

Forestar Group Inc.  
Form 424B3  
August 25, 2017

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Filed Pursuant to Rule 424(b)(3)  
Registration No. 333-219488

August 25, 2017

**PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT**

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of Forestar Group Inc., which we refer to as "Forestar" or the "Company," to be held on October 3, 2017, at 9:00 a.m. (Central time), at 6300 Bee Cave Road, Building Two, Suite 500, Austin, Texas 78746.

At the special meeting, you will be asked to consider and vote upon (1) a proposal to adopt the Agreement and Plan of Merger, dated as of June 29, 2017, as it may be amended from time to time (which we refer to as the "Merger Agreement"), among D.R. Horton, Inc. (which we refer to as "D.R. Horton"), Force Merger Sub, Inc. (which we refer to as "Merger Sub"), a wholly owned subsidiary of D.R. Horton, and Forestar, pursuant to which Merger Sub will merge with and into Forestar (which we refer to as the "merger") and Forestar will continue as the surviving entity in the merger; (2) a non-binding advisory proposal to approve specified compensation that may be paid or become payable to Forestar's named executive officers in connection with the merger; and (3) a proposal to adjourn the special meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the Merger Agreement.

If the merger is completed, for each existing share of common stock, par value \$1.00 per share, of Forestar (which we refer to as "Forestar common stock") that you own, unless you have properly exercised your appraisal rights with respect to such shares, you will be entitled to elect to receive \$17.75 in cash (which we refer to as the "cash consideration"), without interest and less applicable withholding taxes, or one new share of Forestar common stock (which we refer to as the "stock consideration"), subject to proration such that D.R. Horton will buy approximately 75% of the new shares of Forestar common stock for cash. Forestar will remain a public company following completion of the merger.

**Forestar's board of directors has unanimously determined that the Merger Agreement and the transactions contemplated by the Merger Agreement are advisable, fair to and in the best interests of Forestar and its stockholders, and approved and declared advisable the Merger Agreement and the transactions contemplated by the Merger Agreement. Forestar's board of directors unanimously recommends that you vote (i) "FOR" the proposal to adopt the Merger Agreement, (ii) "FOR" the proposal to approve, by non-binding advisory vote, specified compensation that may be paid or become payable to Forestar's named executive officers in connection with the merger and (iii) "FOR" the proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the Merger**

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### Agreement.

The enclosed proxy statement/prospectus provides detailed information about the special meeting, the Merger Agreement and the merger. A copy of the Merger Agreement is attached as Annex A to the proxy statement/prospectus. The proxy statement/prospectus also describes the actions and determinations of Forestar's board of directors in connection with its evaluation of the Merger Agreement and the merger. We encourage you to read the proxy statement/prospectus and its annexes, including the Merger Agreement, carefully and in their entirety. You should also carefully consider the risks that are described in the section entitled "*Risk Factors*" beginning on page 16. You may also obtain more information about Forestar from documents we file with the Securities and Exchange Commission from time to time.

Whether or not you plan to attend the special meeting in person, please complete, sign, date and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope or grant your proxy electronically over the internet or by telephone. If you attend the special meeting and vote in person by ballot, your vote will revoke any proxy that you have previously submitted. If you hold your shares in "street name," you should instruct your broker how to vote in accordance with the voting instruction form you will receive from your broker, bank or other nominee.

**Your vote is very important, regardless of the number of shares that you own. We cannot complete the merger unless the proposal to adopt the Merger Agreement is approved by the affirmative vote of the holders of a majority of the outstanding shares of Forestar common stock entitled to vote thereon. Failure to complete, sign, date and return a signed proxy card, grant a proxy electronically over the internet or by telephone or to vote in person by ballot at the special meeting will have the same effect as a vote "AGAINST" the proposal to adopt the Merger Agreement. If you hold your shares in "street name," the failure to instruct your broker, bank or other nominee on how to vote your shares will have the same effect as a vote "AGAINST" the proposal to adopt the Merger Agreement.**

If you have any questions or need assistance voting your shares of Forestar common stock, please contact D. F. King & Co., Inc., our proxy solicitor, by calling 800-290-6431 toll-free.

Thank you for your support of Forestar.

Sincerely,

James A. Rubright  
*Chairman of the Board*

**Neither the Securities and Exchange Commission nor any state securities regulatory agency has approved or disapproved of the transactions described in this document, including the merger, or determined if the information contained in this document is accurate or adequate. Any representation to the contrary is a criminal offense.**

The accompanying proxy statement/prospectus is dated August 25, 2017 and, together with the enclosed form of proxy card, is first being mailed to Forestar stockholders on or about August 28, 2017.

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6300 Bee Cave Road, Building Two, Suite 500  
Austin, Texas 78746

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD ON OCTOBER 3, 2017**

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To the stockholders of Forestar Group Inc.:

A special meeting of stockholders of Forestar Group Inc. will be held on October 3, 2017, at 9:00 a.m. (Central time), at 6300 Bee Cave Road, Building Two, Suite 500, Austin, Texas 78746, to consider and vote upon the following proposals:

1. to adopt the Agreement and Plan of Merger, dated as of June 29, 2017, as it may be amended from time to time, among D.R. Horton, Inc., Force Merger Sub, Inc. and Forestar;
2. to approve, on a non-binding advisory basis, specified compensation that may be paid or become payable to Forestar's named executive officers in connection with the merger contemplated by the Merger Agreement; and
3. to approve the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the Merger Agreement.

**Your vote is very important.** We cannot complete the merger unless the proposal to adopt the Merger Agreement is approved by the affirmative vote of the holders of a majority of the outstanding shares of Forestar common stock entitled to vote thereon.

Even if you plan to attend the special meeting in person, we request that you complete, sign, date and return, as promptly as possible, the enclosed proxy card in the accompanying prepaid reply envelope or grant a proxy electronically over the internet or by telephone prior to the special meeting to ensure that your shares of Forestar common stock will be represented and voted at the special meeting if you are unable to attend. Failure to complete, sign, date and return a signed proxy card, grant a proxy electronically over the internet or by telephone or to vote in person by ballot at the special meeting will result in your shares of Forestar common stock not being counted for purposes of determining whether a quorum is present at the special meeting and will have the same effect as a vote "AGAINST" the proposal to adopt the Merger Agreement. For more information concerning the special meeting, the Merger Agreement and the merger, please review the accompanying proxy statement/prospectus and the copy of the Merger Agreement attached as Annex A thereto.

Only stockholders of record as of the close of business on August 21, 2017 are entitled to notice of the special meeting and to vote at the special meeting or at any adjournment or postponement thereof. A list of stockholders entitled to vote at the special meeting will be available in our offices located at 6300 Bee Cave Road, Building Two, Suite 500, Austin, Texas 78746, during regular business hours for a period of at least 10 days before the special meeting and at the place of the special meeting during the meeting.

**Forestar's board of directors unanimously recommends that you vote (i) "FOR" the proposal to adopt the Merger Agreement, (ii) "FOR" the proposal to approve, by non-binding advisory vote, specified compensation that may be paid or become payable to Forestar's named executive officers in connection with the merger and (iii) "FOR" the proposal to approve the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the Merger Agreement.**

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By Order of the Board of Directors,

August 25, 2017  
Austin, Texas

Matthew S. Stark  
*Senior Vice President, General Counsel and Secretary*

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**ADDITIONAL INFORMATION**

This proxy statement/prospectus incorporates important business and financial information about Forestar from documents filed with the Securities and Exchange Commission (which we refer to as the "SEC") that are not included in or delivered with this proxy statement/prospectus. You can obtain any reports, proxy statements or other information that we file with the SEC from the internet website maintained by the SEC at [www.sec.gov](http://www.sec.gov). You may also request copies of these documents, including documents incorporated by reference into this proxy statement/prospectus, by contacting Forestar at the following address and phone number: Forestar Group Inc., 6300 Bee Cave Road, Building Two, Suite 500, Austin, Texas 78746, Attention: Corporate Secretary, telephone (512) 433-5200. **In order to ensure timely delivery of such documents before the special meeting, any such request should be made promptly, and in no event later than September 26, 2017.** Forestar will make available a copy of its public reports, without charge, on its website at [www.forestargroup.com](http://www.forestargroup.com) as soon as reasonably practicable after it files the reports electronically with the SEC. Information included on this website is not incorporated by reference into this proxy statement/prospectus. See the section entitled "*Where You Can Find More Information*" for more details.

**ABOUT THIS DOCUMENT**

This document, which forms part of a registration statement on Form S-4 filed by Forestar with the SEC (File No. 333-219488), constitutes a prospectus of Forestar under Section 5 of the Securities Act of 1933, as amended (which we refer to as the "Securities Act"), with respect to the new shares of Forestar common stock to be issued to Forestar stockholders in connection with the merger. This document also constitutes a proxy statement of Forestar under Section 14(a) of the Securities Exchange Act of 1934, as amended (which we refer to as the "Exchange Act"). It also constitutes a notice of meeting with respect to the special meeting, at which Forestar stockholders will be asked to consider and vote upon, among other things set forth in this proxy statement/prospectus, the approval of the Merger Agreement.

You should rely only on the information contained in, or incorporated by reference into, this proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this proxy statement/prospectus. This proxy statement/prospectus is dated August 25, 2017, and you should not assume that the information in this document is accurate as of any other date. The information contained in, or incorporated by reference into, this proxy statement/prospectus speaks only as of the date of this proxy statement/prospectus unless the information specifically indicates that another date applies. Neither the mailing of this proxy statement/prospectus to Forestar stockholders, nor the issuance by Forestar of the new shares of Forestar common stock in connection with the merger, will create any implication to the contrary.

**This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Except where the context otherwise indicates, information contained in this document regarding Forestar has been provided by Forestar and information contained in this document regarding D.R. Horton has been provided by D.R. Horton.**

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**QUESTIONS AND ANSWERS ABOUT THE FORESTAR SPECIAL MEETING**

*The following questions and answers are intended to address briefly some commonly asked questions regarding the special meeting, the Merger Agreement and the transactions contemplated thereby. These questions and answers may not address all questions that may be important to you as a Forestar stockholder. Please refer to the "Summary" section and the more detailed information contained elsewhere in this proxy statement/prospectus, the annexes to this proxy statement/prospectus and the other documents referred to in this proxy statement/prospectus, all of which you should read carefully.*

**Q:**  
**Why am I receiving this proxy statement/prospectus?**

**A:**  
On June 29, 2017, Forestar and D.R. Horton entered into the Merger Agreement providing for the merger of Merger Sub with and into Forestar, with Forestar surviving the merger. You are receiving this proxy statement/prospectus in connection with the solicitation of proxies by Forestar's board of directors (which we refer to as the "Board") in favor of the proposal to adopt the Merger Agreement and to approve the other proposals to be voted on at the special meeting.

**Q:**  
**What is the proposed transaction?**

**A:**  
The proposed transaction is the acquisition of approximately 75% of Forestar's common stock by D.R. Horton through the merger pursuant to the Merger Agreement. Following the effective time of the merger, as a result of the merger, D.R. Horton will own approximately 75% of Forestar common stock and Forestar stockholders immediately prior to the merger will own approximately 25% of Forestar common stock.

In connection with the execution of the Merger Agreement, Forestar and D.R. Horton entered into a Stockholder's Agreement (which we refer to as the "Stockholder's Agreement") and a Master Supply Agreement (which we refer to as the "Master Supply Agreement"), each dated as of June 29, 2017, each of which will become effective at the effective time of the merger. The Stockholder's Agreement establishes, among other things, certain rights of the Company and D.R. Horton concerning the corporate governance of the Company following completion of the merger, restrictions on transfers and acquisitions of new shares of Forestar common stock held by D.R. Horton and its affiliates, preemptive rights and registration rights for new shares of Forestar common stock, and allocation of corporate opportunities between the Company and D.R. Horton. For more information, see the section entitled "*The Stockholder's Agreement*." The Master Supply Agreement establishes a strategic relationship between the Company and D.R. Horton for the supply of developed lots following completion of the merger. Under the Master Supply Agreement, the Company will, and D.R. Horton may, present lot development opportunities that it desires to develop to the other party, subject to certain exceptions. The parties will collaborate with respect to such opportunities and, if they elect to develop such opportunities, D.R. Horton will have a right of first refusal to acquire some or all of the lots developed by the Company, as set forth in the Master Supply Agreement, on market terms as determined by the parties. For more information, see the section entitled "*The Master Supply Agreement*."

**Q:**  
**What will I receive in the merger?**

**A:**  
If the merger is completed, each share of common stock, par value \$1.00 per share, of Forestar ("Forestar common stock") will be converted into the right to receive, either

an amount in cash equal to \$17.75 (the "cash consideration"), or

one new share of Forestar common stock (the "stock consideration"),

in each case at the election of the applicable Forestar stockholder, subject to proration procedures applicable to oversubscription and undersubscription for the cash consideration described below,





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which, as described below, may result in a Forestar stockholder not receiving the form of merger consideration that such stockholder elects. We refer to the cash consideration and the stock consideration as the "merger consideration."

The Company will not issue any fractional shares of Forestar common stock in the merger, and the paying agent will round amounts of the cash consideration and the stock consideration, as provided in the Merger Agreement.

The Merger Agreement provides that the aggregate cash consideration is fixed at \$558,256,373 (which we refer to as the "cash component").

Each Forestar stockholder may elect to receive the cash consideration or the stock consideration, or, to the extent the stockholder holds multiple shares, a combination of the two (for example, a Forestar stockholder who holds 100 shares of Forestar common stock could make a cash election with respect to 50 shares and a stock election with respect to the other 50 shares), in exchange for shares of Forestar common stock. Please note that Forestar stockholders will not be receiving any interest in D.R. Horton or D.R. Horton's common stock in connection with the merger or the other transactions described in this proxy statement/prospectus.

**Q:**  
**Will Forestar stockholders receive the form of consideration they elect?**

**A:**  
A Forestar stockholder may not receive the form of consideration that such stockholder elects in the merger. The proration and adjustment procedures in the Merger Agreement will result, regardless of the elections made, in the aggregate cash consideration being equal to the cash component (i.e., \$558,256,373). Accordingly, the number of shares of Forestar common stock to be converted into the right to receive the cash consideration (which we refer to as the "cash conversion number") will be determined by dividing the cash component by the per share cash consideration (resulting in a cash conversion number of 31,451,063), and the balance of the shares will be converted into the right to receive the stock consideration. Pursuant to proration and adjustment procedures in the Merger Agreement, if the number of shares of Forestar common stock for which a cash election has been made exceeds the cash conversion number, a pro rata portion of all those shares for which a cash election has been made will instead be converted into the right to receive the stock consideration. Similarly, if the number of shares of Forestar common stock for which a cash election has been made is less than the cash conversion number, a pro rata portion of all the shares of Forestar common stock for which a stock election has been made will instead be converted into the right to receive the cash consideration. In each case, outstanding shares of Forestar common stock with respect to which no election has been made (i.e., "non-election" shares) will be converted to the undersubscribed form of merger consideration first. To the extent there is an increase, if any, in the number of outstanding shares of Forestar common stock between the date of the Merger Agreement and the effective time of the merger (to the extent permitted by the Merger Agreement), the aggregate number of shares issued as stock consideration will be increased accordingly, but the aggregate amount of the cash component will not change. The allocation of the consideration payable to Forestar stockholders in the merger will not be known until the results of the merger consideration elections made by Forestar stockholders are tallied, which will not occur until near the closing of the merger. See the section entitled "*The Merger Agreement Merger Consideration.*"

**Q:**  
**How will Forestar stockholders make their election to receive either the cash consideration or the stock consideration in the merger?**

**A:**  
An election form has been mailed to each holder of record of Forestar common stock as of the record date for the special meeting together with this proxy statement/prospectus. The election deadline is expected to be 5:00 p.m. New York time on the date that is six business days before the expected closing date of the merger (which we refer to as the "closing date"). Forestar will use

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reasonable best efforts to make an election form available to each Forestar stockholder who requests such form before the election deadline. Each Forestar stockholder should complete and return the election form, together with any Forestar stock certificate(s) (or a properly completed notice of guaranteed delivery), or, in the case of uncertificated shares, all additional documents specified in the instructions included with the election form.

If you own shares of Forestar common stock in "street name" through a bank, broker or other nominee and you wish to make an election, you should seek instructions from the bank, broker or other nominee holding your shares concerning how to make an election. If the paying agent does not receive the election form, together with any Forestar stock certificate(s) (or a properly completed notice of guaranteed delivery) or, in the case of uncertificated shares, all additional documents specified in the instructions included with the election form, by the election deadline, you will be treated as though you did not make an election.

You may change your election by delivering a later dated election form before the election deadline. You may revoke your election by written notice of revocation before the election deadline.

**None of Forestar, the Board or D.R. Horton makes any recommendation about whether any Forestar stockholder should make an election to receive the cash consideration, the stock consideration or, if electing for multiple shares, a combination of the two, or no election. Each holder of shares of Forestar common stock must make his or her own decision about whether to make an election and, if so, what election to make.**

**Q: What happens if a Forestar stockholder does not make a valid election to receive either the cash consideration or the stock consideration?**

A: If the paying agent does not receive a properly completed election form from a Forestar stockholder, together with any Forestar stock certificate(s) (or a properly completed notice of guaranteed delivery) or, in the case of uncertificated shares, all additional documents specified in the instructions included with the election form, by the election deadline specified in the instructions included with the election form, such stockholder's shares of Forestar common stock will be considered "non-election" shares and will be converted into the right to receive the stock consideration or the cash consideration according to the allocation procedures specified in the Merger Agreement. Generally, in the event one form of merger consideration (i.e., cash or new shares of Forestar common stock) is undersubscribed, shares of Forestar common stock for which no election was validly made will be allocated to that form of merger consideration pursuant to the proration and adjustment procedures. Although electing one form of merger consideration will not guarantee that you will receive that form of merger consideration for all of your shares of Forestar common stock, in the event proration is necessary, electing shares will be allocated the undersubscribed form of merger consideration only after such form of merger consideration is allocated to "non-election" shares.

**Q: What will happen to Forestar's outstanding equity awards?**

A: For information regarding the treatment of Forestar's outstanding equity awards, see the section entitled "*The Merger Agreement Treatment of Forestar Equity Awards.*"

**Q: What is included in these materials?**

A: These materials include:

this proxy statement/prospectus for the special meeting,

a proxy card (enclosed with this proxy statement/prospectus),

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an election form (enclosed with this proxy statement/prospectus),

a copy of the Merger Agreement (attached as Annex A to this proxy statement/prospectus),

a copy of the Stockholder's Agreement (attached as Annex B to this proxy statement/prospectus),

a copy of the Master Supply Agreement (attached as Annex C to this proxy statement/prospectus),

the written opinion of JMP Securities LLC (attached as Annex D to this proxy statement/prospectus), and

the full text of Section 262 of the Delaware General Corporation Law (attached as Annex E to this proxy statement/prospectus).

**Q:**  
**Where and when is the special meeting?**

**A:**  
The special meeting will take place at 9:00 a.m. (Central time), on October 3, 2017 at 6300 Bee Cave Road, Building Two, Suite 500, Austin, Texas 78746.

**Q:**  
**What proposals will be voted on at the special meeting?**

**A:**  
There are three proposals scheduled to be voted on at the special meeting:

the proposal to adopt the Merger Agreement;

the proposal to approve, on a non-binding advisory basis, specified compensation that may be paid or become payable to Forestar's named executive officers in connection with the merger; and

the proposal to approve the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the Merger Agreement.

**Q:**  
**What is the Forestar board of directors' voting recommendation?**

**A:**  
The Board recommends that you vote your shares:

**"FOR"** the proposal to adopt the Merger Agreement;

**"FOR"** the approval, on a non-binding advisory basis, of specified compensation that may be paid or become payable to Forestar's named executive officers in connection with the merger; and

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"**FOR**" the proposal regarding adjournment of the special meeting.

For a discussion of the factors that the Board considered in determining to recommend the adoption of the Merger Agreement, please see the section entitled "*The Merger Recommendation of the Forestar Board of Directors and Reasons for the Merger.*" In addition, in considering the recommendation of the Board with respect to the Merger Agreement, you should be aware that some of our directors and executive officers have interests that may be different from, or in addition to, the interests of Forestar stockholders generally. For a discussion of these interests, please see the section entitled "*The Merger Interests of Forestar's Directors and Executive Officers in the Merger.*"

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**Q: Who is entitled to vote at the special meeting?**

A: All shares of Forestar common stock owned by you as of the record date, which is the close of business on August 21, 2017, may be voted by you. You may cast one vote per share of Forestar common stock that you held on the record date. These shares include shares that are:

held directly in your name as the stockholder of record; and

held for you as the beneficial owner through a broker, bank or other nominee.

