

INVESTOR PRESENTATION



FORESTAR

Q2 | 2019

FORWARD-LOOKING STATEMENTS

This presentation may include “forward-looking statements” as defined by the Private Securities Litigation Reform Act of 1995. Although Forestar believes any such statements are based on reasonable assumptions, there is no assurance that actual outcomes will not be materially different. Factors that may cause the actual results to be materially different from the future results expressed by the forward-looking statements include, but are not limited to: the effect of D.R. Horton, Inc.’s (“D.R. Horton”) controlling level of ownership on us and our stockholders and holders of notes; our ability to realize the potential benefits of the strategic relationship with D.R. Horton; the effect of our strategic relationship with D.R. Horton on our ability to maintain relationships with our vendors and customers; demand for new housing, which can be affected by a number of factors including the availability of mortgage credit, job growth and fluctuations in interest rates; competitive actions by other companies; accuracy of estimates and other assumptions related to investment in and development of real estate, the expected timing and pricing of land and lot sales and related cost of real estate sales; our ability to hire and retain key personnel; changes in governmental policies, laws or regulations and actions or restrictions of regulatory agencies; general economic, market or business conditions where our real estate activities are concentrated; our ability to achieve our strategic initiatives; our ability to obtain future entitlement and development approvals; our partners’ ability to fund their capital commitments and otherwise fulfill their operating and financial obligations; our ability to obtain or the availability of surety bonds to secure our performance related to construction and development activities and the pricing of bonds; obtaining reimbursements and other payments from special improvement districts and other agencies and timing of such payments; the levels of resale housing inventory in our development projects and the regions in which they are located; fluctuations in costs and expenses, including impacts from shortages in materials or labor; the opportunities (or lack thereof) that may be presented to us and that we may pursue; the strength of our information technology systems and the risk of cybersecurity breaches; the conditions of the capital markets and our ability to raise capital to fund expected growth; and our ability to comply with our debt covenants, restrictions and limitations. Additional information about factors that could lead to material changes in performance is contained in Forestar’s annual report on Form 10-KT and our most recent quarterly report on Form 10-Q, both of which are filed with the Securities and Exchange Commission (SEC).

FORESTAR OVERVIEW

- **Forestar Group Inc. is a highly differentiated, national residential lot developer**

- Develop and sell lots for single-family homes to D.R. Horton and other local, regional and national homebuilders
- Focused on phased development of short duration, fully-entitled lot development projects
- High turnover, lower risk lot manufacturing strategy

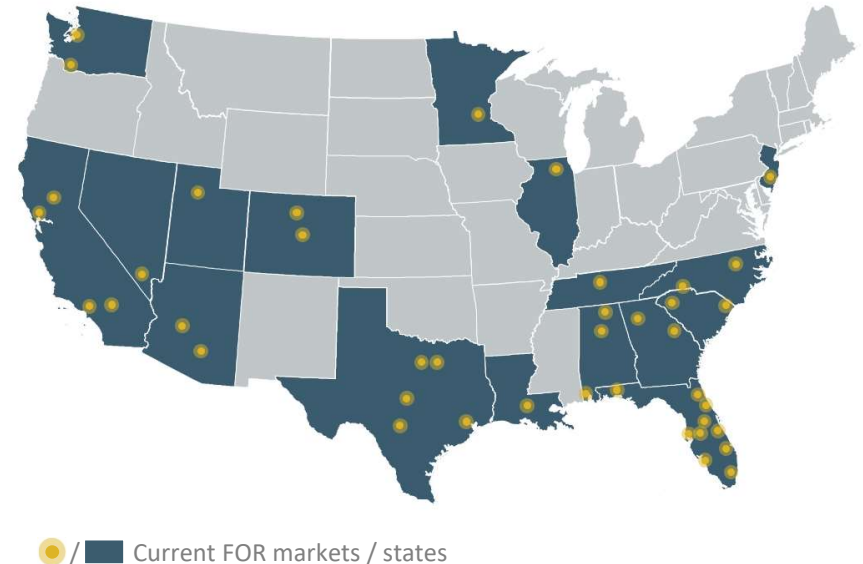
- **Majority-owned subsidiary of D.R. Horton, Inc. (“D.R. Horton” or “DHI”)**

- 75% of common shares acquired by DHI in 2017 for ~\$560M
- Largest homebuilder by volume in the U.S. for calendar years 2002 – 2018 and one of only two investment grade rated public homebuilders in the U.S.
- Highly strategic relationship supports Forestar’s ability to scale and de-risks expansion

- **Current snapshot:**

- ~31,400 residential lots owned or controlled, with ~21,700 under contract with or subject to right of first offer from DHI⁽¹⁾
- ~\$985M total assets and ~\$400M of unrestricted cash and revolver availability⁽¹⁾⁽³⁾
- Publicly traded (NYSE: FOR), with ~\$800M equity market capitalization⁽²⁾
- B2/B corporate ratings from Moody’s and S&P, respectively⁽²⁾
- Recently converted fiscal year-end from December 31st to September 30th (same as DHI’s)

Operations in 41 markets across 17 states⁽¹⁾



(1) As of 3/31/19

(2) As of 4/24/19

(3) Revolving credit facility availability as governed by the borrowing base

KEY FORESTAR ACHIEVEMENTS

Date	Achievement	Significance
October 2017	<ul style="list-style-type: none"> • DHI acquisition of 75% of outstanding FOR shares for ~\$560M 	<ul style="list-style-type: none"> ✓ Created highly strategic relationship with DHI ✓ Supplemented executive and operational leadership
February 2018	<ul style="list-style-type: none"> • \$232M strategic asset sale of legacy communities 	<ul style="list-style-type: none"> ✓ Streamlined business and provided capital for investment in new short duration, fully-entitled lot development projects
August 2018	<ul style="list-style-type: none"> • Obtained \$380M unsecured revolving credit facility 	<ul style="list-style-type: none"> ✓ Provided meaningful liquidity and demonstrated support from and depth of banking relationships
September / November 2018	<ul style="list-style-type: none"> • Filed public equity shelf registration statement and obtained credit ratings 	<ul style="list-style-type: none"> ✓ Positioned the Company to opportunistically access equity and debt capital markets
April 2019	<ul style="list-style-type: none"> • Issued \$350M of senior unsecured notes 	<ul style="list-style-type: none"> ✓ Provided significant capital for growth beyond 2020 ✓ Demonstrated strong access to debt capital markets with \$50M offering upside and high-quality investor base
Ongoing	<ul style="list-style-type: none"> ✓ Fully operational and profitable with a diversified, national geographic footprint ✓ Continued build-out of team and establishment of infrastructure, processes and controls ✓ Deployment of capital into short-duration, lower-risk lot development opportunities ✓ Meaningful liquidity to grow platform and local market scale ✓ Increased public market visibility with equity research coverage, transition to stand-alone earnings calls, additional disclosures 	

