchange Act, 17 C.F.R. § 240.13b2-1, by, directly or

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1 indirectly, falsifying or causing to be falsified, any book, record or account subject  
2 to Section 13(b)(2)(A) of the Exchange Act, 15 U.S.C. § 78m(b)(2)(A).

3 **VIII.**

4 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Karatz  
5 and his agents, servants, employees, attorneys, and all persons in active concert or  
6 participation with them who receive actual notice of this Final Judgment by  
7 personal service or otherwise are permanently restrained and enjoined from  
8 violating, directly or indirectly, Section 14(a) of the Exchange Act, 15 U.S.C. §  
9 78n(a), and Rule 14a-9 promulgated thereunder, 17 C.F.R. § 240.14a-9, by using  
10 the mails or by any means or instrumentality of interstate commerce or of any  
11 facility of a national securities exchange to solicit by means of any proxy  
12 statement, form of proxy, notice of meeting or other communication, written or  
13 oral, containing any statement which, at the time and in the light of the  
14 circumstances under which it is made, is false or misleading with respect to any  
15 material fact, or which omits to state any material fact necessary in order to make  
16 the statements therein not false or misleading or necessary to correct any statement  
17 in any earlier communications with respect to the solicitation of a proxy for the  
18 same meeting or subject matter which has become false or misleading.

19 **IX.**

20 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Karatz  
21 and his agents, servants, employees, attorneys, and all persons in active concert or  
22 participation with them who receive actual notice of this Final Judgment by  
23 personal service or otherwise are permanently restrained and enjoined from  
24 violating Section 16(a) of the Exchange Act, 15 U.S.C. § 78p(a), and Rule 16a-3  
25 thereunder, 17 C.F.R. § 240.16a-3, by failing to timely file required statements  
26 with the Commission regarding changes in beneficial ownership of an issuer's  
27 stock.

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1 X.

2 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Karatz is  
3 liable for disgorgement of \$6,183,390.50, representing profits gained as a result of  
4 the conduct alleged in the Complaint, together with prejudgment interest thereon in  
5 the amount of \$531,428.77, for a total of \$6,714,819.27 (the “Disgorgement  
6 Amount”). Karatz shall make this payment within ten (10) business days after  
7 entry of this Final Judgment by certified check, bank cashier’s check, or United  
8 States postal money order payable to KB Home, Inc. A copy of the cover letter  
9 and money order or check shall be sent to Finola H. Manvelian, Assistant Regional  
10 Director, Los Angeles Regional Office, United States Securities and Exchange  
11 Commission, 5670 Wilshire Boulevard, Suite 11, Los Angeles, California 90036.  
12 Karatz shall pay post-judgment interest on any delinquent amounts pursuant to 28  
13 USC § 1961.

14 If Karatz fails to make the payment under this Final Judgment, the payment  
15 including post-judgment interest, shall become due and payable to the Securities  
16 and Exchange Commission immediately without further application to the Court.  
17 Karatz shall satisfy this obligation by paying the Disgorgement Amount within ten  
18 (10) business days after entry of this Final Judgment by certified check, bank  
19 cashier’s check, or United States postal money order payable to the Securities and  
20 Exchange Commission. The payment shall be delivered or mailed to the Office of  
21 Financial Management, Securities and Exchange Commission, Operations Center,  
22 6432 General Green Way, Mail Stop 0-3, Alexandria, Virginia 22312, and shall be  
23 accompanied by a letter identifying Bruce E. Karatz as a defendant in this action;  
24 setting forth the title and civil action number of this action and the name of this  
25 Court; and specifying that payment is made pursuant to this Final Judgment.  
26 Karatz shall simultaneously transmit photocopies of such payment to the attention  
27 of Finola H. Manvelian, Assistant Regional Director, Los Angeles Regional  
28 Office, United States Securities and Exchange Commission, 5670 Wilshire

1 Boulevard, Suite 11, Los Angeles, California 90036. Karatz shall pay post-  
2 judgment interest on any delinquent amounts pursuant to 28 USC § 1961. The  
3 Commission shall remit the funds paid pursuant to this paragraph to the United  
4 States Treasury.

5 **XI.**

6 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that Karatz  
7 shall pay a civil penalty in the amount of \$480,000 pursuant to Section 20(d) of the  
8 Securities Act, 15 U.S.C. § 77t(d), and Section 21(d)(3) of the Exchange Act, 15  
9 U.S.C. § 78u(d)(3). Karatz shall make this payment within ten (10) business days  
10 after entry of this Final Judgment by certified check, bank cashier's check, or  
11 United States postal money order payable to the Securities and Exchange  
12 Commission. The payment shall be delivered or mailed to the Office of Financial  
13 Management, Securities and Exchange Commission, Operations Center, 6432  
14 General Green Way, Mail Stop 0-3, Alexandria, Virginia 22312, and shall be  
15 accompanied by a letter identifying Bruce E. Karatz as a defendant in this action;  
16 setting forth the title and civil action number of this action and the name of this  
17 Court; and specifying that payment is made pursuant to this Final Judgment. A  
18 copy of the cover letter and money order or check shall be sent to Finola H.  
19 Manvelian, Assistant Regional Director, Los Angeles Regional Office, United  
20 States Securities and Exchange Commission, 5670 Wilshire Boulevard, Suite 11,  
21 Los Angeles, California 90036. Karatz shall pay post-judgment interest on any  
22 delinquent amounts pursuant to 28 U.S.C. § 1961. The Commission shall remit the  
23 funds paid pursuant to this paragraph to the United States Treasury.

24 **XII.**

25 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that, pursuant  
26 to Section 21(d)(2) of the Exchange Act, 15 U.S.C. § 78u(d)(2), and Section 20(e)  
27 of the Securities Act, 15 U.S.C. § 77t(e), Karatz is prohibited, for 5 years following  
28 the date of entry of this Final Judgment, from acting as an officer or director of any



1 issuer that has a class of securities registered pursuant to Section 12 of the  
2 Exchange Act, 15 U.S.C. § 78l, or that is required to file reports pursuant to  
3 Section 15(d) of the Exchange Act, 15 U.S.C. § 78o(d).

4 **XIII.**

5 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that the  
6 Consent is incorporated herein with the same force and effect as if fully set forth  
7 herein, and that Karatz shall comply with all of the undertakings and agreements  
8 set forth therein.

9 **XIV.**

10 IT IS FURTHER ORDERED, ADJUDGED, AND DECREED that this  
11 Court shall retain jurisdiction of this matter for the purposes of enforcing the terms  
12 of this Final Judgment.

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15 Dated: Sept. 25, 2008

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18 UNITED STATES DISTRICT JUDGE  
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