On the record date, there were 41,934,751 shares of Forestar common stock issued and outstanding.

**Q: What is the difference between holding shares as a stockholder of record and as a beneficial owner?**

A: Many of our stockholders hold their shares through a broker, bank or other nominee rather than directly in their own name. As summarized below, there are some differences between shares held of record and those owned beneficially.

*Stockholders of Record.* If your shares of Forestar common stock are registered directly in your name with Forestar's transfer agent, Computershare, you are considered the stockholder of record with respect to those shares, and this proxy statement/prospectus was sent directly to you by Forestar. As the stockholder of record, you have the right to grant your voting proxy directly to certain officers of Forestar or to vote in person at the special meeting.

*Beneficial Owner.* If your shares of Forestar common stock are held in an account at a broker, bank or other nominee, like many of our stockholders, you are considered the beneficial owner of shares held in street name, and this proxy statement/prospectus was forwarded to you by that organization. As the beneficial owner, you have the right to direct your broker, bank or other nominee how to vote your shares, and you are also invited to attend the special meeting, although only your broker, bank or other nominee will have the right to vote your shares at the special meeting, and only to the extent you have previously instructed it to do so.

**Q: What must I do if I want to attend the special meeting in person?**

A: Attendance at the special meeting is limited to individuals who were Forestar stockholders as of the record date. Registration and seating will begin at 8:30 a.m. (Central time). Each stockholder will be asked to present proof of identification, such as a driver's license or passport, prior to admission to the special meeting. Beneficial owners of shares held in "street name" will need to bring proof of share ownership as of the record date, such as a bank or brokerage firm account statement or a letter from the intermediary holding your shares. Cameras, recording devices and other electronic devices will not be permitted at the special meeting.

**Q: If I am a stockholder of record of shares of Forestar common stock, how do I vote?**

A: If you are a stockholder of record, there are four ways you can vote or have your shares voted by submitting a proxy:

by submitting a proxy via the internet, at the internet address provided on the proxy card;

by submitting a proxy by telephone, by calling 800-690-6903;

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by submitting a proxy by mail, by completing, signing and dating the proxy card and returning it in the enclosed postage-paid envelope; or

by voting in person at the special meeting.

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**Q: If I am a beneficial owner of shares of Forestar common stock held in street name, how do I vote?**

A: If you are a beneficial owner of shares of Forestar common stock held in street name, you will receive instructions from the holder of record as to how to vote your shares. You must follow the instructions of the holder of record in order for your shares to be voted. Telephone and internet voting also will be offered to stockholders owning shares through certain banks and brokers. If your shares are not registered in your own name and you plan to vote your shares in person at the special meeting, you should contact your broker, bank or other nominee to obtain a "legal proxy" or broker's proxy card and bring it to the special meeting in order to vote. Please note that if you hold your shares through broker, bank or other nominee, such nominee cannot vote your shares unless you have given your nominee specific instructions as to how to vote. In order for your vote to be counted, please make sure that you submit your vote to your broker, bank or other nominee.

**Q: Will my shares of Forestar common stock held in "street name" or another form of record ownership be combined for voting purposes with shares I hold of record?**

A: No. Because any shares of Forestar common stock you may hold in "street name" will be deemed to be held by a different stockholder of record than any shares of Forestar common stock you hold of record, any shares held in "street name" will not be combined for voting purposes with shares you hold of record. Similarly, if you own shares in various registered forms, such as jointly with your spouse, as trustee of a trust or as custodian for a minor, you will receive, and will need to sign and return, a separate proxy card or submit a proxy separately by telephone or internet with respect to those shares because they are held in a different form of record ownership. Shares of Forestar common stock held by a corporation or business entity must be voted by an authorized officer of the entity. Shares of Forestar common stock held in an individual retirement account must be voted under the rules governing such account.

**Q: What is the quorum requirement for the special meeting?**

A: A quorum is necessary to hold a valid special meeting. A quorum exists if the holders of a majority of Forestar common stock issued and outstanding and entitled to vote at the special meeting are present in person or represented by proxy. If a quorum is not present at the special meeting, the special meeting may be adjourned or postponed from time to time until a quorum is obtained.

If you submit a proxy but fail to provide voting instructions or abstain on any of the proposals listed on the proxy card, your shares will be counted for the purpose of determining whether a quorum is present at the special meeting.

If your shares are held in "street name" by your broker, bank or other nominee and you do not instruct the nominee how to vote your shares, these shares will not be counted for purposes of determining whether a quorum is present for the transaction of business at the special meeting.

**Q: What happens if I do not give specific voting instructions?**

A: *Stockholders of Record.* If you are a Forestar stockholder of record and you submit a signed proxy card or submit your proxy by telephone or the internet, but do not specify how you want to vote your shares on a particular proposal, then the proxy holders will vote your shares in accordance with the recommendations of the Board on all matters presented in this proxy statement/prospectus.

*Beneficial Owners.* If you are a beneficial owner of shares of Forestar common stock held in "street name," under the rules of the New York Stock Exchange (which we refer to as the "NYSE") the broker, bank or other nominee that holds your shares may generally vote on routine matters but cannot vote without instructions on non-routine matters. The proposals to (i) adopt



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the Merger Agreement, (ii) approve, on a non-binding advisory basis, specified compensation that may be paid or become payable to Forestar's named executive officers in connection with the merger and (iii) approve the adjournment of the special meeting, if necessary or appropriate, including to solicit additional proxies, are considered non-routine matters under applicable rules. If the broker, bank or other nominee that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the broker, bank or other nominee that holds your shares will inform the representative counting votes that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a "broker non-vote." Therefore, we urge you to give voting instructions to your broker, bank or other nominee. Shares represented by such "broker non-votes" will not be counted in determining whether there is a quorum. A "broker non-vote" will have the same effect as a vote "AGAINST" the proposal to adopt the Merger Agreement.

**Q:**  
**What is the voting requirement to approve each of the proposals?**

**A:**  
Adoption of the Merger Agreement requires Forestar stockholders holding a majority of the shares of Forestar common stock outstanding at the close of business on the record date for the special meeting to vote "FOR" the proposal to adopt the Merger Agreement. A failure to vote your shares of Forestar common stock or an abstention from voting will have the same effect as a vote "AGAINST" the proposal to adopt the Merger Agreement. If your shares are held in "street name" by your broker, bank or other nominee and you do not instruct the broker, bank or other nominee how to vote your shares, a "broker non-vote" will arise and will have the same effect as a vote "AGAINST" the proposal to adopt the Merger Agreement.

The approval, on a non-binding advisory basis, of the proposal regarding specified compensation that may be paid or become payable to Forestar's named executive officers in connection with the merger requires the affirmative vote of a majority of the votes cast at the special meeting at which a quorum is present. Assuming a quorum is present at the special meeting, failure to vote your shares of Forestar common stock, an abstention from voting or a "broker non-vote" will have no effect on this proposal.

The affirmative vote of a majority of the votes cast at the special meeting, whether or not a quorum is present, is required to approve the proposal to approve the adjournment of the special meeting, if necessary or appropriate. A failure to vote your shares of Forestar common stock, an abstention from voting or a "broker non-vote" will have no effect on this proposal.

**Q:**  
**How do Forestar's directors and executive officers intend to vote?**

**A:**  
We currently expect that Forestar's directors and executive officers will vote their shares of Forestar common stock in favor of the proposal to adopt the Merger Agreement and the other proposals to be considered at the special meeting, although they have no obligation to do so.

**Q:**  
**What effects will the merger have on Forestar?**

**A:**  
Forestar common stock is currently registered under the Exchange Act and is listed on the NYSE under the symbol "FOR." Following completion of the merger, the Company will remain a public company, and shares of Forestar common stock will continue to be registered under the Exchange Act, as well as listed and traded on the NYSE.

**Q:**  
**When is the merger expected to be completed?**

**A:**  
We and D.R. Horton are working toward completing the merger as quickly as possible. We cannot be certain when or if the conditions to the merger will be satisfied (or, to the extent permitted, waived). The merger cannot be completed until the conditions to closing are satisfied (or, to the

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extent permitted, waived), including the adoption of the Merger Agreement by Forestar stockholders. Assuming timely satisfaction of the closing conditions, we currently expect to complete the merger in the fourth quarter of 2017.

**Q: What happens if the merger is not completed?**

A: If the Merger Agreement is not adopted by Forestar stockholders, or if the merger is not completed for any other reason, Forestar stockholders will not receive any payment for their shares of Forestar common stock in connection with the merger. Upon a termination of the Merger Agreement prior to consummation of the merger, under certain circumstances, we will be required to pay D.R. Horton a termination fee of \$20 million. In addition, under certain circumstances, we will be required to reimburse D.R. Horton for up to \$4 million of its transaction expenses. See the section entitled "*The Merger Agreement Termination*."

**Q: What will happen if stockholders do not approve, on a non-binding advisory basis, the proposal on specified compensation that may be paid or become payable to Forestar's named executive officers in connection with the merger?**

A: The inclusion of this proposal is required by the SEC rules; however, the approval of this proposal is not a condition to the completion of the merger and the vote on this proposal is an advisory vote and will not be binding on Forestar or D.R. Horton. If the Merger Agreement is adopted by Forestar stockholders and the merger is completed, the merger-related compensation may be paid to Forestar's named executive officers even if stockholders fail to approve this proposal.

**Q: Can I revoke my proxy or change my vote?**

A: Yes. You may revoke or change your proxy for any reason by:

providing a written notice that is received before the meeting to Forestar's Corporate Secretary, Matthew S. Stark, at Forestar Group Inc., 6300 Bee Cave Road, Building Two, Suite 500, Austin, Texas 78746;

delivering a valid, later-dated proxy either by telephone or online (your last delivery before the meeting begins will be counted); or

if you are a registered stockholder (or if you hold your shares in "street name" and have a proper legal proxy from your broker), attending the special meeting and voting in person.

Please note that simply attending the special meeting in person will not cause your previously granted proxy to be revoked. Shares held in "street name" may be voted in person by you at the special meeting only if you obtain a signed "legal proxy" from the stockholder of record giving you the right to vote the shares.

**Q: What happens if I do not vote or if I abstain from voting on the proposals?**

A: The requisite number of shares to approve the proposal to adopt the Merger Agreement is based on the total number of shares of Forestar common stock outstanding on the record date, not just the shares that are voted. If you do not vote or abstain from voting on the proposal to adopt the Merger Agreement, it will have the same effect as a vote "**AGAINST**" the proposal to adopt the Merger Agreement and will have no effect on the non-binding advisory proposal to approve specified compensation that may be paid or become payable to Forestar's named executive officers in connection with the merger and the proposal regarding adjournment of the special meeting.

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**Q: What happens if I sell my shares of Forestar common stock before completion of the merger?**

A: In order to receive the merger consideration, you must hold your shares of Forestar common stock through completion of the merger. Consequently, if you transfer your shares of Forestar common stock before completion of the merger, you will have transferred your right to receive the merger consideration in the merger.

The record date for stockholders entitled to vote at the special meeting is earlier than the consummation of the merger. If you transfer your shares of Forestar common stock after the record date but before the closing of the merger, you will have the right to vote at the special meeting but will have transferred your right to receive the merger consideration in the merger.

**Q: Should I send in my stock certificates or other evidence of ownership now?**

A: No. Please do not send any Forestar stock certificates with your proxy. You should submit your Forestar stock certificates, if any, with your election form to the address specified in the instructions received with your election form. Any Forestar stockholder who has not submitted their physical stock certificate(s), if any, with an election form will be sent materials after completion of the merger with detailed written instructions for exchanging their shares of Forestar common stock evidenced by stock certificates for the merger consideration. If your shares of Forestar common stock are held in "street name" by your broker, bank or other nominee, you may receive instructions from your broker, bank or other nominee as to what action, if any, you need to take in order to effect the surrender of your "street name" shares in exchange for the merger consideration. See the section entitled "*The Merger Agreement Exchange of Shares; Elections as to Form of Consideration.*"

**Q: If I do not know where my stock certificates are, how will I get the merger consideration for my shares?**

A: The election form includes the procedures that you must follow if you cannot locate your stock certificates, including an affidavit that you will need to sign attesting to the loss of your stock certificates. You may also be required to post a bond as indemnity against any potential loss.

**Q: Am I entitled to exercise dissenters' or appraisal rights instead of receiving the merger consideration for my shares of Forestar common stock?**

A: Yes. In order to exercise your appraisal rights, you must follow the requirements set forth in Section 262 of the Delaware General Corporation Law (which we refer to as the "DGCL"). Under Delaware law, if the merger is completed, Forestar stockholders who do not vote in favor of adopting the Merger Agreement and who meet the other requirements set forth in Section 262 of the DGCL will have the right to receive payment of the fair value of their shares of Forestar common stock as determined by the Delaware Court of Chancery, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with interest to be paid on the amount determined to be fair value as determined by the court (subject, in the case of interest payments, to any voluntary cash payments made by the surviving entity pursuant to subsection (h) of Section 262 of the DGCL). Your appraisal rights are subject to a number of restrictions and technical requirements (including minimum aggregate share requirements for stockholders seeking appraisal). Appraisal rights will only be available to Forestar stockholders that deliver to Forestar a written demand for appraisal of their shares prior to the special meeting, do not vote in favor of the proposal to adopt the Merger Agreement, hold their shares continuously through the effective time of the merger, do not submit their shares for payment of the merger consideration (or make an election to receive the cash consideration or the stock consideration), and otherwise comply with the statutory procedures and requirements set forth in Section 262 of the DGCL, which are summarized in this proxy statement/prospectus. The amount determined by

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the Delaware Court of Chancery to be the fair value of Forestar stock as of the effective time of the merger could be more than, the same as, or less than the merger consideration a stockholder would be entitled to receive under the terms of the Merger Agreement. A summary of Section 262 of the DGCL can be found, along with additional information about appraisal rights, in the section entitled "*The Merger Appraisal Rights*." The discussion of appraisal rights contained in this proxy statement/prospectus is not a full summary of the law pertaining to appraisal rights under the DGCL and is qualified in its entirety by the full text of Section 262 of the DGCL that is attached as Annex E to this proxy statement/prospectus. Because of the complexity of the DGCL relating to appraisal rights, if you are considering exercising your appraisal rights, we encourage you to seek the advice of your own legal counsel.

**Q: Will I be subject to U.S. federal income tax upon the exchange of Forestar common stock for cash pursuant to the merger?**

**A:** If you are a U.S. Holder (as defined in the section entitled "*U.S. Federal Income Tax Consequences of the Merger*"), whether you will be required to recognize gain or loss for U.S. federal income tax purposes pursuant to the merger will depend on whether you receive new shares of Forestar common stock, cash or a combination thereof in exchange for your existing Forestar common stock. If you receive solely new shares of Forestar common stock, you generally will not recognize gain or loss pursuant to the merger. If you receive solely cash, you generally will recognize gain or loss in an amount equal to the difference, if any, between such cash and your adjusted tax basis in your existing shares of Forestar common stock surrendered in exchange therefor. If you receive a combination of new shares of Forestar common stock and cash pursuant to the merger, you generally will (i) not recognize gain or loss on the receipt of the new shares of Forestar common stock pursuant to the merger, and (ii) recognize gain or loss on the receipt of cash pursuant to the merger in an amount equal to the difference, if any, between such cash and your adjusted tax basis in your existing shares of Forestar common stock surrendered in exchange therefor. A Non-U.S. Holder (as defined in the section entitled "*U.S. Federal Income Tax Consequences of the Merger*") generally will not be subject to U.S. federal income tax with respect to the exchange of existing shares of Forestar common stock for merger consideration in the merger unless such Non-U.S. Holder exceeds certain ownership levels in Forestar or has certain connections to the United States. Because your particular circumstances may differ, you should consult your tax advisor to determine the U.S. federal income tax consequences relating to the merger in light of your particular circumstances and any consequences arising under the laws of any state, local or foreign taxing jurisdiction. A more complete discussion of U.S. federal income tax consequences of the merger is provided in the section entitled "*U.S. Federal Income Tax Consequences of the Merger*."

**Q: What does it mean if I get more than one proxy card?**

**A:** If your shares of Forestar common stock are registered differently or are held in more than one account, you will receive more than one proxy or voting instruction form. Please complete and return all of the proxy cards you receive (or submit each of your proxies by telephone or the internet, if available to you) to ensure that all of your shares of Forestar common stock are voted.

**Q: How many copies should I receive if I share an address with another stockholder?**

**A:** Some banks, brokers and other nominee record holders may participate in the practice of "householding" proxy statements, annual reports and notices of internet availability of proxy materials. This means that a single set of our proxy materials may have been sent to multiple stockholders in your household. We will promptly deliver a separate copy of our proxy materials to you if you write or call our Corporate Secretary, Matthew S. Stark, at Forestar Group Inc., 6300 Bee Cave Road, Building Two, Suite 500, Austin, Texas 78746, telephone: (512) 433-5200.

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**Q: Who will count the vote?**

A: A representative of Broadridge Financial Solutions, Inc. will tabulate the votes.

**Q: Who will solicit and bear the cost of soliciting votes for the special meeting?**

A: Forestar will pay the entire cost of preparing, assembling, printing, mailing and distributing these proxy materials. In addition to the mailing of these proxy materials, the solicitation of proxies or votes may be made in person, by telephone or by electronic and facsimile transmission by our directors, officers and employees, who will not receive any additional compensation for such solicitation activities. Forestar has engaged D. F. King & Co., Inc. (which we refer to as "D. F. King") to assist in the solicitation of proxies for the special meeting. Forestar estimates that it will pay D. F. King a fee of approximately \$20,000, plus reimbursement of certain expenses. In addition, Forestar may reimburse its transfer agent, brokerage firms and other persons representing beneficial owners of shares of Forestar common stock for their expenses in forwarding solicitation material to such beneficial owners.

**Q: Where can I find the voting results of the special meeting?**

A: Forestar will announce preliminary voting results at the special meeting and publish preliminary, or final results if available, in a Current Report on Form 8-K filed with the SEC within four business days after the special meeting.

**Q: Where can I find more information about Forestar?**

A: You can find more information about us from various sources described in the section entitled "*Where You Can Find More Information.*"

**Q: Who can help answer my other questions?**

A: If you have more questions about the merger, or require assistance in submitting your proxy or voting your shares or need additional copies of the proxy statement/prospectus or the enclosed proxy card, please contact D. F. King, which is acting as the proxy solicitation agent and information agent for Forestar in connection with the merger, or Forestar.

**48 Wall Street  
New York, New York 10005  
Banks and brokers may call: 212-269-5550  
Stockholders may call toll free: 800-290-6431  
forestar@dfking.com**

**or**

**Forestar Group Inc.  
6300 Bee Cave Road  
Building Two, Suite 500  
Austin, Texas 78746  
Attention: Matthew S. Stark  
(512) 433-5200**

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If your broker, bank or other nominee holds your shares, you should also call your broker, bank or other nominee for additional information.

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**SUMMARY**

*This summary highlights selected information contained in this proxy statement/prospectus and does not contain all the information that may be important to you. Forestar and D.R. Horton urge you to read carefully this proxy statement/prospectus in its entirety, including the annexes. Additionally, important information, which Forestar and D.R. Horton also urge you to read, is contained in the documents incorporated by reference into this proxy statement/prospectus. See the section entitled "Where You Can Find More Information." Unless stated otherwise, all references in this proxy statement/prospectus to Forestar are to Forestar Group Inc., all references to D.R. Horton are to D.R. Horton, Inc., all references to Merger Sub are to Force Merger Sub, Inc. and all references to the Merger Agreement are to the Agreement and Plan of Merger, dated as of June 29, 2017, as it may be amended from time to time, among D.R. Horton, Merger Sub and Forestar, a copy of which is attached as Annex A to this proxy statement/prospectus and incorporated by reference herein.*

**Parties Involved in the Merger (page 109)**

*Forestar Group Inc.*

Forestar Group Inc., which we refer to as "Forestar," the "Company," "we," "us," or "our," is a residential and mixed-use real estate development company. As of June 30, 2017, in our core community development business we own, directly or through ventures, interests in 48 residential and mixed-use projects comprised of 4,400 acres of real estate located in 10 states and 14 markets. In addition, we own interests in various other assets that have been identified as non-core that we are divesting opportunistically over time. In the first six months of 2017, we had revenues of \$50.3 million and net income of \$22.6 million. Forestar's principal executive offices are located at 6300 Bee Cave Road, Building Two, Suite 500, Austin, Texas 78746, and our telephone number is (512) 433-5200.