THE FORESTAR VALUE PROPOSITION

DIFFERENTIATED BUSINESS MODEL DESIGNED TO ADDRESS A SIGNIFICANT MARKET NEED

- Focused residential lot development business model
- High turnover, lower risk lot manufacturing strategy focused on returns
- Under-served lot development market with lack of well-capitalized and/or national participants

SIGNIFICANT GROWTH OPPORTUNITY

- Current lot supply provides roadmap for top-line growth for coming years
- Opportunity for increased scale within existing markets and entrance into new markets
- Portfolio and platform expansion designed to increase returns and margins

INTENSE FOCUS ON RISK MITIGATION

- Short duration, fully-entitled projects
- Phased development and largely discretionary cash spend
- Geographic diversification
- Maintain strong liquidity and conservative leverage with balance between debt and equity

HIGHLY STRATEGIC RELATIONSHIP WITH D.R. HORTON ENHANCES BUSINESS MODEL, GROWTH AND RISK PROFILE

- Strategic alignment with and access to DHI network of markets, experienced team and business relationships
- Instills manufacturing-like approach and conservative operating strategy
- Significant built-in demand for current and future lot deliveries
- Facilitates risk-adjusted scaling into new markets
- Enhanced access to capital markets

FORESTAR INVESTMENT HIGHLIGHTS

Unique Returns-
Focused Lot
Manufacturing
Business Model

Strategic Relationship
With D.R. Horton
Supports Ability to Scale
and De-Risks Expansion

Significant Growth
Trajectory

Geographic
Diversification and
Growing Footprint

Primary Focus on
Attractive Entry-
Level Segment

Homebuilder
Preference for
Developed Lots

Experienced
Management Team
With Decades of
Real Estate
Experience

Strong Balance
Sheet and Liquidity
Position

BUSINESS OVERVIEW



Source land acquisition opportunities



National, regional, and local homebuilders



Place land under contract and complete due diligence

- Environmental, market, entitlement, planning, engineering, and permitting reviews



Close acquisition of entitled land

- Initial Forestar capital commitment
- ~30% of finished lot cost

Also investing short-term capital in low-risk lot / land banking projects with DHI



Lot development

- Phased development
- Grading, roads, utilities, and landscape / amenities
- ~70% of finished lot cost on a phased basis



Deliver finished lots to builders



National, regional, and local homebuilders

- Initial lot sales targeted within 12 months of land acquisition

UNIQUE LOT MANUFACTURER BUSINESS MODEL FOCUSED ON CONSISTENT RETURNS

- Business model designed to achieve scale and consistency, while minimizing risk
- High turnover, lower risk “lot manufacturing” strategy generates returns similar to an efficient, production-oriented homebuilder

Target Investment Profile for Development Projects

✓ Shorter Duration, High Velocity Residential Communities With Lower Market Risk

X Untitled Land

✓ Project Phasing Makes Future Development Cash Spend Largely Discretionary

X Speculative Land with Undefined Buyer

✓ Generate Revenue Within 12 Months and Initial Cash Payback Within 36 Months

X Long-Dated, Complex Assets

✓ Minimum 15% Return on Inventory⁽¹⁾ with a Typical Gross Margin Range of 16% - 24%

(1) Return on inventory is calculated as pre-tax income divided by average inventory over the life of a project

FORESTAR COMPETITIVE ADVANTAGES

FOR's unique lot manufacturing model is highly differentiated from that of a typical land developer

FORESTAR

TYPICAL LAND DEVELOPER

✓ **Short duration**, fully-entitled lot development projects

✗ Long-term, often complex, land development assets

✓ **Large scale** with national footprint and in-market depth

✗ Lack of geographic diversification and depth in markets

✓ **Returns-focused, lower risk** inventory model

✗ Lower return, unpredictable inventory model

✓ **Consistent operating** results at scale and **currently profitable**

✗ Lack of consistent profitability

✓ **Understandable, growth-oriented** business model

✗ Limited visibility into future growth


✓ **Strong liquidity and access** to debt and equity capital

✗ Limited access to and high cost of capital

HIGHLY STRATEGIC BENEFITS OF FOR & DHI ALIGNMENT

BENEFITS TO FOR

- Enhanced, experienced leadership team
- Supports ability to scale to national platform
- Significant built-in demand for lots
- Improved access to capital markets
- Shared Services from DHI



STRONG AND SYMBIOTIC STRATEGIC RELATIONSHIP

BENEFITS TO DHI

- Long-term consistent supplier of finished lots across DHI's national footprint (84 markets in 29 states)
- Integral component of DHI's operational strategy
- Participate in value creation of FOR

Alignment with DHI supports FOR's transformation into a national, well-capitalized lot manufacturer, selling finished lots directly to builders

- DHI's annual purchases of finished lots significantly exceed FOR's near-term growth plans, and DHI purchases finished lots through market cycles
- DHI is committed to owning no more than a 2 to 3-year supply of lots and to increasing the mix of optioned lots of its total homebuilding land and lot position
- Most land developers lack the scale and access to capital to be consistent suppliers of a significant portion of lots to DHI across its national footprint
- Master Supply Agreement (MSA), Stockholder's Agreement and Shared Services Agreement formalize the business relationship and protect FOR's interests⁽¹⁾
- DHI plans to maintain a significant ownership position in FOR over the long-term

Relationship with DHI further strengthens FOR's competitive advantages relative to typical private and public land developers

(1) MSA, Stockholder's Agreement and Shared Services Agreement summaries included in Appendix

