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**KB HOME AND MARTHA STEWART LIVING OMNIMEDIA FORM UNIQUE COLLABORATION
TO DESIGN, BUILD RESIDENTIAL COMMUNITIES**

First Martha Stewart-Designed Homes to Be Built in the Town of Cary, N.C.

LOS ANGELES and NEW YORK (Oct. 12, 2005) – KB Home (NYSE: KBH) and Martha Stewart Living Omnimedia, Inc. (NYSE: MSO) announced today a groundbreaking collaboration on the design of new homes, bringing together the high-quality and innovative architectural designs of one of the country's leading homebuilders with the inspiration of the leading provider of ideas and products for both inside and outside the home.

The first community designed by KB Home and Martha Stewart Living Omnimedia (MSLO) – to be called KB Home Twin Lakes: Homes Created with Martha Stewart – will feature approximately 650 homes in the Town of Cary, N.C. The community will include single-family homes, ranging from 1,500 to 4,100 square feet and priced from the low \$200s to the mid \$400s, inspired by Martha Stewart's own homes in New York and Maine. Martha Stewart's influence will be evident in many aspects of the homes, including the floor plans, exterior design, interior floor plans and furnishings. Homebuyers will have the added advantage of choosing Martha Stewart's favorites among the flooring, faucets, light fixtures, cabinetry, countertops, and other items available at the KB Home Studio in Raleigh, N.C. Each home will combine beauty, quality and functionality, backed by KB Home's superior customer service and warranties.

"KB Home and Martha Stewart are names that stand for superior quality and style," said KB Home Chairman and CEO Bruce Karatz. "By collaborating with Martha Stewart, an icon of design, we will be able to offer our customers the opportunity to own a dream home inspired by Martha herself, built and backed by KB Home's team of talented employees. KB Home is thrilled to bring these unique homes to the Town of Cary. We hope to expand these new home designs across the country in years to come."

"After years of designing high-quality and stylish products for the home, it is the right time for MSLO to turn to the architecture and design of the home itself," said Susan Lyne, President and CEO of Martha Stewart Living Omnimedia. "KB Home, an industry leader in home building, is the ideal

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company to work with in this endeavor. Martha's homes are warm, functional, and full of innovative details that inspire our product design. The model homes at Twin Lakes will provide the opportunity for a broad base of consumers to see those home products in a total environment for the first time."

Stated Martha Stewart, MSLO Founder: "I'm delighted to team with KB Home to create beautiful and functional homes that are filled with the design, colors, and high-quality materials that have been the inspiration for my homes over the years. Each room in the home will be carefully constructed and handsomely appointed. We look forward to presenting them to communities across the country."

Model homes are scheduled to be completed in early 2006. At that time, prospective buyers will be able to view the model homes and select their favorite home site, floor plan and design studio options. Although the homes will not come furnished, the models will be dressed and decorated with Martha Stewart Living Omnimedia products.

Earlier this year, the Town of Cary, N.C. topped *Money* magazine's rankings of the "most desirable places to live in the eastern United States." This beautiful town has 14 major universities within an hour's drive and North Carolina's famed Research Triangle Park, whose tenants include Cisco, Ericsson, IBM and Nortel.

About KB Home

Building homes for nearly half a century, KB Home is one of America's premier homebuilders with domestic operating divisions in some of the fastest-growing regions and states: West Coast—California; Southwest—Arizona, Nevada and New Mexico; Central—Colorado, Illinois, Indiana and Texas; and Southeast—Florida, Georgia, Maryland, North Carolina, South Carolina and Virginia. Kaufman & Broad S.A., the Company's publicly-traded French subsidiary, is one of the largest homebuilders in France. In fiscal 2004, the Company delivered homes to 31,646 families in the United States and France. KB Home also offers complete mortgage services through Countrywide KB Home Loans, a joint venture with Countrywide Financial Corporation. Founded in 1957, and winner of the 2004 American Business Award for Best Overall Company, KB Home is a Fortune 500 company listed on the New York Stock Exchange under the ticker symbol "KBH." For more information about any of KB Home's new home communities, call 888-KB-HOMES or visit <http://www.kbhome.com>.

About Martha Stewart Living Omnimedia, Inc.

Martha Stewart Living Omnimedia is a leading provider of original how-to information that turns dreamers into doers, inspiring and engaging consumers with unique content and high-quality products for the home. MSLO's creative experts develop content within eight core areas—Home, Cooking and Entertaining, Gardening, Crafts, Holiday, Keeping, Weddings, and Baby and Kids—that provide consumers with ideas and products to celebrate their homes and the domestic arts. MSLO is organized into four business segments: Publishing, Television, Merchandising, and Internet/Direct Commerce.

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