Forestar is a Delaware corporation and Forestar common stock, par value \$1.00 per share, trades on the NYSE under the symbol "FOR."

Additional information about Forestar is contained in our public filings, which are incorporated by reference herein. See the section entitled "Where You Can Find More Information."

*D.R. Horton, Inc.*

D.R. Horton, Inc., which we refer to as "D.R. Horton," is the largest homebuilding company in the United States as measured by number of homes closed and revenues. Founded in 1978 in Fort Worth, Texas, D.R. Horton constructs and sells homes through its operating divisions in 29 markets in 26 states, under the names of D.R. Horton, *America's Builder*, Emerald Homes, Express Homes, Freedom Homes and Pacific Ridge Homes. During the twelve months ended June 30, 2017, D.R. Horton closed 44,833 homes, which is 59% more than its next largest competitor based on publicly reported information as of July 27, 2017. In addition, during this same twelve month period, D.R. Horton made investments in land, lots and land development in excess of \$3.5 billion. D.R. Horton also provides mortgage financing and title services for homebuyers through its mortgage and title subsidiaries. D.R. Horton's principal executive offices are located at 1341 Horton Circle, Arlington, Texas 76011, and its telephone number is (817) 390-8200.

Additional information about D.R. Horton is contained in its public filings, which are not incorporated by reference herein. D.R. Horton's public filings can be found on the "Investor Relations" page of D.R. Horton's website, [www.drhorton.com](http://www.drhorton.com), under "Financial Information." D.R. Horton's public filings are also available to the public on the SEC's website at [www.sec.gov](http://www.sec.gov), and the public may read and copy documents filed by D.R. Horton at the SEC's public reference room located at 100 F Street NE, Washington, D.C. 20549. Further information on the operation of the public reference room can be obtained by calling the SEC at 1-800-SEC-0330.

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*Force Merger Sub, Inc.*

Force Merger Sub, Inc., which we refer to as "Merger Sub," is a newly formed Delaware corporation and a wholly owned subsidiary of D.R. Horton. Merger Sub was formed in connection with the merger.

**The Merger (page 26)**

At the special meeting, you will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of June 29, 2017, as it may be amended from time to time (the "Merger Agreement") among D.R. Horton, Merger Sub and Forestar. Pursuant to the Merger Agreement, Merger Sub will merge with and into Forestar (the "merger") and Forestar will continue as the surviving entity following the merger. Each share of Forestar common stock issued and outstanding immediately prior to the effective time of the merger (except for shares of Forestar common stock that are held by Forestar as treasury shares or by Forestar or D.R. Horton or their respective subsidiaries or that are dissenting shares) will be converted into the right to receive, at the election of the holders of such shares of Forestar common stock, either the cash consideration or the stock consideration, subject to proration procedures applicable to oversubscription and undersubscription for the cash consideration. Following the effective time of the merger, as a result of the merger, D.R. Horton will own approximately 75% of Forestar common stock and Forestar stockholders immediately prior to the merger will own approximately 25% of Forestar common stock. Because Merger Sub will have no material assets or liabilities at the effective time of the merger, we do not consider the merger to be a significant business combination for accounting and presentation purposes.

**Consideration to be Received in the Merger (page 81)**

If the merger is completed, each share of Forestar common stock will be converted into the right to receive, either

an amount in cash equal to \$17.75 (the "cash consideration"), or

one new share of Forestar common stock (the "stock consideration),

in each case at the election of the applicable Forestar stockholder, subject to proration procedures applicable to oversubscription and undersubscription for the cash consideration described below, which, as described below, may result in a Forestar stockholder not receiving the form of merger consideration that such stockholder elects.

The Company will not issue any fractional shares of Forestar common stock in the merger, and the paying agent will round amounts of the cash consideration and the stock consideration, as provided in the Merger Agreement.

The Merger Agreement provides that the aggregate cash consideration is fixed at \$558,256,373 (the "cash component").

Each Forestar stockholder may elect to receive the cash consideration or the stock consideration, or, to the extent the stockholder holds multiple shares, a combination of the two (for example, a Forestar stockholder who holds 100 shares of Forestar common stock could make a cash election with respect to 50 shares and a stock election with respect to the other 50 shares), in exchange for shares of Forestar common stock. Please note that Forestar stockholders will not be receiving any interest in D.R. Horton or D.R. Horton's common stock in connection with the merger or the other transactions described in this proxy statement/prospectus.



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**Proration Procedures (page 82)**

A Forestar stockholder may not receive the form of consideration that such stockholder elects in the merger. The proration and adjustment procedures in the Merger Agreement will result, regardless of the elections made, in the aggregate cash consideration being equal to the cash component (i.e., \$558,256,373). Accordingly, the number of shares of Forestar common stock to be converted into the right to receive the cash consideration (the "cash conversion number") will be determined by dividing the cash component by the per share cash consideration (resulting in a cash conversion number of 31,451,063), and the balance of the shares will be converted into the right to receive the stock consideration. Pursuant to proration and adjustment procedures in the Merger Agreement, if the number of shares of Forestar common stock for which a cash election has been made exceeds the cash conversion number, a pro rata portion of all those shares for which a cash election has been made will instead be converted into the right to receive the stock consideration. Similarly, if the number of shares of Forestar common stock for which a cash election has been made is less than the cash conversion number, a pro rata portion of all the shares of Forestar common stock for which a stock election has been made will instead be converted into the right to receive the cash consideration. In each case, outstanding shares of Forestar common stock with respect to which no election has been made will be converted to the undersubscribed form of merger consideration first. The allocation of the consideration payable to Forestar stockholders in the merger will not be known until the results of the merger consideration elections made by Forestar stockholders are tallied, which will not occur until near the closing of the merger. See the section entitled "*The Merger Agreement Merger Consideration.*"

**Election Procedures (page 83)**

An election form has been mailed to each holder of record of Forestar common stock as of the record date for the special meeting together with this proxy statement/prospectus. The election deadline is expected to be 5:00 p.m. New York time on the date that is six business days before the expected closing date of the merger (the "closing date"). Forestar will use reasonable best efforts to make an election form available to each Forestar stockholder who requests such form before the election deadline. Each Forestar stockholder should complete and return the election form, together with any Forestar stock certificate(s) (or a properly completed notice of guaranteed delivery) or, in the case of uncertificated shares, all additional documents specified in the instructions included with the election form.

If you own shares of Forestar common stock in "street name" through a bank, broker or other nominee and you wish to make an election, you should seek instructions from the bank, broker or other nominee holding your shares concerning how to make an election. If the paying agent does not receive the election form, together with any Forestar stock certificate(s) (or a properly completed notice of guaranteed delivery) or, in the case of uncertificated shares, all additional documents specified in the instructions included with the election form, by the election deadline, you will be treated as though you did not make an election.

You may change your election by delivering a later dated election form before the election deadline. You may revoke your election by written notice of revocation before the election deadline.

**None of Forestar, the Board or D.R. Horton makes any recommendation about whether any Forestar stockholder should make an election to receive the cash consideration, the stock consideration or, if electing for multiple shares, a combination of the two, or no election. Each holder of shares of Forestar common stock must make his or her own decision about whether to make an election and, if so, what election to make.**

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**The Special Meeting (page 110)**

The special meeting will be held on October 3, 2017, at 9:00 a.m. (Central time), at 6300 Bee Cave Road, Building Two, Suite 500, Austin, Texas 78746.

**Record Date and Quorum (page 111)**

Only Forestar stockholders of record as of the close of business on August 21, 2017 are entitled to notice of the special meeting and to vote at the special meeting or at any adjournment or postponement thereof.

The presence at the special meeting, in person or by proxy, of the holders of record of a majority of Forestar common stock outstanding at the close of business on the record date will constitute a quorum, permitting Forestar to conduct its business at the special meeting.

**Required Vote (page 111)**

Each share of Forestar common stock outstanding at the close of business on the record date is entitled to one vote at the special meeting.

For Forestar to complete the merger, Forestar stockholders holding a majority of the shares of Forestar common stock outstanding at the close of business on the record date must vote "**FOR**" the proposal to adopt the Merger Agreement. A failure to vote your shares of Forestar common stock or an abstention from voting for the proposal to adopt the Merger Agreement will have the same effect as a vote "**AGAINST**" the proposal to adopt the Merger Agreement.

The approval, on a non-binding advisory basis, of the proposal regarding specified compensation that may be paid or become payable to Forestar's named executive officers in connection with the merger requires the affirmative vote of a majority of the votes cast at the special meeting at which a quorum is present. Assuming a quorum is present, a failure to vote your shares of Forestar common stock, an abstention from voting or a "broker non-vote" will have no effect on this proposal.

The affirmative vote of a majority of the votes cast at the special meeting, whether or not a quorum is present, is required to approve the proposal to approve the adjournment of the special meeting, if necessary or appropriate. A failure to vote your shares of Forestar common stock, an abstention from voting or a "broker non-vote" will have no effect on this proposal.

As of the record date, there were 41,934,751 shares of Forestar common stock outstanding.

We currently expect that Forestar's directors and executive officers will vote their shares of Forestar common stock, representing approximately 3.03% of the outstanding shares of Forestar common stock, in favor of the proposal to adopt the Merger Agreement and the other proposals to be considered at the special meeting, although they have no obligation to do so.

**Conditions to Completion of the Merger (page 95)**

The following are some of the conditions that must be satisfied or, where permitted by law, waived before each party is required to consummate the merger:

no applicable law, temporary restraining order, injunction or other judgment, order or decree of a governmental entity shall be in effect which has the effect of prohibiting the consummation of the merger or making consummation of the merger illegal;

the adoption of the Merger Agreement by the affirmative vote of the holders of a majority of the outstanding shares of Forestar common stock (which we refer to as the "Company stockholder approval");

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the accuracy of the representations and warranties of Forestar, on the one hand, and D.R. Horton and Merger Sub, on the other hand, in the Merger Agreement, subject in some instances to materiality, material adverse effect or other qualifiers, as of the date of the Merger Agreement and as of the closing date of the merger;

the performance or compliance in all material respects by Forestar, on the one hand, and D.R. Horton and Merger Sub, on the other hand, of their respective obligations required to be performed or complied with by them under the Merger Agreement at or prior to the closing date of the merger;

the number of dissenting shares representing less than 20% of the shares of Forestar common stock outstanding immediately prior to the closing;

the effectiveness of the registration statement of which this proxy statement/prospectus is a part and such registration statement not being the subject of any stop order or proceedings seeking a stop order;

the new shares of Forestar common stock to be issued in the merger shall have been approved for listing on the NYSE, subject to official notice of issuance; and

the absence of a "Company material adverse effect" since the date of the Merger Agreement.

While it currently is anticipated that the merger will be completed in the fourth quarter of 2017, there can be no assurance that such conditions will be satisfied in a timely manner or at all, or that an effect, event, development or change will not transpire that could delay or prevent these conditions from being satisfied.

**When the Merger Becomes Effective (page 81)**

The respective obligations of the parties to complete the merger are subject to the adoption of the Merger Agreement by Forestar stockholders and the satisfaction or waiver of the other closing conditions. The Merger Agreement provides that the closing of the merger is to occur on the third business day after the satisfaction or waiver of the last of the closing conditions set forth in the Merger Agreement, unless another date is agreed to in writing by Forestar and D.R. Horton.

**Recommendation of the Forestar Board of Directors and Reasons for the Merger (page 47)**

The Board unanimously recommends that the stockholders of Forestar vote "FOR" the proposal to adopt the Merger Agreement. For a description of the reasons considered by the Board in deciding to recommend the adoption of the Merger Agreement, see the section entitled "*The Merger Recommendation of the Forestar Board of Directors and Reasons for the Merger.*"

**Opinion of Forestar's Financial Advisor (page 51)**

In connection with the merger, the Board received a written opinion, dated June 28, 2017, from JMP Securities LLC (which we refer to as "JMP") as to the fairness, from a financial point of view and as of the date of the opinion, to holders of Forestar common stock (other than D.R. Horton and its affiliates) of the aggregate merger consideration to be received by such holders in the merger.

**The full text of JMP's written opinion, which is attached to this proxy statement/prospectus as Annex D, sets forth the assumptions made, procedures followed, matters considered and limitations on the review undertaken. JMP's opinion was provided to the Board (in its capacity as such) in connection with its consideration of the merger. JMP's opinion did not address the underlying decision of Forestar to proceed with or effect the merger or the relative merits of the merger as compared to any alternative strategy or transaction that might exist for Forestar (including, without limitation, the previously proposed Starwood merger). JMP's opinion does not constitute a recommendation as to how**



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**the Board or any stockholder should act or vote with respect to the merger or any other matter, including whether any stockholder should elect to receive either the cash consideration or the stock consideration or make no election. Forestar stockholders are urged to read carefully JMP's opinion in its entirety.**

For a more complete description, please see the section of this proxy statement/prospectus entitled "*The Merger Opinion of Forestar's Financial Advisor.*"

**Treatment of Forestar Equity Awards (page 85)**

The Merger Agreement provides that each equity incentive compensation award denominated in shares of Forestar common stock (which we refer to as an "equity award") that is outstanding immediately prior to the effective time of the merger will be cancelled as of the effective time. In exchange for such cancellation, the holders of equity awards will receive from Forestar the cash consideration for each share of Forestar common stock underlying the equity award (plus payment in cash, without interest, of all accrued dividend equivalents, if any, with respect thereto and, in the case of equity awards that are stock options, less the aggregate exercise or strike price thereunder, but not less than \$0), whether or not such equity award was vested as of the effective time of the merger, with such payment subject to applicable tax withholding.

With respect to any equity award that is a market-leveraged stock unit, the number of shares of Forestar common stock subject to such equity awards will be determined according to the terms set forth in the applicable award agreements, with the vesting date fair market value (as used in such agreements) equal to the sum of the cash consideration and reinvested dividends (as defined in such agreement).

Such payments with respect to the equity awards will be made as soon as practicable, and in any event within 10 business days, after the closing of the merger.

**Interests of Forestar's Directors and Executive Officers in the Merger (page 63)**

You should be aware that Forestar's directors and executive officers have interests in the merger that are different from, or in addition to, the interests of Forestar stockholders generally. These interests are described in more detail in the section entitled "*The Merger Interests of Forestar's Directors and Executive Officers in the Merger.*" The Board was aware of these interests and considered them, among other matters, in approving the merger and in making its recommendations that Forestar stockholders adopt the Merger Agreement. These interests include the following, among others:

the accelerated vesting, cancellation and cash-out of equity awards;

a cash retention incentive award for current executive officers;

the entitlement of the current executive officers to receive severance benefits under their respective change in control/severance agreements upon a qualifying termination of employment following completion of the merger (and, in the case of Mr. Grimm, to receive the benefits that would have been provided under such agreement in those circumstances had his employment with Forestar not already terminated); and

continued indemnification and directors' and officers' liability insurance to be provided by the surviving entity.

**Financing (page 75)**

D.R. Horton and Merger Sub have represented to Forestar that D.R. Horton will have sufficient funds at the closing of the merger to pay all cash amounts required to be paid by D.R. Horton and Merger Sub under the Merger Agreement.

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D.R. Horton anticipates that the funds needed to close the merger will be funded through cash on hand and other immediately available capital.

The consummation of the merger is not subject to any financing conditions.

**U.S. Federal Income Tax Consequences of the Merger (page 76)**

If you are a U.S. Holder (as defined in the section entitled "*U.S. Federal Income Tax Consequences of the Merger*"), whether you will be required to recognize gain or loss for U.S. federal income tax purposes pursuant to the merger will depend on whether you receive new shares of Forestar common stock, cash or a combination thereof in exchange for your existing Forestar common stock. If you receive solely new shares of Forestar common stock, you generally will not recognize gain or loss pursuant to the merger. If you receive solely cash, you generally will recognize gain or loss in an amount equal to the difference, if any, between such cash and your adjusted tax basis in your existing shares of Forestar common stock surrendered in exchange therefor. If you receive a combination of new shares of Forestar common stock and cash pursuant to the merger, you generally will (i) not recognize gain or loss on the receipt of the new shares of Forestar common stock pursuant to the merger, and (ii) recognize gain or loss on the receipt of cash pursuant to the merger in an amount equal to the difference, if any, between such cash and your adjusted tax basis in your existing shares of Forestar common stock surrendered in exchange therefor. A Non-U.S. Holder (as defined in the section entitled "*U.S. Federal Income Tax Consequences of the Merger*") generally will not be subject to U.S. federal income tax with respect to the exchange of existing shares of Forestar common stock for merger consideration in the merger unless such Non-U.S. Holder exceeds certain ownership levels in Forestar or has certain connections to the United States.

Because your particular circumstances may differ, you should consult your tax advisor to determine the U.S. federal income tax consequences relating to the merger in light of your particular circumstances and any consequences arising under the laws of any state, local or foreign taxing jurisdiction. A more complete discussion of U.S. federal income tax consequences of the merger is provided in the section entitled "*U.S. Federal Income Tax Consequences of the Merger*."

**Regulatory Matters (page 70)**

We are not aware of any material U.S. federal, state or foreign regulatory requirements or approvals that are required for the execution of the Merger Agreement or the completion of the merger, other than the filing of a Certificate of Merger with respect to the merger with, and the acceptance of such Certificate of Merger for record by, the Secretary of State of the State of Delaware.

**Appraisal Rights (page 70)**

Under Delaware law, you are entitled to appraisal rights in connection with the merger, in lieu of the merger consideration.

If you comply with the requirements of Section 262 of the DGCL, you will have the right under Delaware law to receive, in lieu of the merger consideration, the fair value of your shares of Forestar common stock as determined by the Delaware Court of Chancery, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with interest to be paid on the amount determined to be fair value as determined by the court (subject, in the case of interest payments, to any voluntary cash payments made by the surviving entity pursuant to subsection (h) of Section 262 of the DGCL). The amount determined by the Delaware Court of Chancery to be the fair value of Forestar common stock as of the effective time of the merger could be more than, the same as or less than the merger consideration a stockholder would be entitled to receive under the terms of the Merger Agreement. Your appraisal rights are subject to a number of restrictions and technical requirements (including minimum aggregate share requirements for stockholders seeking appraisal).

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Generally, in order to perfect your appraisal rights, you must, among other things, comply with the following procedures:

prior to the vote on the merger proposal at the special meeting, you must deliver to Forestar a written demand for appraisal of your shares that complies with the applicable statutory requirements;

you must not vote "FOR" the proposal to adopt the Merger Agreement, approving the transactions contemplated thereby, including the merger, either by proxy or in person, at the special meeting;

you must continue to hold your shares through the effective time of the merger;

if the proposal to adopt the Merger Agreement is approved at the special meeting, you must not submit your shares for payment of the merger consideration or otherwise make an election to receive the cash consideration or the stock consideration; and

within 120 days of the effective time of the merger, you must file a petition in the Court of Chancery of the State of Delaware, requesting a determination of the fair value of your shares of Forestar common stock as of the effective time of the merger.

Merely voting against the merger proposal will not perfect your appraisal rights. If you hold your shares in "street name," you must instruct your broker or other nominee to take action in strict compliance with the DGCL to exercise your appraisal rights. Requirements under Delaware law for exercising appraisal rights are described in further detail in the section entitled "*The Merger Appraisal Rights*." The discussion of appraisal rights contained in this proxy statement/prospectus is not a full summary of the law pertaining to appraisal rights under the DGCL and is qualified in its entirety by the full text of Section 262 of the DGCL regarding appraisal rights available to stockholders of Delaware corporations in certain mergers and consolidations that is reproduced and attached as Annex E to this proxy statement/prospectus. If you wish to avail yourself of your appraisal rights, you should consult your legal advisor due to the complexity of the appraisal process. Your failure to follow exactly the procedures specified under the DGCL will result in the loss of your appraisal rights.