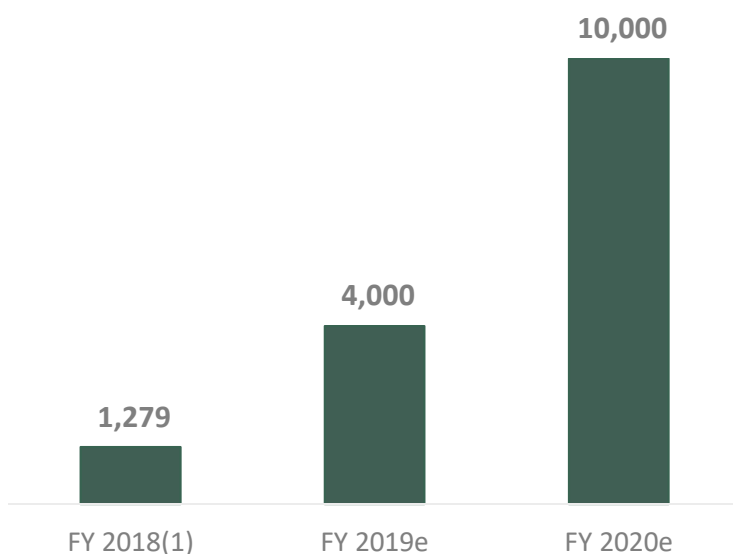
SIGNIFICANT AND SUSTAINABLE GROWTH THROUGH NUMEROUS LEVERS

Built-in growth from DHI relationship	<ul style="list-style-type: none"> ▪ In the 12 months ended 3/31/19, FOR sold DHI 1,367 lots, or approximately 5% of the ~26,880 finished lots DHI purchased from third parties ▪ Over time, DHI may source as much as 30% of its finished lots from FOR
Expand relationships with 3rd party homebuilders	<ul style="list-style-type: none"> ▪ FOR sold finished lots to over 15 different homebuilders in 2018 ▪ As FOR builds out its infrastructure, capacity to work with other builders will increase
Increase scale in existing markets	<ul style="list-style-type: none"> ▪ FOR currently operates in some of the largest homebuilding markets in the country ▪ As FOR gains scale and develops its own team in its existing markets, the Company will source more deals independently, which is expected to improve operating margins
Expand into new markets	<ul style="list-style-type: none"> ▪ 43 markets in which DHI has a presence but FOR does not ▪ As FOR expands into new markets, it leverages DHI's infrastructure to generate a revenue stream before incurring incremental costs
Efficiently leverage overhead	<ul style="list-style-type: none"> ▪ As FOR achieves scale, overhead expenses will decrease as a percentage of revenue ▪ Over time, FOR should operate with lower overhead expenses than a typical homebuilder given wholesale business without need for extensive retail sales force and less reliance on labor / trades
Opportunistic consolidation (longer-term opportunity)	<ul style="list-style-type: none"> ▪ Consolidation opportunities in the highly fragmented lot development industry (similar to homebuilder industry in the 1990s)

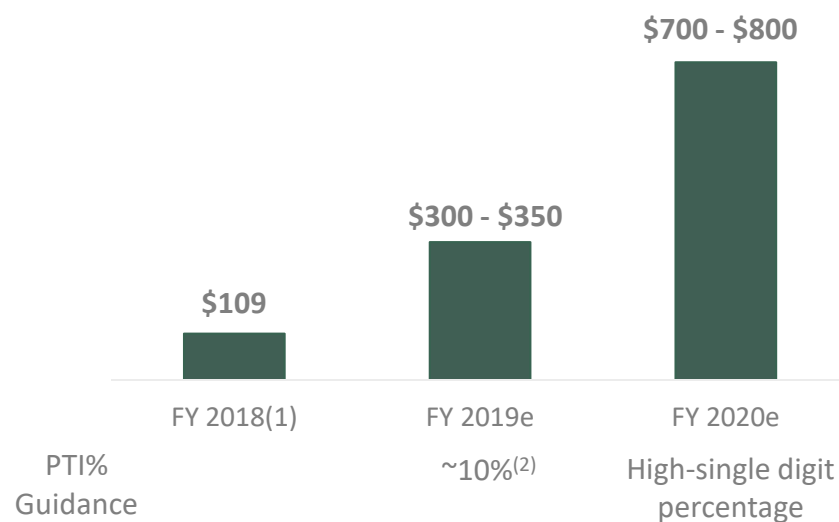
SIGNIFICANT NEAR-TERM GROWTH

Expect 8x increase in deliveries to 10,000 lots by 2020, generating \$700M to \$800M of revenue and a pre-tax profit margin (PTI%) of approximately 10% by 2021

Lot Deliveries



Revenue



\$ in millions

(1) Effective 1/1/18, FOR changed its fiscal year-end from 12/31 to 9/30; as presented, FY 2018 reflects the trailing twelve months ended 9/30/18 and excludes lots sold to unconsolidated ventures

(2) Expect significant quarterly fluctuations

DIVERSIFIED AND GROWING FOOTPRINT

Lot Position by State and Markets as of 3/31/19

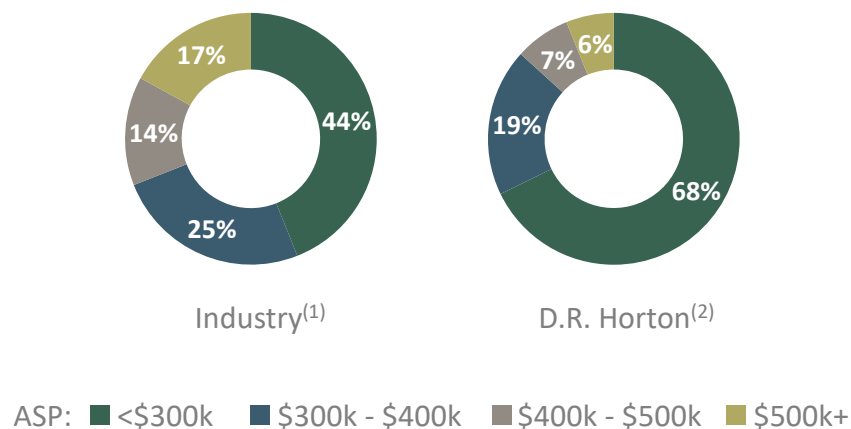


Note: Lot counts are approximate
Represents 31,400 lots of which 26,200 are owned and 5,200 are controlled through purchase contracts

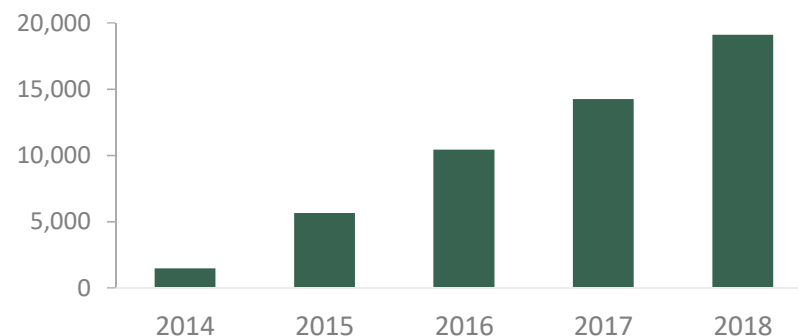
PRIMARY FOCUS ON ATTRACTIVE ENTRY-LEVEL SEGMENT

- Majority of recent Forestar investments have been focused on lots for homes at affordable / entry-level price points
- Average Forestar residential lot sale price in fiscal 2018 of ~\$76,500
- Compelling demographics for and demand from entry-level buyers but lack of inventory has been a constraint
- D.R. Horton sells homes to entry-level through luxury buyers, with entry-level / first-time buyers representing a majority of closings
 - Entry-level Express Homes brand has increased from 5% of DHI closings in fiscal 2014 to 37% of closings in fiscal 2018
- Broader public homebuilder universe has shifted towards entry-level, with the establishment of numerous entry-level brands over past five years

\$200k - \$300k ASP represents the largest cohort of homes sold by D.R. Horton and the broader housing market



D.R. Horton's Express Homes brand is a top 5 homebuilder by volume today⁽³⁾



Source: Company filings, Census, John Burns Real Estate Consulting

(1) Based on rolling twelve month average of homes sold as of January 2019

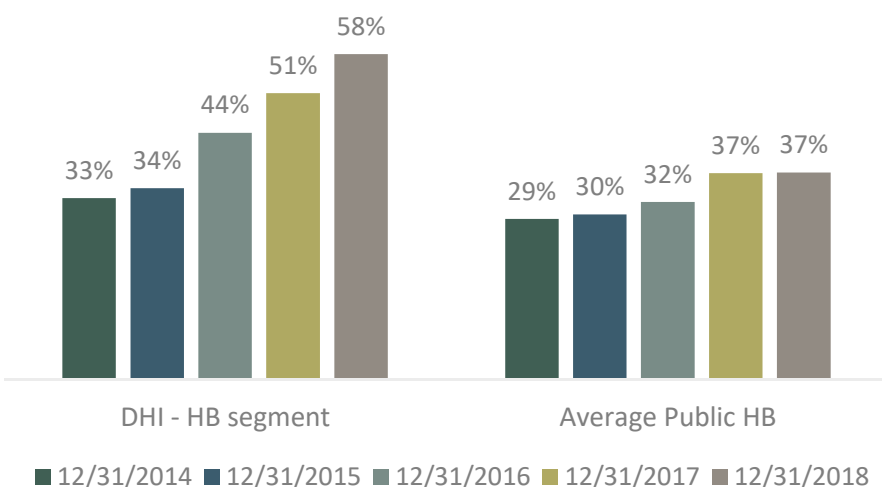
(2) Based on homes closed in twelve months ended 3/31/19

(3) Based on fiscal year-end closings

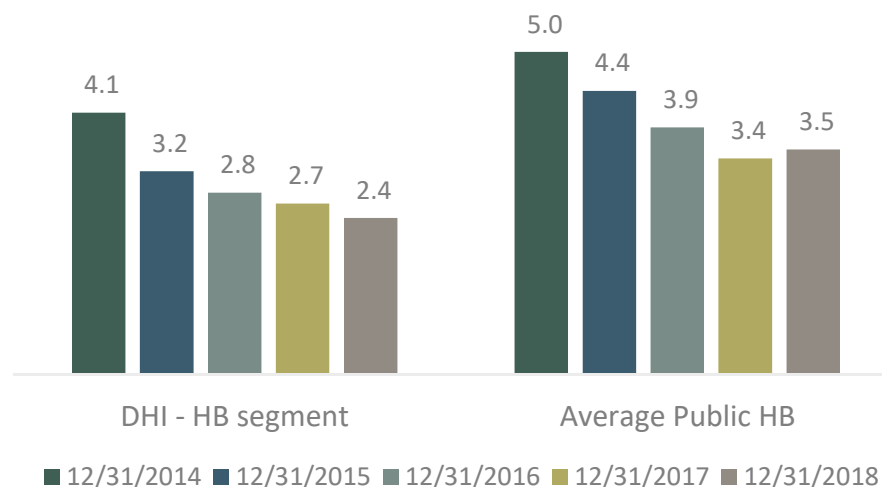
BUILDERS' PREFERENCE FOR 'LAND LIGHTER' STRATEGY ENHANCES OPPORTUNITY

As homebuilders increase their optioned land and shorten their owned land positions to improve returns, FOR is uniquely positioned to capitalize on residential lot development opportunities

Optioned Land/Lot Position as a % of Total Owned & Controlled



Number of Years of Owned Land Based on TTM Closings



Source: FactSet and respective Company SEC filings

Notes: Average Public Homebuilder (HB) data represents the land and lot positions of LEN, PHM, TOL, NVR, MTH, MDC, TMHC, TPH, LGIH and KBH

For LEN and KBH, data is as of the periods ended November 30

For TOL, data is as of the periods ended January 31

SEASONED LEADERS WITH DECADES OF LAND DEVELOPMENT EXPERIENCE

Management team has ability to scale FOR and replicate DHI's success



DON TOMNITZ
Executive Chairman

Formerly President & CEO of DHI for over a decade; joined FOR in Oct. 2017



DAN BARTOK
CEO

Joined FOR in Dec. 2017; formerly EVP of Owned Real Estate for Wells Fargo, with close to 40 years experience in homebuilding & land development industry