### **Non-Solicitation; Takeover Proposals (page 90)**

Except as expressly permitted by the Merger Agreement, Forestar has agreed that it shall, and shall cause each of its subsidiaries and its and their respective directors, officers, employees, auditors, attorneys financial advisors and other agents (referred to as "representatives") to (i) immediately cease and terminate all existing activities, discussions or negotiations with any person with respect to an acquisition proposal, as described in the section entitled "*The Merger Agreement Non-Solicitation; Acquisition Proposals*," (ii) cease providing information with respect to Forestar, its subsidiaries or any acquisition proposal, (iii) terminate access to physical or electronic data rooms for such persons, (iv) request that persons in possession of confidential information about Forestar, furnished by Forestar in connection with previous discussions, to destroy such information, and (v) not, directly or indirectly:

solicit, request, initiate or knowingly facilitate or encourage any proposal, offer or inquiry that constitutes or could reasonably be expected to lead to an acquisition proposal;

participate in discussions with, furnish any information to, or afford access to the business of Forestar to, any third persons in connection with an acquisition proposal;

grant any waiver or release under or fail to enforce any standstill or similar agreement with respect to any class of equity securities of Forestar or any of its subsidiaries, unless the Board decides that the failure to grant such waiver or release would be inconsistent with its fiduciary duties;

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approve any third person becoming an "interested stockholder" under Section 203 of the DGCL;

enter into any agreement in principle, letter of intent or other agreement relating to an acquisition proposal; or

propose publicly to do any of the foregoing,

as described in the section entitled "*The Merger Agreement Non-Solicitation; Acquisition Proposals.*"

Under the Merger Agreement, generally, the Board may not: (i) withdraw, modify, or propose publicly or resolve to withhold or modify, in any manner adverse to D.R. Horton or Merger Sub, the Board's recommendation that the Forestar stockholders vote in favor of the proposal to adopt the Merger Agreement (referred to as a "change in Company recommendation"), (ii) adopt, approve, authorize, recommend or declare advisable any acquisition proposal, (iii) take or fail to take any formal action or make or fail to make any public statement in connection with a tender or exchange offer, other than a recommendation against such offer or a "stop, look and listen" communication by the Board to Forestar stockholders pursuant to Rule 14d-9(f) promulgated under the Exchange Act or (iv) enter into an agreement relating to an acquisition proposal.

However, prior to receipt of Company stockholder approval, the Board, in certain circumstances and subject to certain limitations set forth in the Merger Agreement, may, (i) make a change in Company recommendation in connection with an acquisition proposal that constitutes a "superior proposal" or in connection with an intervening event that was not known to or reasonably foreseeable by the Board as of the date of the Merger Agreement, or (ii) cause Forestar to terminate the Merger Agreement in order to enter into a definitive agreement relating to an acquisition proposal that constitutes a "superior proposal," in each case as more fully described in the section entitled "*The Merger Agreement Non-Solicitation; Acquisition Proposals,*" and in each case, subject to specified notice obligations to D.R. Horton and specified obligations to negotiate and consider in good faith any revisions proposed by D.R. Horton to the Merger Agreement, as more fully described in the section entitled "*The Merger Agreement Non-Solicitation; Acquisition Proposals Notice of Acquisition Proposal.*"

**Termination (page 97)**

The Merger Agreement may be terminated and the merger may be abandoned at any time prior to the effective time of the merger:

by mutual written agreement of Forestar and D.R. Horton;

by either Forestar or D.R. Horton:

if the effective time shall not have occurred by 5:00 p.m. (Eastern Time) on January 25, 2018 (referred to as the "outside date"); provided, however, that the right to terminate the Merger Agreement on this basis shall not be available to any party whose failure to fulfill any covenant contained in the Merger Agreement has been a principal cause of the failure of the effective time to have occurred by such date;

if any judgment shall have become final that permanently restrains, prior to the closing, the consummation of the merger; provided that the party terminating the Merger Agreement shall have used its reasonable best efforts to resist such judgment, and shall have complied in all material respects with the covenant requiring reasonable best efforts in obtaining requisite approvals by applicable governmental entities or other third parties;

if the Company stockholder approval shall not have been obtained at the special meeting; or



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by Forestar:

if there shall have been a material breach by D.R. Horton or Merger Sub of any of its representations, warranties or covenants set forth in the Merger Agreement, such that either of the conditions relating to the truth and correctness of D.R. Horton's representations and warranties and D.R. Horton's performance of all of its obligations would not be satisfied, which breach is incapable of being cured by the outside date or is not cured within 10 business days after D.R. Horton receives written notice of such breach from Forestar;

at any time prior to obtaining the Company stockholder approval, in order to enter into a definitive, written agreement for a superior proposal, and prior to or concurrently with such termination, Forestar pays to D.R. Horton the Company termination fee, as described below under " *Termination Fee; Expense Reimbursement*."

by D.R. Horton:

at any time prior to the closing, if there shall have been a material breach by Forestar of any of its representations, warranties or covenants set forth in the Merger Agreement, such that either of the conditions relating to the truth and correctness of Forestar's representations and warranties and Forestar's performance of all of its obligations would not be satisfied, which breach is incapable of being cured by the outside date or is not cured by Forestar within 10 business days after Forestar receives written notice of such breach from D.R. Horton or Merger Sub; or

at any time prior to obtaining the Company stockholder approval, if the Board shall effect a change in Company recommendation or fail to publicly reaffirm the Board's recommendation within 10 business days after D.R. Horton or Merger Sub so requests in writing.

**Termination Fee; Expense Reimbursement (page 98)**

If the Merger Agreement is terminated in specified circumstances, Forestar will be required to pay D.R. Horton a termination fee of \$20 million (which we refer to as the "Company termination fee").

Forestar will be required to pay the Company termination fee if the Merger Agreement is terminated:

by Forestar, in order to enter into a definitive, written agreement for a superior proposal;

by D.R. Horton, if the Board effects a change in Company recommendation or fails to reaffirm the Board's recommendation within 10 business days after D.R. Horton or Merger Sub so requests; or

(i) (A) by either D.R. Horton or Forestar, if the merger has not closed by the outside date, (B) by either D.R. Horton or Forestar, if the Company stockholder approval has not been obtained, or (C) by D.R. Horton, if there has been a material breach by Forestar of any of its representations, warranties or covenants, (ii) there has been publicly disclosed or proposed an acquisition proposal that remains outstanding as of the date of termination of the Merger Agreement, and (iii) if within 12 months after such termination, Forestar enters into a definitive agreement with respect to an acquisition proposal (provided that references to "15%" in the definition of "acquisition proposal" shall be deemed to be references to "50%").

If the Merger Agreement is terminated:

by either party if the Company stockholder approval is not been obtained; or



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by D.R. Horton if there has been a material breach by Forestar of any of its representations, warranties or covenants such that certain conditions are not satisfied,

then Forestar shall reimburse D.R. Horton for its actual and reasonable out-of-pocket expenses in an amount not to exceed \$4,000,000. In no event shall Forestar be required to reimburse D.R. Horton's expenses on more than one occasion and in no event shall the sum of the amount reimbursed and Company termination fee payable by Forestar exceed the amount of the Company termination fee.

**The Stockholder's Agreement (page 100)**

In connection with the execution of the Merger Agreement, Forestar and D.R. Horton entered into the Stockholder's Agreement, dated as of June 29, 2017, which will become effective at the effective time of the merger. The Stockholder's Agreement establishes, among other things, certain rights of the Company and D.R. Horton concerning the corporate governance of the Company following completion of the merger, restrictions on transfers and acquisitions of new shares of Forestar common stock held by D.R. Horton and its affiliates, preemptive rights and registration rights for new shares of Forestar common stock, and allocation of corporate opportunities between the Company and D.R. Horton. For more information, see the section entitled "*The Stockholder's Agreement*."

**The Master Supply Agreement (page 107)**

In connection with the execution of the Merger Agreement, Forestar and D.R. Horton entered into the Master Supply Agreement, dated as of June 29, 2017, which will become effective at the effective time of the merger. The Master Supply Agreement establishes a strategic relationship between the Company and D.R. Horton for the supply of developed lots following completion of the merger. Under the Master Supply Agreement, the Company will, and D.R. Horton may, present lot development opportunities that it desires to develop to the other party, subject to certain exceptions. The parties will collaborate with respect to such opportunities and, if they elect to develop such opportunities, D.R. Horton will have a right of first refusal to acquire some or all of the lots developed by the Company, as set forth in the Master Supply Agreement, on market terms as determined by the parties. For more information, see the section entitled "*The Master Supply Agreement*."

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**SELECTED HISTORICAL FINANCIAL DATA OF FORESTAR**

The selected historical consolidated financial data of Forestar for each of the years ended December 31, 2016, 2015 and 2014 and as of December 31, 2016 and 2015 have been derived from Forestar's audited consolidated financial statements and related notes thereto contained in Forestar's Annual Report on Form 10-K for the year ended December 31, 2016, which is incorporated by reference into this proxy statement/prospectus. The financial data for each of the six month periods ended June 30, 2017 and June 30, 2016 and as of June 30, 2017 have been derived from Forestar's unaudited interim consolidated financial statements and related notes thereto contained in Forestar's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, which is incorporated by reference into this proxy statement/prospectus.

The information set forth below is only a summary and is not necessarily indicative of the results of future operations of Forestar, and you should read the following information together with (i) Forestar's audited consolidated financial statements, the related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Forestar's Annual Report on Form 10-K for the year ended December 31, 2016, which is incorporated by reference herein, (ii) Forestar's unaudited interim consolidated financial statements, the related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Forestar's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, which is incorporated by reference herein and (iii) Forestar's unaudited interim consolidated financial statements, the related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in Forestar's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017, which is incorporated by reference herein. For more information, see the section entitled "*Where You Can Find More Information.*"

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	Six Months Ended June 30,		Year Ended December 31,				
	2017	2016	2016	2015	2014	2013	2012
(in thousands, except per share amounts)							
<b>Revenues:</b>							
Real estate	\$ 48,744	\$ 82,479	\$ 190,273	\$ 202,830	\$ 213,112	\$ 248,011	\$ 120,115
Mineral resources	1,502	2,419	5,076	9,094	15,690	21,419	34,086
Other	74	712	1,965	6,652	9,362	10,721	8,256
<b>Total revenues</b>	<b>\$ 50,320</b>	<b>\$ 85,610</b>	<b>\$ 197,314</b>	<b>\$ 218,576</b>	<b>\$ 238,164</b>	<b>\$ 280,151</b>	<b>\$ 162,457</b>
<b>Segment earnings (loss):</b>							
Real estate(a)	\$ 22,018	\$ 93,514	\$ 121,420	\$ 67,678	\$ 96,906	\$ 68,454	\$ 53,582
Mineral resources	37,468	1,486	3,327	4,230	9,116	14,815	29,190
Other	(691)	(778)	(4,625)	(608)	5,499	6,507	29
<b>Total segment earnings</b>	<b>58,795</b>	<b>94,222</b>	<b>120,122</b>	<b>71,300</b>	<b>111,521</b>	<b>89,776</b>	<b>82,801</b>
<b>Items not allocated to segments:</b>							
General and administrative expense(b)	(31,577)	(9,487)	(18,274)	(24,802)	(21,229)	(20,597)	(25,176)
Share-based compensation and long-term incentive compensation expense	(2,343)	(1,956)	(4,425)	(4,474)	(3,417)	(16,809)	(14,929)
Gain on sale of assets(c)	28,049		48,891				16
Interest expense	(4,401)	(14,557)	(19,985)	(34,066)	(30,286)	(20,004)	(19,363)
Loss on extinguishment of debt, net(d)		(35,864)	(35,864)				
Other corporate non-operating income	595	225	350	256	453	119	191
<b>Income from continuing operations before taxes attributable to Forestar Group Inc.</b>	<b>49,118</b>	<b>32,583</b>	<b>90,815</b>	<b>8,214</b>	<b>57,042</b>	<b>32,485</b>	<b>23,540</b>
<b>Income tax expense(e)</b>	<b>(28,139)</b>	<b>(17,081)</b>	<b>(15,302)</b>	<b>(35,131)</b>	<b>(20,850)</b>	<b>(5,780)</b>	<b>(9,016)</b>
<b>Net income (loss) from continuing operations attributable to Forestar Group Inc.</b>	<b>20,979</b>	<b>15,502</b>	<b>75,513</b>	<b>(26,917)</b>	<b>36,192</b>	<b>26,705</b>	<b>14,524</b>
<b>Income (loss) from discontinued operations, net of taxes(e)(f)</b>	<b>1,647</b>	<b>(10,264)</b>	<b>(16,865)</b>	<b>(186,130)</b>	<b>(19,609)</b>	<b>2,616</b>	<b>(1,582)</b>
<b>Net income (loss) attributable to Forestar Group Inc.</b>	<b>\$ 22,626</b>	<b>\$ 5,238</b>	<b>\$ 58,648</b>	<b>\$ (213,047)</b>	<b>\$ 16,583</b>	<b>\$ 29,321</b>	<b>\$ 12,942</b>
<b>Net income (loss) per diluted share:</b>							
Continuing operations	\$ 0.49	\$ 0.37	\$ 1.78	\$ (0.79)	\$ 0.83	\$ 0.73	\$ 0.41
Discontinued operations	\$ 0.04	\$ (0.24)	\$ (0.40)	\$ (5.43)	\$ (0.45)	\$ 0.07	\$ (0.05)
<b>Net income (loss) per diluted share</b>	<b>\$ 0.53</b>	<b>\$ 0.13</b>	<b>\$ 1.38</b>	<b>\$ (6.22)</b>	<b>\$ 0.38</b>	<b>\$ 0.80</b>	<b>\$ 0.36</b>
<b>Average diluted shares outstanding(g)</b>							
At period end:(h)							
Assets	\$ 768,119	\$ 681,833	\$ 733,208	\$ 972,246	\$ 1,247,606	\$ 1,168,027	\$ 917,869
Debt	113,368	114,185	110,358	381,515	422,151	353,282	293,498
Noncontrolling interest	1,455	2,127	1,467	2,515	2,540	5,552	4,059
Forestar Group Inc. shareholders' equity	584,306	504,903	560,651	501,600	707,202	709,845	529,488
<b>Ratio of total debt to total capitalization</b>	<b>16%</b>	<b>18%</b>	<b>16%</b>	<b>43%</b>	<b>37%</b>	<b>33%</b>	<b>35%</b>

(a)

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Real estate segment earnings (loss) includes gain on sale of assets of \$117,856,000 in 2016, \$1,585,000 in 2015, \$25,981,000 in 2014 and \$25,273,000 in 2012. Segment earnings also includes non-cash impairments of \$56,453,000 in 2016, \$1,044,000 in 2015, \$399,000 in 2014 and \$1,790,000 in 2013. Real estate segment earnings (loss) also include the effects of net (income) loss attributable to noncontrolling interests.

- (b) In the six months ended June 30, 2017, General and administrative expense includes a \$20,000,000 termination fee related to terminating the Starwood merger agreement and entering into the D.R. Horton Merger Agreement and \$4,070,000 in professional fees and other costs associated with the proposed transactions. General and administrative expense includes severance-related charges of \$3,314,000 in 2015 and \$6,323,000 in costs associated with our acquisition of Credo in 2012.
- (c) Gain on sale of assets in the six months ended June 30, 2017 and in 2016 represents gains in accordance with our key initiatives to divest non-core timberland and undeveloped land.
- (d) Loss on extinguishment of debt, net is related to retirement of \$225,245,000 of our 8.5% Senior Secured Notes due 2022 and \$5,000,000 of our 3.75% of Convertible Senior Notes due 2020 in 2016.

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- (e) In 2015, income tax expense from continuing and discontinued operations includes an expense of \$97,068,000 for valuation allowance on a portion of our deferred tax asset that was determined to be more likely than not to be unrealizable. In 2013, income tax expense includes a benefit from recognition of \$6,326,000 of previously unrecognized tax benefits upon lapse of the statute of limitations for a previously reserved tax position.
- (f) Income (loss) from discontinued operations includes non-cash impairment charges of \$612,000 in 2016, \$163,029,000 in 2015, \$32,665,000 in 2014 and \$473,000 in 2013 related to proved properties and unproved leasehold interests related to our non-core oil and gas working interests. Income (loss) from discontinued operations also includes losses of \$13,664,000 in 2016 and \$706,000 in 2015 and gains of \$8,526,000 in 2014 associated with sale of working interest oil and gas properties.
- (g) Our 2015 weighted average diluted shares outstanding excludes the dilutive effect of equity awards and 7,857,000 shares issuable upon settlement of the prepaid stock purchase contract component of our 6.00% tangible equity units, due to our net loss attributable to Forestar Group Inc.
- (h) Data as of June 30, 2016 have been derived from Forestar's unaudited interim consolidated financial statements and related notes thereto contained in Forestar's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, which is not incorporated by reference into this proxy statement/prospectus.

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Forestar common stock is traded on the NYSE under the symbol "FOR."

As of the close of business on the record date for the special meeting, there were 41,934,751 shares of Forestar common stock outstanding and entitled to vote, held by approximately 2,593 holders of record of Forestar common stock. The following table sets forth during the periods indicated the high and low sales prices of Forestar common stock as reported on the NYSE for the periods indicated:

<b>Quarter</b>	<b>Trade High</b>	<b>Trade Low</b>
Q1 2015	\$ 16.15	\$ 12.91
Q2 2015	\$ 16.35	\$ 13.03
Q3 2015	\$ 13.84	\$ 11.45
Q4 2015	\$ 14.87	\$ 10.42
Q1 2016	\$ 13.12	\$ 7.95
Q2 2016	\$ 13.98	\$ 11.10
Q3 2016	\$ 12.97	\$ 11.28
Q4 2016	\$ 14.05	\$ 10.60
Q1 2017	\$ 13.90	\$ 12.30
Q2 2017	\$ 17.78	\$ 13.62
Q3 2017(1)	\$ 17.58	\$ 16.95

(1)

Provided through August 24, 2017

We have never declared or paid any cash dividends on our common stock. Under our current dividend policy, we intend to retain any future earnings to support our business. The declaration and payment of any future dividends will be at the discretion of the Board after taking into account various factors, including without limitation, our financial condition, earnings, capital requirements of our business, the terms of any credit agreements or indentures to which we may be a party at the time, legal requirements, industry practice, and other factors that the Board deems relevant. Under the terms of the Merger Agreement, from the date of the Merger Agreement until the earlier of the effective time of the merger or the termination of the Merger Agreement, we may not declare or pay any dividends on Forestar common stock without D.R. Horton's written consent.

The closing sale price of Forestar common stock on June 2, 2017, the last trading day prior to announcement of D.R. Horton's initial submission of a non-binding proposal, was \$14.20, and the closing sale price of Forestar common stock on June 28, 2017, which was the last trading day prior to announcement of the Merger Agreement, was \$17.45 per share. On August 24, 2017, the most recent practicable date before this proxy statement/prospectus was mailed to our stockholders, the closing price for Forestar common stock was \$17.10 per share. No assurance can be given concerning the market prices of Forestar common stock before the completion of the merger or the market price of Forestar common stock after the completion of the merger. Immediately following completion of the merger, D.R. Horton will hold approximately 75% of outstanding shares of Forestar common stock and Forestar stockholders will hold the remaining approximately 25% of the outstanding shares of Forestar common stock. These percentages are fixed in the Merger Agreement and will not be adjusted for changes in the business, financial condition or operating results of Forestar or changes in the market price of Forestar common stock. As a result, the stock price of the shares of Forestar common stock that Forestar stockholders will receive in the merger may vary significantly from the prices set forth above. You are encouraged to obtain current market quotations for Forestar common stock in connection with voting your existing shares of Forestar common stock.



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**RISK FACTORS**

*In addition to the other information included and incorporated by reference in this proxy statement/prospectus, including the matters addressed in the section entitled "Cautionary Statement Regarding Forward-Looking Statements," you should carefully consider the following risks before deciding how to vote for the proposals presented in this proxy statement/prospectus. You should also read and consider the other information in this proxy statement/prospectus and the other documents incorporated by reference in this proxy statement/prospectus. See the section entitled "Where You Can Find More Information."*

*Additional risks and uncertainties not presently known to Forestar or D.R. Horton or that are not currently believed to be important to Forestar stockholders, if they materialize, also may adversely affect the merger and Forestar as the surviving entity in the merger.*

**Risks Relating to the Merger**

***In the event you receive new shares of Forestar common stock as merger consideration, whether by reason of electing the stock consideration or as a result of the proration and allocation rules described in this proxy statement/prospectus, the number of new shares of Forestar common stock you receive will be a fixed number and will not vary based on the market price of existing Forestar common stock before the effective time of the merger.***

At the effective time of the merger, each existing share of Forestar common stock will be exchanged for either one new share of Forestar common stock or \$17.75 in cash, subject to proration and allocation rules. The dollar value of the new shares of Forestar common stock that Forestar stockholders receive (whether by electing to receive stock or, even if they have not elected to receive new shares of Forestar common stock, as a result of proration or allocation rules) as merger consideration at the effective time of the merger will be based upon the market value of Forestar common stock at such time, which may be different from, and lower than, the closing price of Forestar common stock prior to the public announcement of the merger or at any time thereafter. The market value of Forestar common stock has ranged from \$16.10 to \$17.77 during the period from June 22, 2017, the last trading day prior to the issuance by Forestar of a press release relating to a potential transaction between Forestar and D.R. Horton including cash consideration of \$17.75 per share, to August 24, 2017, the last full trading day prior to the date of this proxy statement/prospectus. Based on these market values, and assuming that approximately 25% of the market value of Forestar common stock represents the value of the aggregate stock consideration and approximately 75% of the market value of the Forestar common stock represents the cash component (because those percentages represent the approximate stock/cash mix of the aggregate merger consideration, in each case, based on the number of outstanding shares of Forestar common stock as of the date of the Merger Agreement), and assuming no other market or other factors that affect the value of the Forestar common stock after completion of the merger differently from the effect of such factors on Forestar common stock before completion of the merger, the implied market value of the new shares of Forestar common stock to be issued in connection with the merger has ranged from \$16.51 to \$17.77 during this period. Further, the market value of Forestar common stock will continue to vary in the future due to changes in the business, operations or prospects of Forestar after completion of the merger, market assessment of the merger, market and economic considerations and other factors. As a result of the foregoing and other factors, the value of Forestar common stock at the effective time of the merger and at any time thereafter cannot be predicted.

There will be no adjustment to the stock consideration or the cash consideration, and the parties do not have a right to terminate the Merger Agreement, solely based upon changes in the market price of Forestar common stock. Forestar stockholders are urged to obtain recent market quotations for Forestar common stock.

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The value of a new share of Forestar common stock that you may receive in the merger may be less than the \$17.75 cash consideration, and the trading price of Forestar common stock immediately following the effective time of the merger may be different from, and lower than, the closing price of Forestar common stock at the time of the first public announcement of the merger or at any time thereafter. See the section entitled " *Risks Relating to the Company After Completion of the Merger New shares of Forestar common stock issued in connection with the merger may have a value that is less than the cash consideration and the value could fluctuate significantly.*"

***Forestar stockholders may receive merger consideration that is different from that which they elected to receive.***

At the effective time of the merger, each existing share of Forestar common stock will be exchanged for either one new share of Forestar common stock or \$17.75 in cash, subject to proration and allocation rules, such that at the effective time of the merger, D.R. Horton will hold approximately 75% of Forestar common stock and former Forestar stockholders will hold approximately 25% of Forestar common stock. Because the cash component is fixed, we cannot assure you that a Forestar stockholder will receive the form of merger consideration that such stockholder elects to receive with respect to all shares of Forestar common stock held by such stockholder. If elections are made by Forestar stockholders that would result in an oversubscription of the cash consideration, those electing to receive the cash consideration will have the cash component of their merger consideration reduced by a pro rata amount and will receive the remainder of their merger consideration in the form of new shares of Forestar common stock. If elections are made by Forestar stockholders that would result in an oversubscription of the stock consideration, those electing to receive stock will have the stock component of their merger consideration reduced by a pro rata amount and will receive the remainder of their merger consideration in the form of cash. Accordingly, even if you make a cash or stock election, there is a risk that you will receive a portion of the merger consideration in a form that you do not elect, which could result in, among other things, tax consequences that differ from those that would have resulted had you received only the form of merger consideration you elected (including with respect to the recognition of taxable gain to the extent cash is received). For more information about the tax consequences, see the section entitled "U.S. Federal Income Tax Consequences of the Merger."

***None of Forestar, the Board or D.R. Horton makes any recommendation regarding the new shares of Forestar common stock to be issued in connection with the merger or with respect to whether any Forestar stockholder should make an election to receive cash, new shares of Forestar common stock or, if electing for multiple shares, a combination of the two, or no election.***

None of Forestar, the Board or D.R. Horton makes any recommendation regarding the new shares of Forestar common stock to be issued in connection with the merger or as to whether any Forestar stockholder should make an election to receive cash, new shares of Forestar common stock or, if electing for multiple shares, a combination of the two, or no election. A stockholder's determination to make an election to receive cash, new shares of Forestar common stock or, if electing for multiple shares, a combination of the two is a purely voluntary decision, and in certain circumstances, you may receive new shares of Forestar common stock in exchange for some of your existing shares of Forestar common stock, despite that you elected only cash or did not make any election. The per share value of the new shares of Forestar common stock that you may receive in the merger may have a value less than the cash consideration, and the trading price of Forestar common stock immediately following the effective time of the merger may be different from, and lower than, the closing price of Forestar common stock prior to the first public announcement of the merger or at any time thereafter. See the section entitled " *Risks Relating to the Company After Completion of the Merger New shares of Forestar common stock issued in connection with the merger may have a value that is less than the cash consideration and the value could fluctuate significantly.*" You should carefully consider all of the

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information included or incorporated in this proxy statement/prospectus, including the risk factors set forth in this section.

***If you deliver shares of Forestar common stock to make an election, you will not be able to sell those shares unless you revoke your election prior to the election deadline.***

If you are a holder of Forestar common stock and want to elect to receive the cash consideration or stock consideration in the merger, you will have to deliver your Forestar stock certificate(s), if any, and a properly completed election form by the election deadline. Following the delivery of a completed election form, you will not be able to transfer such shares unless you revoke your election before the election deadline by providing written notice to the paying agent. If you do not revoke your election before the election deadline, you will not be able to liquidate your investment in Forestar common stock for any reason until you receive the merger consideration. In the time between the election deadline and the closing of the merger, the trading price of Forestar common stock may decrease, and you might otherwise want to sell your shares of Forestar common stock to gain access to cash, make other investments or reduce the potential for a decrease in the value of your investment. The date that you will receive your merger consideration depends on the completion date of the merger, which is uncertain. The completion date of the merger might be later than expected due to events not within the control of Forestar or D.R. Horton.

***Officers and directors of Forestar may have certain interests in the merger that are different from, or in addition to or in conflict with, interests of Forestar stockholders. These interests may be perceived to have affected their decision to support or approve the merger.***

Forestar's officers and directors may have certain interests in the merger that are different from, or in addition to or in conflict with, interests of Forestar stockholders. Forestar stockholders should be aware that certain of Forestar's directors and executive officers have agreements or arrangements that provide them with interests in the merger, including financial interests, that may be different from, or in addition to, the interests of the other Forestar stockholders. The Board was aware of these interests during its deliberations of the merits of the merger and in determining to recommend to Forestar stockholders that they vote for the proposal to adopt the Merger Agreement and thereby approve the transactions contemplated thereby, including the merger. See the section entitled "*The Merger Interests of Forestar's Directors and Officers in the Merger.*"

***The Merger Agreement contains provisions that could affect the decisions of a third party considering making an alternative acquisition proposal to the merger.***

Under the terms of the Merger Agreement, in certain circumstances Forestar may be required to pay to D.R. Horton a termination fee of \$20 million, or to reimburse certain fees of D.R. Horton in connection with termination of the Merger Agreement not to exceed \$4 million. In addition, the Merger Agreement limits the ability of Forestar to initiate, solicit, encourage or facilitate acquisition or merger proposals from a third party. These provisions could affect the decision by a third party to make a competing acquisition proposal, or the structure, pricing and terms proposed by a third party seeking to acquire or merge with Forestar. See the sections entitled "*The Merger Agreement Termination*" and "*The Merger Agreement Non-Solicitation; Acquisition Proposals.*"

***Lawsuits may be filed against Forestar, D.R. Horton, their respective directors or Merger Sub challenging the merger, and an adverse ruling in such lawsuits may prevent the merger from becoming effective or from becoming effective within the expected timeframe.***

Forestar, D.R. Horton, their respective directors and Merger Sub may be named as defendants in putative class action lawsuits challenging the proposed merger and seeking, among other things, equitable relief to enjoin consummation of the merger, rescission of the merger and/or rescissory

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damages. One of the conditions to the closing of the merger is that no temporary restraining order, preliminary or permanent injunction or other judgment, order or decree entered, enacted, promulgated, enforced or issued by an governmental entity of competent jurisdiction in the United States or any material foreign jurisdictions shall be and remain in effect prohibiting the consummation of the merger or the other transactions contemplated by the Merger Agreement, the Stockholder's Agreement or the Master Supply Agreement or making consummation of the merger illegal. As such, if any such lawsuits are filed and any potential plaintiffs are successful in obtaining at temporary restraining order, preliminary or permanent injunction or other judgment, order or decree prohibiting the consummation of the merger or the other transactions contemplated by the Merger Agreement, the Stockholder's Agreement or the Master Supply Agreement or making consummation of the merger illegal, then such injunction may prevent the merger from being completed or from being completed within the expected timeframe.

***The merger is subject to various closing conditions, and uncertainties related to the merger or the failure to complete the merger could negatively impact Forestar's business or share price.***

The merger is subject to the satisfaction of a number of conditions beyond Forestar's or D.R. Horton's control, and there is no assurance that the merger and the respective related transactions will occur on the terms and timeline currently contemplated or at all, or that the conditions to the merger will be satisfied or waived in a timely manner or at all. Any delay in completing the merger could cause Forestar not to realize, or delay the realization of, some or all of the benefits that Forestar expects to achieve from the merger. In addition, the efforts to satisfy the closing conditions of the merger may place a significant burden on Forestar's management and internal resources. Any significant diversion of management attention away from ongoing business and any difficulties encountered in the merger process could adversely affect Forestar's business, results of operations and financial condition.

The Merger Agreement limits Forestar's ability to pursue alternatives to the merger. These restrictions may prevent Forestar from pursuing attractive business opportunities and making other changes to its business prior to the effective time of the merger or termination of the Merger Agreement. Forestar could also be subject to litigation related to any failure to complete the merger.

Uncertainty about the completion and effect of the merger on Forestar or its employees, customers or joint venture partners may have an adverse effect on Forestar's share price and business, including with respect to customer or joint venture partner uncertainty regarding the operations of the Company after completion of the merger. These uncertainties may also impair Forestar's ability to preserve employee morale and attract, retain and motivate key employees until the merger is completed. If key employees depart because of uncertainty about their future roles and the potential complexities of the merger or a desire not to remain with the business after the completion of the merger, the Company's business could be harmed.

If the proposed merger is not completed, the share price of Forestar's common stock may decline to the extent that the current market price of Forestar common stock reflects an assumption that the merger and related transactions will be completed. In addition, upon termination of the Merger Agreement, under specified circumstances (including in connection with a superior offer), Forestar may be required to pay a termination fee of \$20 million. Also, if the Merger Agreement is terminated under specified circumstances, Forestar may be required to reimburse D.R. Horton for its fees and expenses incurred in connection with the Merger Agreement not to exceed \$4 million. See the section entitled " *The Merger Agreement contains provisions that could affect the decisions of a third party considering making an alternative acquisition proposal to the merger.*"

Further, a failed or significantly delayed merger may result in negative publicity and a negative impression of Forestar in the investment community. Any disruptions to Forestar's business resulting

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from the announcement and pendency of the merger, including any adverse changes in its relationships with its customers, joint venture partners, vendors, suppliers and employees or recruiting and retention efforts, could continue or accelerate in the event of a failed transaction. There can be no assurance that Forestar's business, these relationships or its financial condition will not be negatively impacted, as compared to the condition prior to the announcement of the merger, if the merger is not consummated.

***The projected financial information included in this proxy statement/prospectus is presented for informational purposes only and may not be an indication of Forestar's financial condition or results of operations before or after completion of the merger.***

The projected financial information contained in this proxy statement/prospectus is presented for informational purposes only based on various adjustments, assumptions and preliminary estimates and may not be an indication of the Company's financial condition or results of operations following completion of the merger for several reasons. The projected financial information was prepared during the period prior to the execution of the Merger Agreement on June 29, 2017 and has not been updated. See the section entitled "*The Merger Projected Financial Information.*" The actual financial condition and results of operations of the Company following completion of the merger may not be consistent with, or evident from, the projected financial information. In addition, the assumptions used in preparing the projected financial information may not prove to be accurate, and other factors may affect the Company's financial condition or results of operations following completion of the merger. Any potential decline in the Company's financial condition or results of operations may cause significant variations in the stock price of the Company after completion of the merger.

***The opinion of Forestar's financial advisor to the Forestar Board was delivered prior to the signing of the Merger Agreement and does not reflect changes in circumstances since such opinion was delivered.***

The opinion of Forestar's financial advisor to the Board was delivered prior to the signing of the Merger Agreement. Changes in the operations and prospects of Forestar, general market and economic conditions and other factors that may be beyond the control of Forestar may significantly alter the value or prices of shares of Forestar common stock by the time the merger is completed. The opinion does not speak as of the date of this proxy statement/prospectus, as of the time the merger will be completed, or as of any date other than the date of such opinion.

**Risks Relating to the Company After Completion of the Merger**

***So long as D.R. Horton controls the Company, other holders of Forestar common stock after completion of the merger will have limited ability to influence matters requiring stockholder approval, and if you are a holder of Forestar common stock after completion of the merger, D.R. Horton's interest may conflict with yours.***

Following completion of the merger, D.R. Horton will beneficially own approximately 75% of the Company. As a result, until such time as D.R. Horton and its controlled affiliates hold shares representing less than a majority of the votes entitled to be cast by the holders of outstanding Forestar common stock at a stockholder meeting, D.R. Horton generally will have the ability to control the outcome of any matter submitted for the vote of Company stockholders, except in certain circumstances set forth in the Company's new certificate of incorporation or bylaws. In addition, under the terms of the Stockholder's Agreement, so long as D.R. Horton or its affiliates own 35% or more of the voting securities of the Company, the Company may not take certain actions without D.R. Horton's approval, including certain actions with respect to equity issuances, indebtedness, acquisitions and executive hiring, termination and compensation. See "*The Stockholder's Agreement Approval Rights.*"

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In addition, pursuant to the Stockholder's Agreement, the Company will be subject to certain requirements and limitations regarding the composition of the Board. However, many of those requirements and limitations expire 15 months after the effective time of the merger. Thereafter, for so long as D.R. Horton and its controlled affiliates hold shares of Forestar common stock representing at least a majority of the votes entitled to be cast by the holders of Forestar common stock at a stockholder meeting, D.R. Horton will be able to nominate and elect all the members of the Board, subject to a requirement that D.R. Horton and the Company use reasonable best efforts to cause at least three directors qualify as "independent directors," as such term is defined in the NYSE listing rules, and applicable law. The directors elected by D.R. Horton will have the authority to make decisions affecting the capital structure of the Company, including the issuance of additional capital stock or options, the incurrence of additional indebtedness, the implementation of stock repurchase programs and the declaration of dividends.

The interests of D.R. Horton may not coincide with the interests of the other Company stockholders, and the other Company stockholders will not have received any interest in D.R. Horton or D.R. Horton's common stock in connection with the merger or the other transactions described herein. The business, financial and operating policies of Forestar in effect prior to the effective time of the merger may not continue following the effective time of the merger. D.R. Horton's ability, subject to the limitations in the Stockholder's Agreement and the Company's new certificate of incorporation and bylaws, to control matters submitted to the Company's stockholders for approval will limit the ability of other stockholders to influence corporate matters, and the Company may take actions that its stockholders do not view as beneficial. In such circumstances, the market price of Forestar common stock could be adversely affected. In addition, the existence of a controlling stockholder of the Company may have the effect of making it more difficult for a third party to acquire, or discouraging a third party from seeking to acquire, the Company. A third party would be required to negotiate any such transaction with D.R. Horton, and the interests of D.R. Horton with respect to such transaction may be different from the interests of other Company stockholders. See the sections entitled "*Comparison of Rights of Stockholders Before and After the Merger*" and "*Control and Management of the Company After the Merger*."

Subject to limitations in the Stockholder's Agreement and the Company's new certificate of incorporation, as will be in effect at the effective time of the merger, that limit D.R. Horton's ability to take advantage of certain corporate opportunities, D.R. Horton is not restricted from competing with the Company or otherwise taking for itself or its other affiliates certain corporate opportunities that may be attractive to the Company.

***The rights of Forestar stockholders will be different before and after completion of the merger.***

The rights of Forestar stockholders who receive new shares of Forestar common stock in the merger will be governed by the Second Amended and Restated Certificate of Incorporation (which we refer to as the "new charter") and Second Amended and Restated Bylaws (which we refer to as the "new bylaws") of the Company. As a result, there will be material differences between the current rights of Forestar stockholders and the rights they can expect to have as stockholders following completion of the merger. You should carefully review the forms of the Company's new charter and new bylaws to be in effect following completion of the merger, copies of which are attached as Exhibits A and B, respectively, to Annex A to this proxy statement/prospectus. By becoming a holder of new shares of Forestar common stock issued in connection with the merger, Forestar stockholders are deemed to have notice of and to have consented to the provisions of the Company's new charter and new bylaws, including with respect to the provisions that are described above and elsewhere in this proxy statement/prospectus, including in the sections entitled "*Comparison of Rights of Stockholders Before and After the Merger*" and "*Control and Management of the Company After the Merger*."

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***New shares of Forestar common stock issued in connection with the merger may have a value that is less than the cash consideration, and the value could fluctuate significantly.***

The new shares of Forestar common stock for which Forestar stockholders may make an election in the merger may have a value that differs from the cash consideration of \$17.75 per existing share of Forestar common stock. No third-party appraisal or other determination of value was requested or obtained by the Board with respect to the value of the new shares of Forestar common stock to be issued in connection with the merger. Accordingly, holders of existing shares of Forestar common stock who receive new shares of Forestar common stock, whether by reason of electing stock or as a result of the proration and allocation rules described in this proxy statement/prospectus, instead of the cash consideration of \$17.75 per share, in connection with the merger will be subject to the risk that the per share value of the new shares of Forestar common stock may be less than the amount of the cash consideration, and the trading price of new shares of Forestar common stock immediately following the effective time of the merger may be different from, and lower than, the closing price of existing shares of Forestar common stock at the time of the first public announcement of the merger or at any time thereafter. In addition, the value of new shares of Forestar common stock could fluctuate significantly for many reasons, including:

the risks described in this proxy statement/prospectus;

the Company's operating and financial performance and prospects, including based on the implementation of the terms of the Master Supply Agreement;

changes to the competitive landscape;

the arrival or departure of key personnel;

speculation in the press or the investment community; and

general market conditions.

***Any inability to resolve favorably any disputes that may arise between the Company and D.R. Horton may result in a significant reduction of the Company's revenues and earnings.***

Disputes may arise between D.R. Horton and the Company in a number of areas, including:

business combinations involving the Company;

sales or dispositions by D.R. Horton of all or any portion of its ownership interest in the Company;

performance under the Master Supply Agreement;

arrangements with third parties that are exclusionary to D.R. Horton or the Company; and

business opportunities that may be attractive to both D.R. Horton and the Company.

The Company may not be able to resolve any potential conflicts, and even if it does, the resolution may be less favorable than if the Company were dealing with an unaffiliated party.

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New agreements may be entered into between the Company and D.R. Horton, including under the Master Supply Agreement, and agreements the Company enters into with D.R. Horton may be amended upon agreement between the parties. While the Company is controlled by D.R. Horton, it may not have the leverage to negotiate these agreements, or amendments thereto if required, on terms as favorable to the Company as those that the Company would negotiate with an unaffiliated third party.



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***D.R. Horton's ability to control the Board may make it difficult for the Company to recruit independent directors.***

For so long as D.R. Horton and its controlled affiliates hold shares of Forestar common stock representing at least a majority of the votes entitled to be cast by the holders of Forestar common stock at a stockholders' meeting, D.R. Horton will be able to elect all of the members of the Board, subject to the requirement to nominate one individual from the current Board at the Company's 2018 annual meeting of stockholders. Further, the interests of D.R. Horton and the Company's other stockholders may diverge. Under these circumstances, persons who might otherwise accept an invitation to join the Board may decline.

***After completion of the merger, the Company will be a "controlled company" within the meaning of the NYSE rules and, as a result, may rely on exemptions from certain corporate governance requirements that provide protection to stockholders of companies that are not "controlled companies."***

Following completion of the merger, D.R. Horton will own more than 50% of the total voting power of Forestar common stock and, as a result, the Company will be a "controlled company" under the NYSE corporate governance standards. As a controlled company, the Company will be exempt under the NYSE standards from the obligation to comply with certain NYSE corporate governance requirements, including the requirements:

that a majority of the Board consists of independent directors;

that the Company have a nominating and governance committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;

that the Company have a compensation committee that is composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and

that an annual performance evaluation of the nominating and governance committee and compensation committee be performed.