CHUCK JEHL
CFO

With FOR since 2005; in current role since 2015



TOM BURLESON
West Region President

With FOR since 2003 & has over 25 years of real estate experience



MARK WALKER
East Region President

With DHI since 2012; recently joined FOR with 18 years of real estate experience



NICOLAS APARICIO
Florida Region President

With DHI since 2011; recently joined FOR with 20 years of real estate experience

Dates with FOR include time with predecessor entities prior to 2008 when FOR became a standalone public company

FINANCIAL POSITION AND POLICY

In April 2019, Forestar further strengthened its financial position by issuing \$350M of 8.0% senior notes due 2024

FINANCIAL POSITION AS OF 3/31/19

- \$66M unrestricted cash and cash equivalents
- \$380M 3-year unsecured revolving credit facility
- ~\$400M total liquidity⁽¹⁾
- \$119M convertible notes due 2020
- \$687M shareholders' equity
- 18% total debt to capital⁽²⁾

DISCIPLINED FINANCIAL POLICY

- Strict lot development investment underwriting:
 - **≥ 15%** return on inventory (ROI)⁽³⁾
 - **≤ 36-month** cash recovery of phase 1 investment
- Net debt to capital⁽²⁾ of **≤ 40%**
- Maintain strong liquidity
- Balanced financing plan including both debt and equity

(1) Liquidity defined as unrestricted cash balance plus revolving credit facility availability as governed by the borrowing base

(2) Debt to capital is calculated as debt divided by shareholders' equity plus debt; net debt to capital is calculated as debt net of cash divided by debt net of cash plus shareholders' equity

(3) ROI is calculated as pre-tax income divided by average inventory over the life of a project

INCOME STATEMENT

	3 MONTHS ENDED		6 MONTHS ENDED	
	3/31/2019	3/31/2018	3/31/2019	3/31/2018
Residential lots sold:	548	304	1,066	559
Development projects	412	218	874	473
Lot banking projects	136	86	192	86
Revenues	\$ 65.3	\$ 22.6	\$ 103.8	\$ 53.5
Gross Profit	21.7	6.4	29.5	14.6
Selling, general and administrative expense	6.2	5.4	11.9	29.6
Gain on sale of assets	-	(2.7)	(0.9)	(2.7)
Equity in earnings of unconsolidated ventures	-	(1.5)	(0.6)	(8.5)
Interest and other (income) expense	(0.9)	0.5	(2.2)	1.9
Pre-tax income (loss)	16.4	4.7	21.3	(5.7)
Income tax expense	3.6	0.1	4.6	12.6
Net income (loss) from continuing operations	12.8	4.6	16.7	(18.3)
Income from discontinued operations, net of taxes	-	-	-	7.2
Net income attributable to noncontrolling interests	(2.7)	(0.1)	(3.3)	(2.0)
Net income (loss) attributable to Forestar Group, Inc.	\$ 10.1	\$ 4.5	\$ 13.4	\$ (13.1)
Diluted earnings (loss) per share	\$ 0.24	\$ 0.11	\$ 0.32	\$ (0.31)

\$ in millions except per share data
Unaudited

BALANCE SHEET

	3/31/2019	9/30/2018	3/31/2018
Cash and cash equivalents ⁽¹⁾	\$ 82.1	\$ 335.0	\$ 476.4
Real estate	851.5	498.0	261.7
Investment in unconsolidated ventures	7.4	11.7	17.3
Other assets	21.0	21.5	24.3
Deferred income taxes, net	22.9	26.9	1.4
Total assets	\$ 984.9	\$ 893.1	\$ 781.1
Debt	\$ 149.2	\$ 111.7	\$ 109.8
Earnest money deposits on sales contracts	78.9	49.4	26.4
Other liabilities	69.0	57.5	34.9
Shareholders' equity	686.9	673.3	608.8
Noncontrolling interests	0.9	1.2	1.2
Total equity	687.8	674.5	610.0
Total liabilities and equity	\$ 984.9	\$ 893.1	\$ 781.1
Debt to total capital⁽²⁾	17.8%	14.2%	15.3%

\$ in millions except per share data

Unaudited

⁽¹⁾Cash and cash equivalents presented above includes \$15.7 million, \$16.2 million and \$40.0 million of restricted cash for the periods ended 3/31/19, 9/30/18 and 3/31/18, respectively.

⁽²⁾Debt to capital is calculated as debt divided by shareholders' equity plus debt

POSITIVE OUTLOOK AND CAPITAL MARKETS PLANS

FOR plans to grow its platform and scale rapidly while maintaining sufficient liquidity and modest leverage

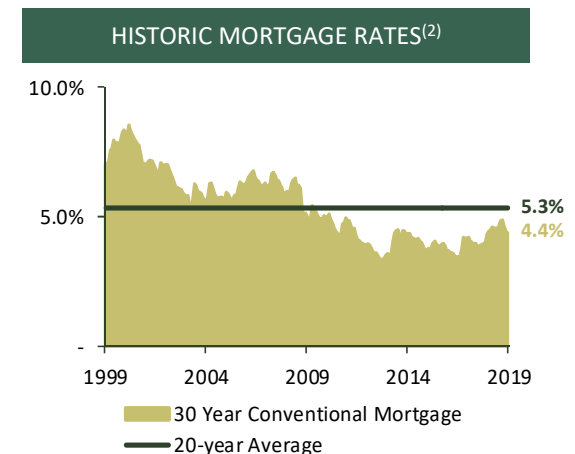
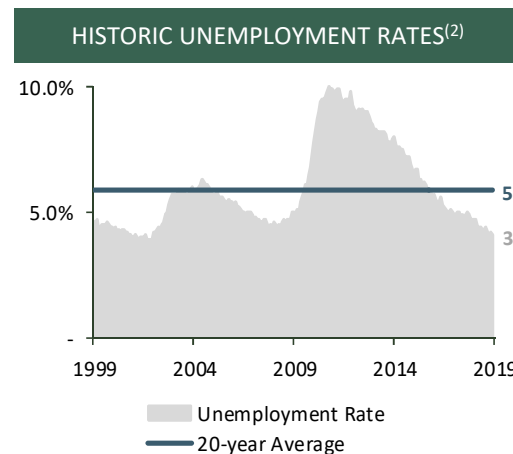
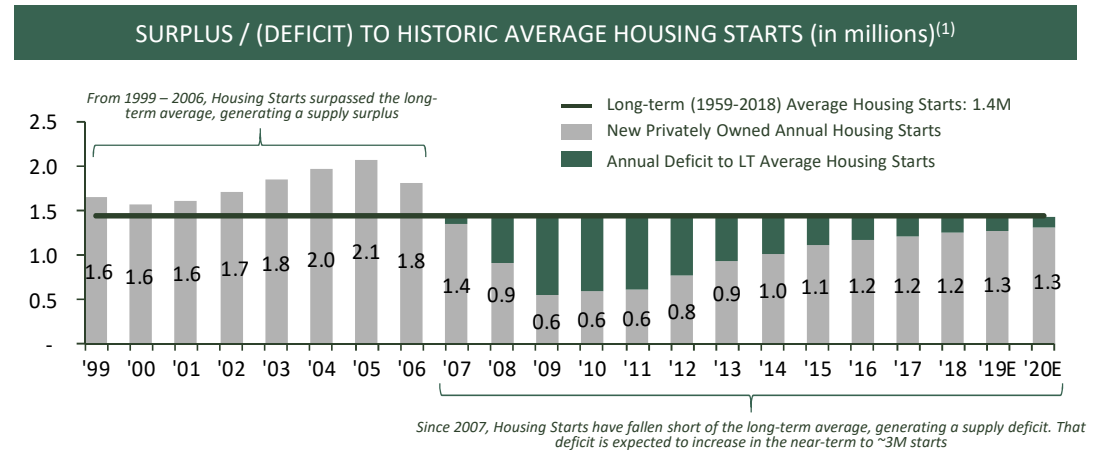
- FY 2019 is a transition year as FOR builds and grows its real estate portfolio and residential lot development platform to support a large-scale national lot manufacturing operation
- Current liquidity and available capital are sufficient to support FY 2019 and FY 2020 revenue growth
- FOR plans to access the public capital markets in FY 2019 and FY 2020 to support its 3 to 5 year plan to further expand its residential lot development business
 - Issued \$350M of 8.0% senior notes due 2024 in April 2019
 - Expect to opportunistically access the equity and debt capital markets as necessary for additional long-term growth capital, while managing to a net leverage ratio of 40% or less
 - All growth plans and capital raises will be evaluated and adjusted based on economic, housing market and capital market conditions
- FOR plans to maintain a flexible financial position to support growth plans and make opportunistic investments
- FOR expects to consolidate market share in highly fragmented lot development industry through housing market and economic cycles

APPENDIX

SOLID LONG-TERM INDUSTRY FUNDAMENTALS

Long-term housing industry fundamentals remain solid

- Limited supply of homes at affordable price points
- Unemployment rate near or at record lows for almost all groups of Americans
- Hourly wages growing
- Interest rates near historic lows
- Favorable demographics
- High consumer confidence



Source: Federal Reserve Bank of St. Louis, Freddie Mac, National Association of Realtors, NAHB, U.S. Census Bureau

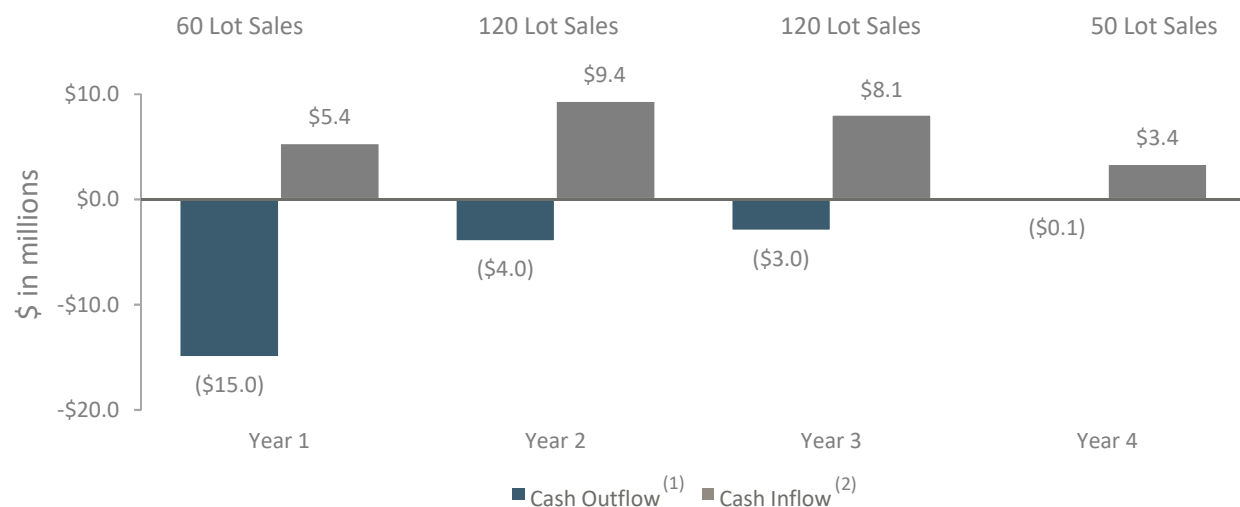
Notes: Unemployment and mortgage rate data as of February 2019

(1) 2019e and 2020e starts are based on annual estimates from the NAHB

(2) Represent monthly rates

ILLUSTRATIVE FORESTAR PROJECT CASH FLOWS & RETURN

Project Cash Flows



Project Metrics

Size & Duration:

- Project Size: 350 lots
- Project Life: 42 months
- Development Phasing: 2 phases
- Lot Sale Takedown Schedule: 6 lot sale dates per phase