If the Company uses the "controlled company" exemptions, holders of Forestar common stock after completion of the merger will not have the same protection afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

***The Company may not realize potential benefits of the strategic relationship with D.R. Horton, including the transactions contemplated by the Master Supply Agreement.***

The Master Supply Agreement establishes a strategic relationship between the Company and D.R. Horton for the supply of developed lots following completion of the merger. Under the Master Supply Agreement, the Company will, and D.R. Horton may, present lot development opportunities that it desires to develop to the other party, subject to certain exceptions. The parties will collaborate with respect to such opportunities and, if they elect to develop such opportunities, D.R. Horton will have a right of first refusal to acquire some or all of the lots developed by the Company, as set forth in the Master Supply Agreement, on market terms as determined by the parties. There are numerous uncertainties associated the Company's relationship with D.R. Horton, including the risk that the parties will be unable to negotiate mutually acceptable terms for lot development opportunities and the fact that D.R. Horton is not obligated to present lot development opportunities to the Company. As a result, the Company may not realize potential benefits of the strategic relationship with D.R. Horton, which may affect the Company's financial condition or results of operations following completion of the merger. For more information, see the section entitled "*The Master Supply Agreement.*"

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***D.R. Horton's control of the Company or the strategic relationship between D.R. Horton and the Company may negatively affect the Company's business relationships with other builder customers.***

So long as D.R. Horton controls the Company or the strategic relationship between D.R. Horton and the Company remains in place, the Company's business relationships with other builder customers may be negatively affected, including as a result of the risk that such other builder customers may believe that the Company will favor D.R. Horton over its other customers. In addition, the Company has in the past relied on builder referrals as a source for land development opportunities, and there is a risk that builders may refer such opportunities to land developers other than the Company as a result of the Company's close alignment with D.R. Horton.

***An investment in Forestar common stock after completion of the merger may be less liquid than an investment in Forestar common stock before completion of the merger.***

Forestar common stock after completion of the merger may be less liquid than Forestar common stock before completion of the merger because (a) the aggregate value of the publicly held Forestar common stock at the effective time of the merger will be substantially less than the aggregate value of the publicly held Forestar common stock outstanding immediately prior to the merger (as a result of the payment of the cash consideration), and (b) unlike the publicly held Forestar common stock before completion of the merger, all of the publicly held new Forestar common stock after completion of the merger will be minority shares of a company controlled by D.R. Horton, which will own approximately 75% of the equity of the Company following completion of the merger. See " *So long as D.R. Horton controls the Company, other holders of Forestar common stock after completion of the merger will have limited ability to influence matters requiring stockholder approval, and if you are a holder of Forestar common stock after completion of the merger, D.R. Horton's interest may conflict with yours.*"

***Forestar will experience an "ownership change" under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"), potentially limiting its use of tax attributes, such as unrealized built-in losses and other tax attributes, to reduce future tax liabilities after completion of the merger.***

Forestar has substantial unrealized built-in losses and other tax attributes for U.S. federal income tax purposes. The utilization of these tax attributes following completion of the merger depends on the timing and amount of taxable income earned by the Company in the future, which Forestar is not able to predict. Moreover, Forestar will experience an "ownership change" under Section 382 of the Code as a result of the merger, potentially limiting the use of the Company's tax attributes to reduce future tax liabilities for U.S. federal income tax purposes. This limitation may affect the timing of when these tax attributes may be used which, in turn, may impact the timing and amount of cash taxes payable by the Company.

**Other Risk Factors of Forestar**

Forestar's business is and will be subject to the risks described above. In addition, Forestar's business is, and will continue to be, subject to the risks described in Forestar's Annual Report on Form 10-K for the year ended December 31, 2016, as updated by subsequent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, all of which (other than information deemed, in accordance with SEC rules, to be furnished and not filed) are or will be filed with the SEC and incorporated by reference into this proxy statement/prospectus. See the section entitled "Where You Can Find More Information" for the location of information incorporated by reference in this proxy statement/prospectus.

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**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This proxy statement/prospectus contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which are subject to risks, uncertainties and assumptions that are difficult to predict. Forward-looking statements are predictions based on expectations and projections about future events, and are not statements of historical fact. Forward-looking statements include statements concerning business strategy, plans and prospects, among other things, including anticipated trends and developments in and management plans for our business and the markets in which we operate. In some cases, you can identify these statements by forward-looking words, such as "estimate," "expect," "anticipate," "project," "plan," "intend," "believe," "forecast," "foresee," "likely," "may," "should," "goal," "target," "might," "will," "could," "predict," and "continue," the negative or plural of these words and other comparable terminology. All forward-looking statements included in this proxy statement/prospectus are based upon information available to us as of the filing date of this proxy statement, and we undertake no obligation to update any of these forward-looking statements for any reason. You should not place undue reliance on forward-looking statements. The forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance, or achievements to differ materially from those expressed or implied by these statements. Important factors that could cause actual results to differ materially from those contained in any forward-looking statement include the factors identified in Forestar's Annual Report on Form 10-K for the year ended December 31, 2016 under the heading "Risk Factors," as updated from time to time by Forestar's Quarterly Reports on Form 10-Q and other documents of Forestar on file or in this proxy statement/prospectus filed with the SEC by Forestar, including the following factors:

one or more closing conditions to the merger may not be satisfied or waived, on a timely basis or at all, including receipt of the Company stockholder approval or the condition that holders of 20% or more of Forestar common stock do not properly exercise appraisal rights;

there may be a material adverse change to Forestar or the business of Forestar may suffer as a result of uncertainty surrounding the transaction;

the merger may involve unexpected costs, liabilities or delays;

legal proceedings may be initiated related to the merger; and

there may be changes in economic conditions, political conditions, changes in federal or state laws or regulation.

There can be no assurance that the merger will be completed, or if it is completed, that it will close within the anticipated time period or that the expected benefits of the merger will be realized. Consequently, all of the forward-looking statements we make in this proxy statement/prospectus are qualified by the information contained or incorporated by reference herein, including, but not limited to, (i) the information contained under this heading and (ii) the information contained under the headings "Risk Factors" and information in our consolidated financial statements and notes thereto included in our most recent filing on Form 10-K and subsequent periodic and interim report filings (see the section entitled "*Where You Can Find More Information*"). No assurance can be given that these are all of the factors that could cause actual results to vary materially from the forward-looking statements.

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**THE MERGER**

*The following is a discussion of the merger and the material terms of the Merger Agreement. This summary does not purport to be complete and may not contain all of the information about the Merger Agreement that is important to you. We encourage you to read carefully the Merger Agreement, a copy of which is attached to this proxy statement/prospectus as Annex A, in its entirety, as the rights and obligations of the parties thereto are governed by the express terms of the Merger Agreement and not by this summary or any other information contained in this proxy statement/prospectus.*

**Background of the Merger**

The Board continuously evaluates Forestar's strategic direction and business with a goal of maximizing stockholder value. On December 8, 2014, the Company issued a press release approved by the Board announcing that the Board, working together with its management team and financial advisor, was exploring strategic alternatives to enhance stockholder value. Thereafter, on May 12, 2015, the Company announced that, as a result of its review of strategic alternatives, the Board had approved and initiated a plan to focus on growing the Company's core real estate business, including harvesting cash flows from its non-core oil and gas business by significantly reducing capital expenditures and operating costs.

On June 15, 2015, the chief executive officer of a publicly traded real estate operating company ("Party A") sent a letter to the Company's chief executive officer to express an interest in discussing a potential combination of the Company and Party A, but no price or valuation was specified.

On July 15, 2015, the chief executive officer of the Company participated in a telephone conference with the chief executive officer of Party A to elaborate on the Company's focus on the plan announced on May 12, 2015.

On August 6, 2015, the chief executive officer of Party A sent another letter to the chief executive officer of the Company, copying the Board, reiterating Party A's desire to consider a combination of the two companies and outlining the potential benefits of a combination. The letter did not include any indicative valuation of the Company. Forestar's closing stock price was \$12.92 on August 6, 2015.

On August 11, 2015, the Board held an in-person meeting, with members of Forestar management in attendance. Representatives of the Company's then-financial advisor (which was not JMP) were also present during a portion of the meeting. Forestar management provided an overview of Party A and its strategy and certain financial information. The Company's financial advisor summarized certain considerations with a possible combination of Party A and the Company, including relative trading activity and implied historical exchange ratios. After discussion among the Board, management and its financial advisor, the Board determined to direct management to inform Party A that the Company was not interested in pursuing a transaction, among other reasons due to the fact that the Company and Party A were pursuing different real estate strategies as Party A was focused on acquiring and holding income producing properties and the Company was principally a land developer for single-family communities. After the meeting, Forestar's chief executive officer sent a letter to the chief executive officer of Party A advising that the Board had determined that exploration of a business combination with Party A at this time was not in the best interests of Forestar and its stockholders.

On September 28, 2015, among other management and Board changes, the Company announced the appointment of Phillip J. Weber as its new chief executive officer, and that James A. Rubright would be Forestar's non-executive chairman effective December 31, 2015. On October 2, 2015, the Company announced the appointment of Charles D. Jehl as the new chief financial officer of the Company.

On October 22, 2015, Forestar's management team held introductory meetings with a publicly traded real estate investment firm ("Party B") to explore Party B acquiring Forestar's community

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development portfolio or all of the equity interests in the Company. This meeting arose out of discussions between a representative of Forestar and a representative of Party B who had a pre-existing personal relationship. Forestar and Party B entered into a confidentiality agreement on November 13, 2015, and Party B initiated due diligence of the Company. Shortly thereafter, Party B informed the Company it would not proceed with a transaction due to Party B's belief that Party B would not be able to offer a price at which the Company would be willing to transact.

The Board held an in-person meeting on November 10, 2015, with members of Forestar management in attendance. At the meeting, in connection with the Board's plan to focus on the core business, the Board determined to engage financial advisors to commence the sales process for certain non-core assets, including specifically the sale of its hotel property in Austin, Texas, and its oil and gas working interest assets in North Dakota. Forestar's closing stock price was \$13.37 on November 10, 2015.

In early December 2015, Bruce Dickson, then the Company's chief real estate officer, met with representatives of a private residential and commercial real estate company ("Party C") to discuss possible strategic alternatives between Forestar and Party C. This meeting was arranged at the request of the Company as it continued to evaluate its strategy for the community development business.

During the last two months of 2015 and in 2016 prior to the ultimate engagement of JMP as the Company's financial advisor in August 2016, the Forestar management team met with several potential financial advisors and invited JMP and four other potential financial advisors to prepare materials and presentations for the Board regarding such firms' views on Forestar's business and alternatives. Throughout 2016 and 2017, the Company continued to pursue its initiatives to reduce operating costs, exit certain non-core assets and focus on maximizing stockholder value. As the Company narrowed its core business to community development and continued to divest certain non-core assets, Forestar management also worked with various advisors to consider future alternatives for Forestar in light of the business challenges facing Forestar and the Company's future financial plan and prospects.

On January 7, 2016, the Board held a telephonic meeting, with members of Forestar management in attendance. Mr. Weber provided an update on ongoing initiatives with respect to the Company's non-core assets, and Mr. Jehl provided information regarding net asset value scenarios for the Company as well as a review of its core business. The Board discussed these reviews and the status of the core community development business, and discussed the strategic direction of the Company.

On January 19 and January 20, 2016, Mr. Weber, Mr. Dickson and Michael Quinley, the Company's president community development, met with representatives of Party C to introduce Mr. Weber and Mr. Quinley to the Party C representatives and to further discuss possible strategic alternatives between Forestar and Party C. Party C had executed a confidentiality agreement with Forestar on January 12, 2016. Thereafter, the parties determined not to proceed with further discussions regarding a transaction due to a perceived lack of strategic alignment between the parties as Party C was focused on growing its multifamily business, which Forestar was considering for opportunistic exit over time.

On January 26, 2016, the Board held a telephonic meeting, with members of Forestar management in attendance. At the meeting, the Board determined the Company's multifamily business was non-core, and to opportunistically exit Forestar's multifamily portfolio and no longer allocate capital to new projects in that business.

On February 8 and February 9, 2016, the Board held an in-person meeting, which members of Forestar management attended. At the meeting, a potential financial advisor made a presentation to the Board regarding the advisor's observations about the Company, its market positioning, and the Company's strategic alternatives. The Board engaged in a discussion regarding the Company's strategic alternatives, and in furtherance of the objective to focus on the Company's core community

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development business the Board directed management to commence the process to market its timberland assets and to begin the process to determine potential values for legacy oil and gas and mineral assets. Forestar's closing stock price was \$8.60 on February 9, 2016.

In April 2016, a representative of a private real estate investment firm ("Party D") discussed with Mr. Quinley Party D's potential interest in an acquisition of the Company's community development business in the course of Mr. Quinley's regular business interactions with such representative. Mr. Quinley had been acquainted with the Party D representative for over 30 years during which both Mr. Quinley and the Party D representative had been employed by various firms associated with Atlanta-area real estate development activities or providing services thereto. After initial discussions, Party D executed a confidentiality agreement with Forestar on April 19, 2016, and Mr. Quinley had additional discussions with the Party D representative during May 2016.

In late April 2016, a representative of a private investment firm ("Party E") contacted a member of the Board (who is no longer a member of the Board) with whom the Party E representative was already acquainted to inquire about a potential transaction with the Company. The Forestar director spoke with the representative of Party E regarding Forestar and its business (without sharing any material non-public information). The director suggested that the Party E representative contact Mr. Weber if Party E was interested in engaging in further discussions regarding a potential transaction with the Company, and no further contact from Party E was received by the Company in regard to a potential transaction.

The Board held a regularly scheduled in-person meeting on May 9 and May 10, 2016, with members of Forestar management and representatives of two potential financial advisors (neither of which were the potential financial advisor that presented at the February 8 and February 9, 2016 Board meeting) and Skadden, Arps, Slate, Meagher & Flom LLP ("Skadden"), the Company's legal counsel, in attendance (with the two potential financial advisors and Skadden in attendance for part of the meeting). At the meeting, Mr. Weber reviewed the evolution of considerations and decisions since October 2015 related to the Company's portfolio of assets, and discussed with the Board certain historical financial information and pro forma community development information. Representatives of the first potential financial advisor joined the meeting to discuss their recommendations, including strategic alternatives, repurchasing or refinancing indebtedness, valuation considerations for the Company's community development business and their recommendation to initiate a tender offer for the Company's 8.500% senior secured notes due 2022. The second potential financial advisor then joined the meeting to discuss the Company's net asset value, potential deleveraging alternatives and recommendations on strategic alternatives. After the presentations by the two potential financial advisors, Mr. Weber advised the Board that the Company had been approached by a representative of Moelis & Company ("Moelis"), representing a publicly traded company, the identity of which had not been disclosed to Mr. Weber, that was interested in engaging in discussions with the Company. The Board discussed the strategic alternatives for the community development business and considerations regarding the financial advisor the Company may want to engage. Representatives of Skadden joined the meeting to discuss and respond to questions from the directors regarding their fiduciary duties with respect to the exploration of strategic alternatives. After discussion of the various presentations and alternatives presented to the Board, the Board determined to initiate a cash tender offer and consent solicitation for the Company's senior secured notes, and to continue to focus on the Company's core community development business. Forestar's closing stock price was \$12.43 on May 10, 2016.

After the Board meeting, the Moelis representative that had contacted Mr. Weber prior to the Board meeting about potentially engaging in discussions with the Company disclosed to Mr. Weber the identity of the advisor's client, D.R. Horton. On May 11, 2016, Mr. Weber and Mr. Quinley had an in-person meeting with representatives of D.R. Horton to discuss Forestar and D.R. Horton and whether the parties would be interested in a potential transaction or other strategic business arrangement.

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On May 18, 2016, Mr. Weber, Mr. Jehl and Mr. Quinley had a follow-up meeting with representatives of D.R. Horton to discuss further whether the parties would be interested in a potential transaction or other strategic business arrangement.

On May 27, 2016, the Company entered into a confidentiality agreement with D.R. Horton, which agreement included a "standstill" provision (which "standstill" expired in accordance with its terms on February 27, 2017).

On June 1, 2016, Mr. Weber, Mr. Jehl, David M. Grimm, then the Company's chief administrative officer and general counsel, and Mr. Quinley met with representatives of D.R. Horton, including D.R. Horton's financial advisor, and the parties discussed a potential strategic alliance and other potential business arrangements. In the days following, the parties and their advisors continued to discuss a potential transaction.

On June 6, 2016, D.R. Horton delivered a draft term sheet to Forestar proposing an equity investment by D.R. Horton in Forestar. The term sheet provided for a proposed investment in Forestar by D.R. Horton to acquire a combination of common stock representing 19.9% of the fully diluted Forestar common shares outstanding prior to the issuance at a purchase price equal to the market value per share, and convertible preferred stock representing an additional 20% of the fully diluted Forestar common shares outstanding on an as-converted basis. The term sheet provided that D.R. Horton would have proportional representation on the Board and on a newly formed investment committee composed of Forestar management and D.R. Horton representatives, and D.R. Horton would have certain veto rights at the Board level and on the investment committee. The term sheet also provided that the Company would use the proceeds of the investment to pursue lot development projects in which D.R. Horton would have rights to purchase a significant portion of the lots, and the parties would also enter into an agreement providing D.R. Horton with preferential rights to acquire developed lots from the Company at market prices.

On June 13, 2016, Mr. Quinley met with representatives of Party D and discussed Party D acquiring Forestar's community development portfolio.

On June 16, 2016, the Board held a telephonic meeting, with members of Forestar management in attendance. Mr. Weber reviewed the fact that several parties had previously expressed an interest in Forestar's community development business (such as Party B, Party C and Party D), and discussed D.R. Horton's proposal and the status of conversations with D.R. Horton. In light of the potential interest in the community development business and the D.R. Horton proposal, Forestar management recommended to the Board that the Company would benefit from engaging a financial advisor to assist with the identification and evaluation of strategic alternatives, and noted that the Company had been in contact with several potential firms. Following discussions, the Board authorized Forestar management (i) to continue discussions with potential financial advisors with a goal of identifying a firm for recommendation to the Board and (ii) to continue discussions with D.R. Horton to enable D.R. Horton to better understand the value of the Company for purposes of its potential strategic investment and address other aspects of D.R. Horton's proposal.

During June and July 2016, Forestar management reached out to and met with potential financial advisors regarding the Company. On June 21, 2016, Mr. Weber and Mr. Jehl held a telephone conference with representatives of JMP to invite JMP to attend the August 2016 meeting of the Board for discussions regarding the Company's strategic alternatives.

On June 23, 2016, Mr. Jehl and other Forestar employees participated in a conference call with D.R. Horton and its financial advisor to discuss the potential strategic investment and Forestar's financial position.

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On June 29, 2016, Mr. Weber, Mr. Jehl and Mr. Quinley met with representatives of Party D to introduce Mr. Weber and Mr. Jehl and continue the discussions regarding Party D's potential acquisition of Forestar's community development portfolio.

On July 13, 2016, Forestar management, in furtherance of the process authorized by the Board to evaluate potential financial advisors, authorized JMP, in contemplation of potential formal engagement, to reach out to five initial parties to discuss possible interest in a potential transaction with Forestar (with respect to the community development business or otherwise), including two private investment firms ("Party F" and "Party G"), a real estate investment firm ("Party H"), a private owner and developer of mixed-use, master-planned communities ("Party I"), and a non-U.S. publicly traded real estate firm ("Party J").

On July 14, 2016, Mr. Weber, Mr. Jehl, Mr. Grimm and Mr. Quinley met with representatives of D.R. Horton at D.R. Horton's corporate offices to further discuss the potential strategic investment by D.R. Horton in Forestar.

Party G executed a confidentiality agreement with Forestar on July 21, 2016.

On July 22, 2016, Mr. Weber met with representatives of D.R. Horton at its corporate offices to discuss valuation considerations with respect to Forestar and the terms of the potential strategic investment by D.R. Horton.

On July 26, 2016, Forestar delivered to D.R. Horton a revised draft of the term sheet regarding D.R. Horton's potential strategic investment in the Company, consistent with the general feedback to the term sheet from the Board at the June 16, 2016 meeting. The term sheet contemplated an acquisition of 19.9% of Forestar common stock at an unspecified premium to the market price and eliminated the proposed preferred stock investment, and, among other changes to D.R. Horton's proposed term sheet, limited D.R. Horton's board of directors veto rights and removed D.R. Horton's investment committee veto rights and added a five-year customary standstill that limited D.R. Horton's ability to acquire more than 25% of Forestar common stock or to take certain other actions. Forestar's closing stock price was \$12.24 on July 26, 2016.

On July 27, 2016, Party F and Party J each executed a confidentiality agreement with Forestar.