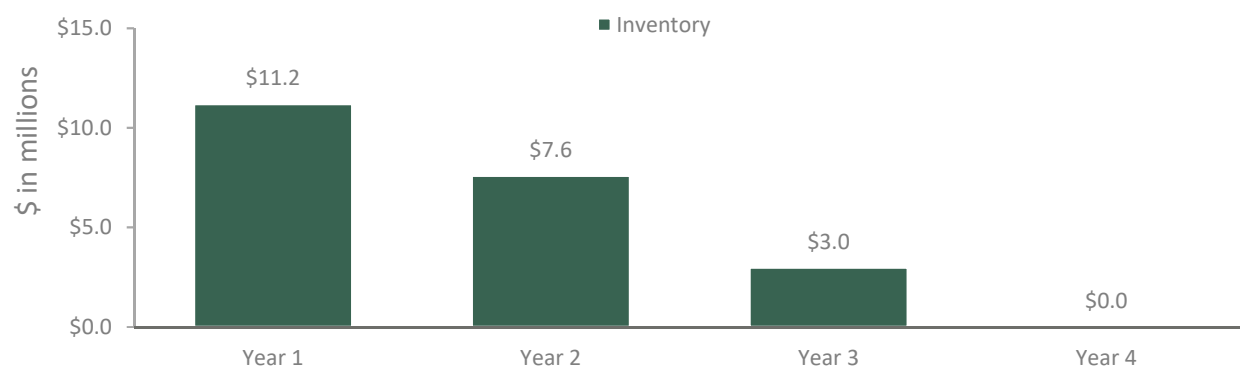
Cash Flows & Inventory:

- Lot Sale Revenues: \$26.3M (\$75,000 per lot)
- Land Acquisition Cost: \$6.3M (\$18,000 per lot)
- Development Spend: \$14.7M (\$42,000 per lot)
 - 1st Phase Development: \$8.5M
- Net Cash Flow: \$4.2M
- Average Monthly Inventory: \$7.9M

Project Metrics:

- Gross Margin: 20.0%
- Return on Average Inventory: 15.0%
- Initial Cash Recovery (3): ~27 months

Project Inventory at Year-End



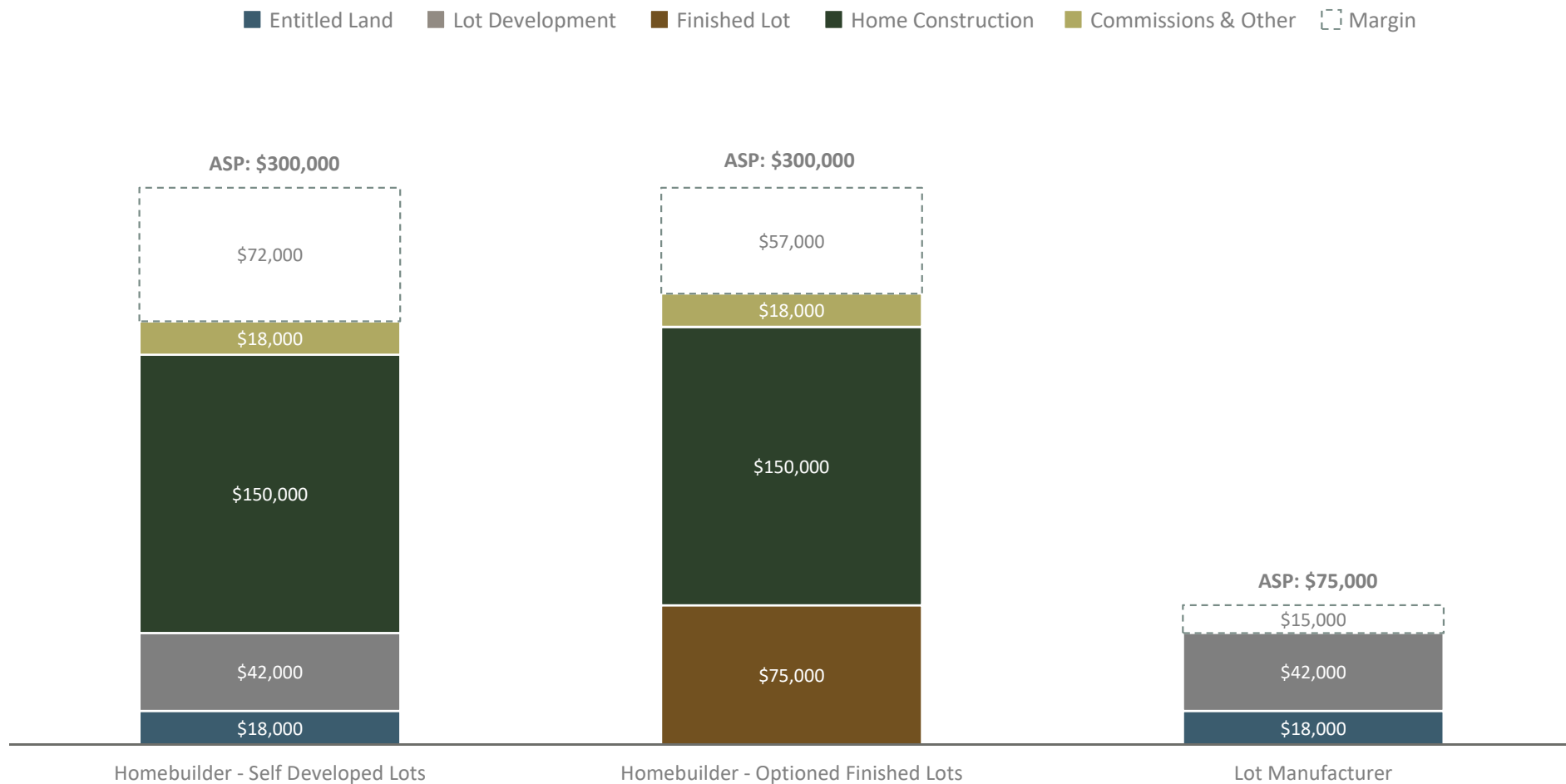
Note: For illustrative purposes only; projects can have a wide range of cash flows and returns

(1) Cash outflows include land acquisition and development spend and direct project overhead

(2) Cash inflows include lot sales and impact of earnest money

(3) Defined as the number of months required to recover Forestar's initial cash investment, including (i) land acquisition costs and (ii) development spend required to deliver the first phase of the project

ILLUSTRATIVE HOMEBUILDER VS. LOT MANUFACTURER PROJECT ECONOMICS



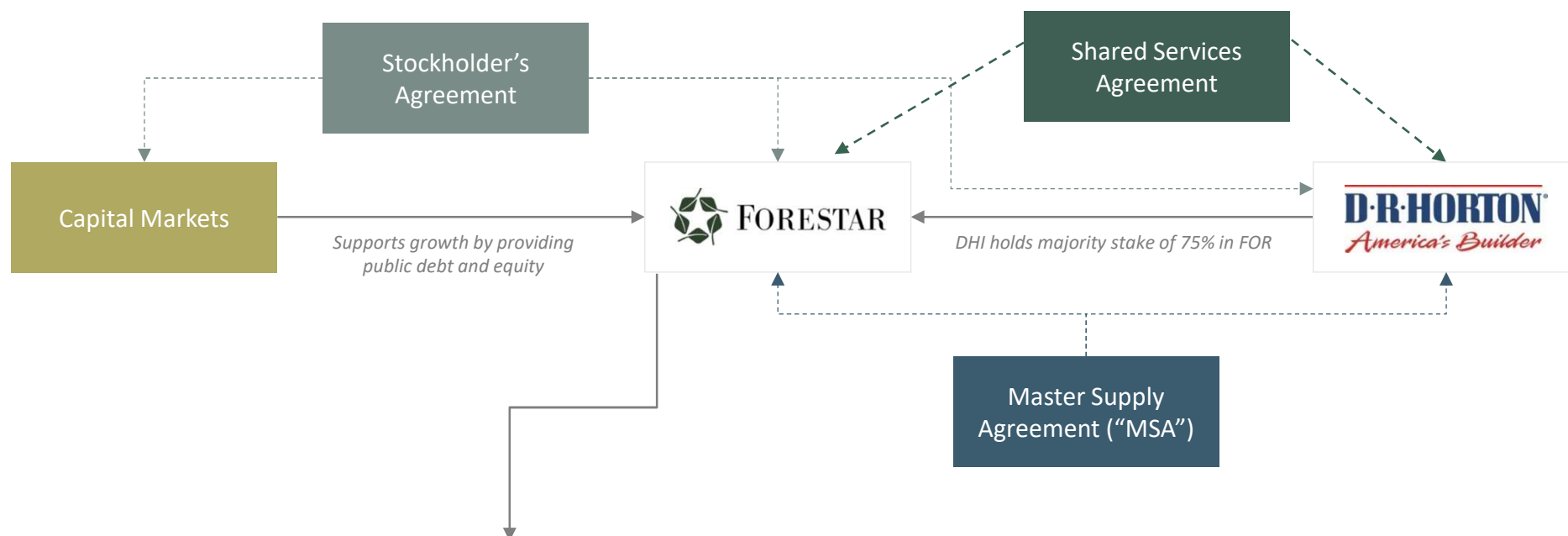
Note: For illustrative purposes only; projects can have a wide range of economics



SHORT-TERM LOT / LAND BANKING PROJECTS

- Short-term investments of available capital
- Primarily with DHI
- Annual returns on inventory⁽¹⁾ of 12% to 16%
- Gross margin percentage ranges from mid-single digit to mid-teens based on duration and lot development status
- Short-term lot / land banking volume will fluctuate and likely decline as a percentage of the portfolio mix over time as FOR's development platform expands

(1) Return on inventory is calculated as pre-tax income divided by average inventory over the life of a project

FOR & DHI RELATIONSHIP OVERVIEW



LAND SOURCING AND LOT SALES STRUCTURE PER THE MSA ⁽¹⁾	
Project sourced by	DHI Right of First Offer (ROFO) Structure
	<ul style="list-style-type: none"> • ROFO on 100% of lots
	<ul style="list-style-type: none"> • ROFO on 50% of lots in 1st phase • ROFO on 50% of lots in any subsequent phase, in which DHI purchased 25%+ of lots in previous phase
3 rd Party Homebuilder	<ul style="list-style-type: none"> • No DHI ROFO on lots

(1) Lots are sold to DHI and other builders at market pricing

MASTER SUPPLY AGREEMENT (MSA)

- Establishes business relationship between DHI and FOR as both companies identify residential real estate opportunities
- Provides DHI the right of first offer (ROFO) to purchase up to 100% of the lots from DHI sourced projects at market prices
- Provides DHI the ROFO to purchase up to 50% of the lots in the first phase of a Forestar sourced project and 50% of the lots in any subsequent phase in which DHI purchases at least 25% of the lots in the previous phase
- DHI has no ROFO rights on third-party builder sourced development opportunities provided to FOR
- Continues until the earlier of (i) the date which DHI owns less than 15% of voting shares of FOR or (ii) June 29, 2037; however, FOR may terminate the MSA at any time when DHI owns less than 25% of the voting stock of Forestar
- As of March 31, 2019, FOR has made significant progress growing its business under the MSA since the merger:
 - FOR acquired 93 new projects representing 27,600 lots since the acquisition date
 - FOR owned and controlled 31,400 lots, with 21,700 under contract with or subject to right of first offer to DHI

STOCKHOLDER'S AGREEMENT

- DHI has the right to nominate FOR's board members commensurate with DHI's equity ownership
 - DHI nominated four of FOR's five board members
 - FOR Board of Directors must include at least three independent directors (currently has four)
- Established an investment committee to approve new lot development and banking projects
- As long as DHI owns at least 35% of FOR's outstanding voting shares, FOR must obtain DHI consent in order to:
 - Issue equity
 - Incur, assume, refinance or guarantee debt that would increase FOR's gross leverage to greater than 40%
 - Select, terminate, remove or change compensation arrangements for the Executive Chairman, CEO, CFO and other key senior management
 - Make an acquisition or investment greater than \$20 million
- As long as DHI owns at least 20% of FOR's outstanding equity:
 - DHI has the right to designate individuals to FOR's Board based on DHI's ownership percentage
 - DHI has the right to designate the Executive Chairman of FOR

SHARED SERVICES AGREEMENT

- Shared Services Agreement between FOR and DHI defines the terms under which DHI may provide administrative, compliance, operational and procurement services to FOR
- Scope and cost of services provided to FOR are mutually agreed upon by FOR and DHI management teams and are adjusted periodically as necessary
- Services provided currently include:
 - Accounting, Finance and Treasury
 - Tax
 - Human Resources, Payroll and Benefits
 - Legal – Securities, Corporate Governance, Litigation and Risk Management
 - Internal Audit
 - Information Technology
 - Investor and Public Relations
- FOR also contracts with DHI for lot development services in projects owned by FOR in geographic markets where FOR has not yet established development teams and capabilities
 - FOR pays DHI a fixed fee for each lot developed, which is mutually agreed upon for each project