On August 1, 2016, Mr. Rubright met with representatives of D.R. Horton at his home to further discuss the potential strategic investment by D.R. Horton in Forestar.

On August 4, 2016, D.R. Horton delivered to the Company a revised draft of the term sheet regarding D.R. Horton's proposed strategic investment in the Company. The revised term sheet contemplated an acquisition by D.R. Horton of 19.9% of Forestar common stock, and convertible preferred stock that, together with the common stock, would result in D.R. Horton owning 25% of the fully diluted Forestar common shares outstanding on an as-diluted basis, at a purchase price of \$13.75 per share in each case. Among other changes to the Forestar July 26, 2016 draft term sheet, the revised draft (i) included expanded board of directors veto rights, (ii) reinstated certain of D.R. Horton's veto rights on the investment committee and (iii) provided for a more limited two-year standstill agreement that allowed D.R. Horton to acquire up to 30% of Forestar common stock.

The Board held an in-person meeting on August 8 and August 9, 2016, with members of Forestar management in attendance. Representatives of JMP and another potential financial advisor were also in attendance for portions of the meeting. As the Board was evaluating which financial advisor it would engage, Forestar management invited JMP and the other potential financial advisor to attend portions of the Board meeting, and each of JMP and the other financial advisor separately joined the meeting to discuss potential strategic alternatives that the Company might wish to consider and valuation matters. JMP discussed with the Board three potential options for the Company: sale, liquidation or status quo with growth, and discussed the five parties contacted for preliminary outreach in July, as



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well as additional potential transaction parties. After discussion of the various alternatives presented and considerations regarding the appropriate financial advisor, the Board decided to engage in a process to explore a potential sale of the Company and approved the engagement of JMP to assist with the process (at no time did JMP participate in any discussions of the Board regarding JMP's engagement). The Board's selection was based on JMP's reputation and experience and familiarity with Forestar and its business. The Board also discussed D.R. Horton's most recent proposal. The Board determined that the proposed investment construct was problematic to Forestar because the proposed D.R. Horton governance rights were excessive in comparison to the proposed level of investment. Shortly after the Board meeting, Forestar management informed D.R. Horton of these conclusions and the fact that the Company intended to engage JMP to explore strategic alternatives. Thereafter, D.R. Horton advised Forestar management that D.R. Horton was not interested in participating in a formal process with other parties. Forestar's closing stock price was \$12.16 on August 9, 2016.

On August 11, 2016, Party H executed a confidentiality agreement with Forestar.

JMP was formally engaged on August 18, 2016 pursuant to the approval granted by the Board in the August 8 and August 9, 2016 meeting. Forestar's closing stock price was \$12.25 on August 18, 2016. Beginning on August 18, 2016 and through September, at the direction of the Company and consistent with direction of the Board to initiate a potential sale process, JMP reached out to, or continued engagement with, 18 parties (including Parties A - J mentioned above, other than Party E, in light of their lack of response to the prior discussions, and Party D, who Forestar management was dealing with directly at the time) to solicit interest in an acquisition of Forestar, including several parties that had reached out to JMP or Forestar inquiring about a possible transaction. The contacted parties included public and private strategic acquirors, including national homebuilders, and private investment firms.

On September 6, 2016, Forestar opened an electronic data room for potential acquirors that had executed confidentiality agreements.

On September 14, 2016, a non-binding indication of interest was received from Party D based on the prior discussions between Party D and Forestar management. The indication of interest consisted of an offer to purchase only Forestar's community development assets for \$250 million. Forestar management had informed Party D that JMP had been retained by Forestar to assist it with evaluating strategic alternatives for the Company as a whole. Also on that day, Party I executed a confidentiality agreement with Forestar and was granted access to the electronic data room shortly thereafter.

On September 22, 2016, at the direction of the Company, JMP transmitted a process letter to the 10 parties included in the initial outreach group (including Party B and Parties G - J) that had expressed an interest in a potential transaction inviting them to submit by no later than October 7, 2016 initial indications of interest to acquire Forestar. Forestar's closing stock price was \$11.67 on September 22, 2016.

On September 28, 2016, Forestar executed a confidentiality agreement with Party I with respect to information to be provided to Forestar by Party I.

Throughout late September and October 2016, JMP and the Company's management held various telephone conferences and in-person meetings with the various parties considering a transaction to provide further information on Forestar and its business.

From September 26, 2016 to October 6, 2016, Mr. Weber, Mr. Jehl, Mr. Quinley, Mr. Thomas H. Burleson, the Company's Executive Vice President Real Estate, West Region, other Forestar employees and representatives of JMP held telephone or in-person conferences with each of Party G, Party I, Party F and a private investment firm ("Party K") to provide information regarding Forestar and its business. Party K had initially inquired about purchasing the Company's receivables from the Cibolo Canyons Special Improvement District, but Party K subsequently contacted JMP to be involved

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in the potential sale process. Party K executed a confidentiality agreement with Forestar on October 5, 2016 and was granted access to the electronic data room shortly thereafter.

On October 7, 2016, Party F submitted an initial non-binding indication of interest for Forestar for an all-cash acquisition of Forestar at a preliminary valuation of \$14.00 per share.

On October 11, 2016, Mr. Jehl, Mr. Quinley, Mr. Burleson and other Forestar employees and representatives of JMP held separate telephone conferences with representatives of a publicly traded homebuilder ("Party L") and a publicly traded real estate investment trust ("Party M") to provide an overview of Forestar and its community development business by project and market, each of whom had been part of the initial outreach group contacted by JMP. Party L had executed a confidentiality agreement with Forestar on September 29, 2016 and Party M had executed a confidentiality agreement with Forestar on September 26, 2016, and each were granted access to the electronic data room shortly after executing such confidentiality agreements.

On October 14, 2016, Party I submitted an initial non-binding indication of interest. The indication of interest provided for a non-cash, all-stock private-to-public merger transaction pursuant to which Party I and Forestar would merge with Forestar as the surviving corporation, and Forestar stockholders would own approximately 13%-14% of the merged company. The offer implied a valuation of Forestar of approximately \$600 million to \$625 million based on Party I's proposed valuation of itself (a price per share of \$14.05 to \$14.64). Party I indicated that it would consider including a cash portion of the purchase price if Forestar preferred such a structure. In response to Party I's initial indication of interest, JMP requested that Party I provide financial information to support the valuation of Party I included in its initial indication of interest.

On October 18, 2016, D.R. Horton withdrew its earlier offer that had valued the Company at \$13.75 per share, informing the Company that it was not interested in an acquisition of the entire company and that it did not wish to participate in the potential sale process. D.R. Horton indicated that it would not work on a potential strategic investment in the Company until the potential sale process was concluded. Also on that day, Party I provided initial diligence information in response to Forestar's request to provide financial information to support the Party I valuation included in its initial indication of interest.

On October 19, 2016, the Board held a telephonic meeting, with members of Forestar management and representatives of JMP and Skadden in attendance (with JMP in attendance for part of the meeting). The representative of Skadden reviewed with the members of the Board their fiduciary duties. JMP summarized the status of the potential sale process to date, noting that of the parties that had been contacted as part of the initial outreach group or that had otherwise engaged in discussions with Forestar as noted above, nine (including Party A) had either declined to participate in the process or had withdrawn from the process after executing a confidentiality agreement with the Company. Four of the parties had submitted initial indications of interest: D.R. Horton (at a value of \$13.75 per share, which offer had been withdrawn on October 18, 2016), Party D (at an implied value of \$5.87 per share for the community development business only), Party F (at a value of \$14.00 per share) and Party I (at an implied value of \$14.05 to \$14.64 per share based on Party I's valuation of itself included in its indication of interest). The Board engaged in discussion with the JMP representatives regarding the process and the parties that had indicated, or were expected to indicate based on discussions with JMP, interest in a transaction with Forestar. Forestar's closing stock price was \$11.20 on October 19, 2016.

Also on October 19, 2016, an initial non-binding indication of interest was received from Party M, which contemplated that Party M would contribute a master planned community land portfolio to Forestar in exchange for Forestar common stock, preferred equity, or other consideration to be determined. Party M did not include an indicative valuation in its indication of interest. After discussions between representatives of the Company and Party M regarding the proposed transaction, including the possibility of Party M providing debt financing to an acquirer of the Company, the parties

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concluded that a transaction involving Forestar and Party M was not a strategic fit given Party M's proposed transaction structure, and Party M did not continue in the potential sale process.

On October 24, 2016, Mr. Jehl, Mr. Quinley, Mr. Burselson and other Forestar employees and representatives of JMP held a telephone conference with representatives of a private community developer ("Party N") to provide an overview of Forestar and its community development business by project and market. Party N had executed a confidentiality agreement with Forestar on October 11, 2016 and was granted access to the electronic data room shortly thereafter.

Also on October 24, 2016, consistent with the discussions at the October 19, 2016 meeting of the Board, Forestar management instructed JMP to initiate an expanded outreach to six additional potential acquirors, including Starwood Capital Group ("Starwood"), a private real estate developer ("Party O") and investment firms and publicly traded real estate companies. In the days following, JMP reached out to all six parties to solicit their interest in participating in the potential sale process. On that same day, JMP transmitted a detailed request list to Party I for financial information so that Forestar, with the assistance of its advisors, could assess Party I's proposed valuation of itself.

Starwood executed a confidentiality agreement with Forestar on October 24, 2016 and was granted access to the electronic data room shortly thereafter.

On October 26, 2016, Mr. Burselson and other Forestar employees and representatives of JMP held a telephone conference with representatives of Party K to provide an overview of Forestar and its community development business by project and market.

Also on October 26, 2016, Mr. Weber and Mr. Jehl and representatives of JMP met with representatives of Party F to discuss the potential sale process and the progress made by Party F to date, including the terms of its indication of interest. The parties discussed arranging project level tours for representatives of Party F in November 2016.

On the same day, Mr. Weber and Mr. Jehl and representatives of JMP also met with Party N and discussed Party N's continued interest in purchasing the Company or its community development assets.

On October 27, 2016, Party I provided additional high level financial due diligence information. Forestar, in consultation with JMP, did not consider such information sufficient to assess Party I's proposed valuation of itself. At the Company's direction, JMP communicated to Party I the need for additional due diligence materials in order for the Company to assess Party I's proposed valuation of itself.

On November 1, 2016, Party F informed JMP that it wanted to introduce another private investment firm into the process ("Party P") to evaluate the potential transaction as a potential partner with Party F. Representatives of JMP spoke with representatives of Party P and Party P executed a confidentiality agreement on November 4, 2016 and was granted access to the electronic data room shortly thereafter. Party P began to work with Party F to evaluate the potential transaction as potential partners.

On November 7, 2016, Party N submitted an initial non-binding indication of interest for an all-cash acquisition of the Company at \$14.50 per share.

The Board met at an in-person meeting on November 7 and November 8, 2016, with members of Forestar management and representatives of JMP in attendance (with JMP in attendance for part of the meeting). Forestar management and JMP provided an update of the potential sale process, including an overview of the six additional parties contacted, and an overview of potential strategic alternatives for the Company. Forestar's closing stock price was \$11.35 on November 7, 2016.

On November 9, 2016, Party O executed a confidentiality agreement with Forestar and was granted access to the electronic data room shortly thereafter.

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In November 2016, based on discussions at the Board meeting on November 7 and November 8, 2016, Forestar determined to invite Starwood and Party O (based on discussions with such parties) and Party F and Party P, Party I and Party N (based on the terms of the initial indications of interest submitted by, and discussions with, such parties) to participate in the second round of the potential sale process. Such parties were included in the second round of the potential sale process based on the potential benefit to Forestar stockholders of the participation of such parties in light of their perceived interest level in and ability to consummate a transaction and in the interest of furthering a competitive process. Forestar determined not to invite Party D into the second round due to the lower valuation and structural impediments to a transaction compared to the other prospective acquirors. During the course of the second round of the potential sale process, the Company arranged various site tours and telephone conferences at the request of the potential acquirors in connection with their due diligence, as detailed below.

On November 11, 2016, Mr. Jehl and other Forestar employees and Forestar's external tax counsel participated in a conference call with Party F in which the parties discussed structuring alternatives for a potential transaction.

On November 15, 2016, Mr. Jehl, Mr. Quinley, Mr. Burselson and other Forestar employees and representatives of JMP held a telephone conference with representatives of Starwood to provide an overview of Forestar and its community development business by project and market.

From November 16 to November 18, 2016, Mr. Weber, Mr. Jehl, Mr. Quinley, Mr. Burselson, representatives of JMP and other Forestar employees held in-person meetings, and Forestar representatives conducted project tours for, representatives of Party F and Party P. Forestar provided Party F and Party P with additional information regarding Forestar and an update on the core business and status of the non-core business and dispositions.

From November 28 to December 1, 2016, Mr. Weber, Mr. Jehl, Mr. Quinley, Mr. Burselson, representatives of JMP and other Forestar employees held in-person meetings, and Forestar representatives conducted project tours for, representatives of Starwood. In addition, Forestar provided additional information and an update on the core community development business and the status of the non-core asset divestitures.

On December 2, 2016, Mr. Burselson met with representatives of Party O, with Mr. Jehl and other Forestar employees and representatives of JMP joining by telephone conference. Forestar provided an overview of Forestar and its community development business by project and market. Also on that day, at the direction of the Company, JMP contacted three additional parties that had expressed interest in providing financing to Party N in the potential sale process.

On December 6, 2016, Party O submitted an initial, non-binding indication of interest for an all-cash acquisition of Forestar at a price of \$15.00 per share.

On December 13, 2016, at the direction of the Company, JMP transmitted a second round process letter to Starwood and Party F and Party P, Party I, Party N and Party O, which were the only parties that continued to express an interest in pursuing a transaction with the Company, inviting such parties to submit final offers by no later than January 20, 2017.

Also on December 13, 2016, Mr. Weber, Mr. Jehl, Mr. Burselson, representatives of JMP and other Forestar employees held in-person meetings, and Forestar representatives conducted project tours for, representatives of Party O. On the same day, Forestar provided Party O with additional information regarding Forestar and an update on the core business and status of the non-core business and dispositions, and the parties discussed the terms of Party O's indication of interest.

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On December 14, 2016, Mr. Jehl and other Forestar employees and Forestar's external tax counsel participated in a conference call with Party O in which the parties discussed structuring alternatives for a potential transaction.

On December 15, 2016, Mr. Weber and Mr. Jehl had a meeting with Mr. Mike Moser, the chief executive officer of Starwood Land Ventures, L.L.C. ("Starwood Land"), an affiliate of Starwood, in which the parties continued to discuss the potential transaction between Forestar and Starwood. Forestar management reviewed business and financial information with Mr. Moser. Mr. Moser expressed interest in pursuing a transaction and adding the Forestar community development business to Starwood Land's existing platform.

On December 19, 2016, Mr. Jehl participated in a conference call with representatives of Party O to discuss historical costs and projected SG&A assumptions and employee census information.

On December 22, 2016, Starwood Land submitted a preliminary, non-binding indication of interest for an all-cash acquisition of the Company at a price of \$15.00 per share, subject to approval by Starwood's investment committee.

On December 29, 2016, Mr. Jehl and other Forestar employees and Forestar's external tax counsel participated in a conference call with Party I in which the parties discussed structuring alternatives for a potential transaction.

On December 30, 2016, at the direction of the Company, JMP transmitted a draft merger agreement prepared by Skadden to Starwood, Party F and Party P, Party I, Party N and Party O, and requested that the parties submit a revised draft of such proposed merger agreement with their final offers to be submitted no later than January 20, 2017.

On January 3, 2017, Mr. Jehl participated in a telephone conference with representatives of Party F and Party P to provide an update on the non-core asset divestitures and SG&A discussions.

Also on January 3, 2017, Party N informed the Company that it would not be submitting a final offer because Party N was only interested in purchasing the community development assets of Forestar and not the equity of the Company (including the Company's liabilities), and Party N had not yet been able to arrange financing for a transaction.

On January 4, 2017, Mr. Weber and Mr. Jehl met with representatives of Party O to discuss an acquisition of Forestar and to provide a presentation regarding Forestar's water assets.

On January 4 and January 6, 2017, Mr. Jehl, Mr. Bursleson and other Forestar employees participated in telephone conferences with Mr. Moser and Mr. Craig Campbell, the President, West Region of Starwood Land, to discuss due diligence matters.

On January 5, 2017, the Board held a telephonic meeting, with members of Forestar management and representatives of JMP and Skadden in attendance (with JMP in attendance for part of the meeting). The representatives of JMP provided an update on the potential sale process and engagement with the remaining parties, including property tours and significant meetings, and an overview of the expected final round bids based on discussions with the interested parties. The representative of Skadden reviewed with the members of the Board their fiduciary duties with respect to the potential sale process.

On January 6, 2017, Mr. Jehl and other Forestar employees and Forestar's external tax counsel participated in a follow-up conference call with Party O to continue discussing the structuring options for the transaction.

On January 10, 2017, Mr. Jehl, Mr. Bursleson and other Forestar employees participated in telephone conferences with Party F and Party P to discuss due diligence matters and an overview of the West region assets.

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On January 12, 2017, Mr. Weber and Mr. Jehl and representatives of JMP met with Mr. Moser and Mr. David Baker, a Vice President of Starwood, in Austin, Texas, to discuss financial and business due diligence matters for the potential transaction between the Company and Starwood.

On January 16, 2017, Mr. Weber participated in a conference call with a representative of Party O to discuss the possible acquisition of Forestar by Party O.

On January 19, 2017, Party F and Party P informed JMP that they would not be submitting a final offer for the acquisition of Forestar because based on their additional due diligence reviews of the Company, the valuation of the Company would be substantially lower than the values provided in Party F's initial indication of interest. Party O also informed JMP that it would not be submitting a final offer for Forestar for the same reasons but it expressed an interest in acquiring solely the Company's community development assets if a transaction for sale of the entire Company was not consummated.

On January 27, 2017, Party I submitted its second non-binding offer for a merger of Forestar and Party I, which continued to reflect a stock-for-stock merger pursuant to which Party I would acquire Forestar and become a public company. The offer included a proposed value of Party I within the range provided in its initial indication of interest, and Forestar stockholders would own approximately 15% of the merged company. Party I did not submit a revised draft of the proposed merger agreement with its offer.

On January 28, 2017, the Board held a telephonic meeting, with members of Forestar management and representatives of JMP in attendance (with JMP in attendance for part of the meeting). The representatives of JMP provided an update on the potential sale process, identifying the parties that had withdrawn from the process and that only Party I had provided a final offer and that the January 20, 2017 deadline for such offers included in the process letter had passed, and that Party I continued to propose a stock-for-stock transaction without supplying necessary data for the Company to assess Party I's own valuation. After consultation with JMP, the Board determined that, in addition to Party I, the Company should continue to engage with Starwood to encourage submission of a final offer and with Party F and Party P with the goal of encouraging Party F and Party P to reengage in the potential sale process and submit a final offer. Forestar's closing stock price was \$13.00 on January 27, 2017.

On January 31, 2017, JMP had a telephone conference with representatives of Party I to discuss their offer and to request the necessary information for the Company to assess the proposed valuation of Party I.

On February 1, 2017, Party I provided additional financial due diligence information consisting primarily of a third party liquidation analysis at a value substantially below Party I's proposed valuation in its final offer, and which Forestar, in consultation with JMP, did not consider sufficient to substantiate Party I's proposed valuation of itself.

On February 8, 2017, Starwood submitted its non-binding second offer, which included an offer to acquire the Company for a price of \$13.65 per share and proposed a 30-day exclusivity period to continue its due diligence and execute transaction documents, followed by a post-signing due diligence period of 30 days, with Starwood having the right to terminate the merger agreement (which we refer to as the "Starwood merger agreement") in its sole discretion during such 30-day diligence period. Starwood indicated to Forestar management that it had reduced the offer price from \$15.00 per share price included in Starwood Land's initial indication of interest as a result of findings during the course of its due diligence investigation of the Company, including, among other things, the fact that a greater percentage of the Company's residential lots were under contract than Starwood had initially assumed and Starwood's belief that obtaining entitlements for one of the Company's assets was less feasible or likely to take longer than Starwood had initially assumed.

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On February 13 and February 14, 2017, the Board held an in-person meeting, with members of Forestar management and representatives of JMP and Skadden in attendance (with JMP and Skadden in attendance for part of the meeting). JMP informed the Board that JMP had reached out to Party F after the January 28, 2017 Board meeting to encourage Party F and Party P to reengage in the potential sale process and submit a final offer, and Party F had declined on behalf of both such parties. In addition to the offers from Starwood and Party I, the Board discussed the Company's 2016 performance, historical community development results and projected performance, key performance indicators, inventory of lots, historical and projected SG&A targets. The Board also reviewed potential net asset value scenarios, which scenarios compared net asset values in the event of the Company's dissolution and winding up of its affairs or the continuation of the Company's business plan at different levels of investment (which scenarios are set forth below under " *Projected Financial Information Alternative Net Asset Value Scenarios*"). The Skadden representative reviewed with the Board the process and potential timing for the Company to dissolve or wind up its affairs under Delaware law. JMP and Forestar management reviewed with the Board the potential recoveries for stockholders under management's estimates of asset values, liabilities and carry costs, including sensitivities on a per share basis depending on the estimated sales price of the Company's community development business. The Board engaged in a discussion of the offers from Starwood and Party I and the other strategic options available to the Company on a going-forward basis, including the potential sale of the community development portfolio combined with liquidation of the remaining non-core assets and dissolution and winding up of the Company's affairs. JMP noted that, based on Party I's valuation of Party I's stock included in Party I's second offer and the due diligence materials provided by Party I, the implied per share value of the Party I offer was in a range of \$10.96 per share to \$16.00 per share. The Board discussed that, as a private company, Party I's valuation of itself was subject to various assumptions which would require significant additional due diligence to assess, as well as other considerations with respect to Party I's stock merger proposal, including the fact that Forestar Stockholders would own less than 20% of the merged entity. The representative of Skadden reviewed with the members of the Board their fiduciary duties in the context of the two offers. Following discussion by the Board, the Board directed Forestar management to continue to engage with Starwood and Party I, and to continue to request the due diligence items from Party I necessary for the Company to further assess the valuation of Party I in light of the proposed stock-for-stock transaction structure. The Board directed JMP to inform Starwood that it should raise its offer price in order to remain competitive on value and if it desired to enter into an exclusivity agreement with the Company. Forestar's closing stock price was \$13.25 on February 13, 2017.

On February 16, 2017, representatives of JMP held a telephonic meeting with Starwood in which it was conveyed to Starwood that the Board had determined that Starwood's \$13.65 per share offer was insufficient and that the Board was unwilling to grant an exclusivity period longer than 30 days or a "diligence out" allowing Starwood to unilaterally terminate the Starwood merger agreement.

On the same day, JMP sent a supplemental detailed due diligence request list to Party I and participated in a telephone conference with representatives of Party I to discuss the requests and the need for the information to allow Forestar to further assess the value of Party I's offer. Later that day, Party I informed JMP that it was withdrawing from the potential sale process, and did not give a reason for the withdrawal.

On February 21, 2017, Starwood submitted another non-binding indication of interest to the Company, increasing its offer price from \$13.65 per share to \$14.25 per share, and proposing a 30-day exclusivity agreement to complete due diligence and negotiate the transaction documents. On the same day, Kirkland & Ellis LLP ("Kirkland"), Starwood's legal counsel, delivered a revised draft of the Starwood merger agreement to Skadden.

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On February 24, 2017, the Board held a telephonic meeting, with members of Forestar management and representatives of JMP and Skadden in attendance (with JMP in attendance for part of the meeting). JMP provided a process update and overview, and noted that with Party I's refusal to provide the requested diligence information and withdrawal from the potential sale process, Starwood was the sole party that remained in the potential sale process. JMP reviewed Starwood's revised offer of \$14.25 per share, which was the highest cash final offer received by the Company. The representative from Skadden discussed the proposed exclusivity agreement and several points in the revised draft of the Starwood merger agreement submitted by Starwood. After discussion, the Board directed Forestar management to seek improvement of certain terms in the Starwood merger agreement, including regarding termination fees, interim operating covenants, closing conditions and the outside date for the merger, as a condition to entering into the exclusivity agreement with Starwood.

Following the Board meeting, representatives of JMP reached out to Starwood to discuss the matters raised at the meeting to seek improvement to certain terms in exchange for Forestar agreeing to enter into an exclusivity agreement with Starwood.

On February 27, 2017, the Board held a telephonic meeting, with members of Forestar management and representatives of JMP and Skadden in attendance (with JMP in attendance for part of the meeting). JMP reported on its discussions with Starwood, including Starwood's requirement of a 30-day exclusivity period in order to continue pursuing a transaction. JMP updated the Board on Starwood's response to issues raised with respect to certain terms in the Starwood merger agreement and Skadden summarized the proposed exclusivity agreement. After discussion, the Board authorized Forestar management to enter into a 30-day exclusivity agreement with Starwood and to continue the negotiation of the Starwood merger agreement during this period. Later that day, Forestar and Starwood entered into a 30-day exclusivity agreement, with the exclusivity period expiring on March 29, 2017. Forestar's closing stock price was \$13.45 on February 27, 2017.

During the exclusivity period, Starwood and its advisors worked to complete its due diligence of Forestar, including via access to an electronic data room provided by Forestar, while Starwood's and Forestar management and advisors worked to finalize the Starwood merger agreement and other definitive transaction documents.

On March 3, 2017, Skadden provided Kirkland with a revised draft of the Starwood merger agreement. On March 18, 2017, Kirkland provided Skadden with a revised draft of the Starwood merger agreement. On March 24, 2017, Skadden provided Kirkland with a revised draft of the Starwood merger agreement. During this period, representatives from Skadden and Kirkland engaged in numerous telephonic meetings to discuss the Starwood merger agreement.

On March 27, 2017, the Board held a telephonic meeting, with members of Forestar management and representatives of JMP and Skadden in attendance (with JMP in attendance for part of the meeting). JMP provided an update on the progress of Starwood's due diligence process and that Starwood continued to seek information and desired to perform additional analysis but that Starwood's advisors had made substantial progress in their due diligence review. JMP noted that Starwood had originally requested a 21 day extension to the exclusivity period, but after further discussion between Starwood and Forestar, had reduced its request to an extension to April 14, 2017. The representative of Skadden provided an overview of the status of negotiation of the Starwood merger agreement, including significant open items. Following discussion among the directors, the Board authorized extending the exclusivity period to April 14, 2017.

During the period from March 27, 2017 to April 13, 2017, Forestar's and Starwood's management and advisors worked to finalize the definitive transaction documents and Starwood's due diligence review of Forestar.



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On April 3, 2017, Kirkland provided Skadden with a revised draft of the Starwood merger agreement, which included consents of various counterparties to Forestar joint ventures as a closing condition to the merger. Forestar and Starwood and their representatives discussed the approach to these consents over the next several days and determined to seek to obtain certain consents prior to the execution of the Starwood merger agreement if possible.

On April 6, 2017, Skadden provided Kirkland with a revised draft of the Starwood merger agreement.

On April 10, 2017, Kirkland provided Skadden with Starwood's proposal on the key remaining open issues in the Starwood merger agreement, including the joint venture counterparty closing condition, termination fees and expense reimbursement triggers and amounts and expanding the divestiture condition. Later that day, Skadden and Kirkland discussed and negotiated the open issues, and Kirkland provided Skadden with drafts of the Starwood equity commitment letter and limited guarantee.

From April 10 through April 13, 2017, representatives of the Company and Starwood further negotiated, and reached resolution on, certain open points in the Starwood merger agreement, which included, among others, the lack of the joint venture counterparty consents condition, termination fees and expense reimbursement triggers and amounts and the scope of the divestiture condition, and the terms and conditions of the Starwood limited guarantee.

On April 12, 2017, the Board held a telephonic meeting to consider the Starwood offer and the terms of the Starwood merger agreement. Forestar management and representatives of JMP and Skadden were in attendance (with JMP in attendance for part of the meeting). Skadden's representative reviewed the director fiduciary duties and other legal matters, and provided an overview of the status of the terms of the Starwood merger agreement and the resolution of certain issues, including that the Company and Starwood had obtained consents from certain joint venture counterparties and that the associated closing condition had been removed from the Starwood merger agreement. Skadden's representative noted that certain issues remained open in the Starwood merger agreement, including with respect to termination fees and expense reimbursement amounts and triggers, and the Board provided guidance to Forestar management and Skadden as to the acceptable approach to such issues. After discussing the transaction with Forestar management and the representatives of JMP and Skadden, the Board determined to reconvene the following afternoon to consider approval of the Starwood transaction. The Board directed Skadden to discuss and attempt to resolve with Kirkland the remaining open points, including the triggers for the expense reimbursement provisions. Representatives of Skadden and Kirkland held telephonic meetings to discuss these open issues and finalized the Starwood merger agreement.

On April 13, 2017, Starwood informed the Company that the Starwood investment committee met that morning to consider the transaction and approved the merger with Starwood (which we refer to as the "Starwood merger").

In the afternoon of April 13, 2017, the Board convened a telephonic meeting to consider the Starwood offer and the terms of the Starwood merger agreement. Forestar management and representatives of JMP and Skadden were in attendance (with JMP in attendance for part of the meeting). Skadden's representatives reviewed the director fiduciary duties and other legal matters and the terms of the Starwood merger agreement, and confirmed that all open issues with respect to the Starwood merger agreement and other transaction documents had been satisfactorily resolved, including with respect to termination fees and expense reimbursement amounts and triggers. JMP provided an overview of the potential sale process, including that 29 parties had either been contacted or contacted the Company or JMP during the process that launched in August 2016 (or had been in previous contact with Forestar as discussed above), that 22 parties had executed a confidentiality agreement in relation to a potential transaction (none of which contained a "standstill" provision, except for the

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confidentiality agreement with D.R. Horton, as noted above), that eight parties had submitted initial indications of interest and were invited to conduct further due diligence and that two parties (Starwood and Party I) had submitted final offers, with Party I subsequently withdrawing its offer. JMP reviewed with the Board JMP's financial analysis of the \$14.25 per share consideration to be received in the Starwood merger and rendered to the Board an oral opinion, confirmed by delivery of a written opinion dated April 13, 2017, to the effect that, as of that date and based on and subject to the various assumptions and limitations set forth in its opinion, the \$14.25 per share consideration to be received by the holders of Forestar common stock (other than Starwood and its affiliates) in the Starwood merger was fair, from a financial point of view, to such holders. After discussing the proposed transaction and considering the presentations by Skadden and JMP, the Board unanimously determined the merger with Starwood to be advisable and in the best interests of Forestar stockholders, determined to approve the Starwood merger agreement and resolved to recommend adoption of the Starwood merger agreement by Forestar stockholders. Following the meeting, Forestar confirmed to Starwood that it had obtained its required Board approval and the Starwood merger agreement was executed by Forestar and Starwood in the evening of April 13, 2017.

Later on April 13, 2017, Forestar and Starwood issued a press release announcing the execution of the Starwood merger agreement.

On June 1, 2017, Forestar filed with the SEC a definitive proxy statement for the special meeting of the Company's stockholders to be held in regards to the Starwood merger.

On June 5, 2017, Mr. Weber received an email from a representative of Moelis, attaching a letter to the Board in which D.R. Horton proposed to acquire 75% of the Company for \$16.25 in cash per share (the "D.R. Horton \$16.25 Proposal"). In connection with the D.R. Horton \$16.25 Proposal, D.R. Horton delivered to the Company proposed drafts of the Stockholder's Agreement and Master Supply Agreement. D.R. Horton and the Company each issued a press release announcing the D.R. Horton \$16.25 Proposal and D.R. Horton held an investor call related to the D.R. Horton \$16.25 Proposal. Later on June 5, 2017, the Board held a telephonic meeting, with members of Company management and representatives of Skadden in attendance, to discuss the D.R. Horton \$16.25 Proposal. Representatives of Skadden gave an overview of the fiduciary duties of the Board and the terms of the Starwood merger agreement relating to the consideration of, and permitted actions with respect to, alternative proposals to the Starwood merger. Pursuant to the terms of the Starwood merger agreement, the Company delivered notice of the D.R. Horton \$16.25 Proposal to Starwood on June 5, 2017.

On June 6, 2017, Mr. Weber spoke with Mr. Moser to discuss the D.R. Horton \$16.25 Proposal.

On June 7, 2017, upon Starwood's request, Citigroup Inc. ("Citi"), Starwood's financial advisor, was given access to the Company's electronic data room. On behalf of the Company, representatives of JMP spoke with Mr. Baker and Mr. Alexis Kantt from Starwood regarding the D.R. Horton \$16.25 Proposal and the Company's expected timing to consider D.R. Horton \$16.25 Proposal. Representatives of Skadden spoke with representatives of Kirkland regarding the D.R. Horton \$16.25 Proposal and the Company's expected timing and approach to consideration of the D.R. Horton \$16.25 Proposal. Later in the day, the Board held a telephonic meeting, with members of Company management and representatives of JMP and Skadden in attendance, to discuss the D.R. Horton \$16.25 Proposal. Representatives of Skadden gave an overview of the fiduciary duties of the Board and the terms of the Starwood merger agreement relating to the consideration of, and permitted actions with respect to, alternative proposals to the Starwood merger. Representatives of JMP discussed initial considerations regarding the financial aspects of the D.R. Horton \$16.25 Proposal. After discussion of the D.R. Horton proposal with management, JMP and Skadden, including discussion of preliminary implied relative values of the consideration in the D.R. Horton \$16.25 Proposal compared to the \$14.25 per share price in the Starwood merger, the Board determined, based on the information then available to

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it, that the D.R. Horton \$16.25 Proposal could reasonably be expected to lead to a "Superior Proposal," as defined in the Starwood merger agreement and that failing to participate in discussions or negotiations regarding, or to furnish or disclose information (including non-public information) in response to, the D.R. Horton \$16.25 Proposal would be inconsistent with the Board's fiduciary duties to Forestar stockholders under applicable law. Accordingly, the Board instructed management to proceed to negotiate a confidentiality agreement with D.R. Horton and, upon execution of such agreement, enter into discussions or negotiations with D.R. Horton regarding the D.R. Horton \$16.25 Proposal. Following the meeting of the Board, the Company notified Starwood of the determination of the Board, as required by the Starwood merger agreement.

On June 8, 2017, the Company published a press release announcing the determination of the Board and that it expected to engage in discussions or negotiations with D.R. Horton regarding the D.R. Horton \$16.25 Proposal and furnish information to D.R. Horton in compliance with the Starwood merger agreement. Representatives of Skadden delivered an initial draft of a confidentiality agreement to Gibson, Dunn & Crutcher LLP ("Gibson Dunn"), D.R. Horton's legal counsel. Later that day, following negotiations between the parties, the Company and D.R. Horton executed a confidentiality agreement and the Company provided D.R. Horton with a copy of the Company Disclosure Letter delivered by the Company in connection with the Starwood merger agreement. Gibson Dunn delivered an initial draft of the Merger Agreement to Skadden.

On June 9, 2017, the Company delivered notice to Starwood that the Company and D.R. Horton had executed the confidentiality agreement and that a draft Merger Agreement had been delivered to the Company. D.R. Horton and its advisors were granted access to the Company's electronic data room and representatives of Skadden delivered to Gibson Dunn a list of initial questions with respect to the D.R. Horton \$16.25 Proposal and the initial draft of the Merger Agreement. Representatives of Gibson Dunn and Skadden held a telephone conference to discuss the D.R. Horton \$16.25 Proposal and timing and status of D.R. Horton's due diligence review, including the expectation that D.R. Horton's due diligence review would be largely completed within two to three days. From June 9 to June 11, 2017, the Company and its representatives responded to questions and provided additional due diligence materials to D.R. Horton and its representatives. As required by the Starwood merger agreement, the Company provided Starwood with all additional due diligence materials that were provided to D.R. Horton and that had not been previously provided to Starwood. Representatives from JMP spoke with representatives from Moelis regarding the D.R. Horton \$16.25 Proposal and the growth projections that D.R. Horton had provided in its investor call related to the announcement of the D.R. Horton \$16.25 Proposal. Later that day, representatives from JMP also spoke with representatives from Citi regarding the D.R. Horton \$16.25 Proposal and the Company's expected timing to respond to the D.R. Horton \$16.25 Proposal.

On June 10, 2017, representatives of the Company, D.R. Horton, JMP, Moelis, Skadden and Gibson Dunn participated in a telephone conference to discuss the Company's initial questions with respect to the D.R. Horton \$16.25 Proposal and D.R. Horton's future plans for the Company. Later that day, Moelis provided additional detail on the D.R. Horton growth projections for the Company.

On June 11, 2017, representatives of the Company, D.R. Horton, JMP, Moelis, Skadden and Gibson Dunn held a telephonic meeting to discuss D.R. Horton's due diligence questions with respect to the Company. Representatives of the Company answered various questions from representatives of D.R. Horton regarding the Company and its business. Also that day, Mr. Rubright and Mr. Weber spoke with Mr. David Auld, Chief Executive Officer, and Mr. Mike Murray, Chief Operating Officer, of D.R. Horton regarding various matters related to the transaction contemplated by the D.R. Horton \$16.25 Proposal, including the structure and timing of a transaction. Later that day, Skadden delivered to Gibson Dunn a revised draft of the Merger Agreement.

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On June 12, 2017, the Board held a telephonic meeting to discuss the D.R. Horton \$16.25 Proposal, with members of the Company's management and representatives of JMP and Skadden in attendance. At the request of D.R. Horton, representatives of D.R. Horton, Moelis and Gibson Dunn joined for portions of the meeting. Representatives of D.R. Horton management discussed with the Board D.R. Horton's views of the benefits to Forestar stockholders of the relationship between D.R. Horton and the Company after the closing of a potential transaction, including regarding the Master Supply Agreement and the post-closing governance of the Company. Representatives of D.R. Horton responded to various questions of the Board, and confirmed that D.R. Horton's due diligence review of the Company was largely complete. After the D.R. Horton discussion, the D.R. Horton, Moelis and Gibson Dunn representatives left the telephonic meeting and the Board reconvened to discuss D.R. Horton's presentation and the current status of a potential transaction with D.R. Horton, including the provisions of the draft Merger Agreement, Stockholder's Agreement and Master Supply Agreement. Later that day, representatives from JMP spoke to Mr. Baker and Mr. Kantt from Starwood to discuss the current status of the Company's review of the D.R. Horton \$16.25 Proposal. On the evening of June 12, representatives of the Company, JMP, Moelis and D.R. Horton participated in a telephonic conference to discuss the D.R. Horton growth projections for the Company.

On June 13, 2017, representatives of JMP and Moelis participated in a conference call to discuss D.R. Horton's growth projections for the Company.

On June 14, 2017, representatives of Citi and JMP participated in a conference call to discuss the D.R. Horton \$16.25 Proposal and Citi delivered to JMP a presentation regarding the valuation of the D.R. Horton \$16.25 Proposal, which presentation was provided to the Board. Later that day, the Board held a telephonic meeting, with members of the Company's management and representatives of JMP and Skadden in attendance, to discuss the D.R. Horton \$16.25 Proposal. Skadden discussed various process considerations, the fiduciary duties of the Board in light of the D.R. Horton \$16.25 Proposal and the terms of the Starwood merger agreement, and provided an overview of certain issues in the draft documents and potential approaches thereto, including with respect to the post-closing governance of the Company. Representatives of JMP discussed various preliminary valuation considerations, particularly with respect to the approximately 25% of Forestar common stock that would remain outstanding and publicly traded after the closing of the D.R. Horton merger. After discussion among the Board, including negotiation options with respect to the D.R. Horton \$16.25 Proposal, the Board directed the Company's management, with the assistance of JMP and Skadden, to further review the growth projections for the Company provided by D.R. Horton and negotiate with D.R. Horton various items of the D.R. Horton \$16.25 Proposal and the terms of the proposed agreements, including D.R. Horton's post-closing governance rights and potential alternative transactions structures, including a forward triangular merger structure similar to the structure contemplated by the Starwood merger agreement. Representatives of JMP, Moelis, Skadden and Gibson Dunn participated in a conference call in which Skadden and JMP provided feedback on the D.R. Horton \$16.25 Proposal in accordance with the Company's directives and the participants discussed potential alternative transaction structures.

On June 15, 2017, Skadden delivered to Gibson Dunn revised drafts of the Stockholder's Agreement and the Master Supply Agreement. Later that day, representatives of JMP spoke to Mr. Baker and Mr. Kantt from Starwood to discuss the current status of the Company's review of the D.R. Horton \$16.25 Proposal.

On June 16, 2017, representatives of Skadden and Gibson Dunn participated in a conference call to discuss the draft Merger Agreement, Stockholder's Agreement and Master Supply Agreement. Among other items, the parties discussed allocation of responsibility for payment of the termination fee under the Starwood merger agreement, transaction structure, the appraisal rights condition, the size of the Board following the completion of the D.R. Horton merger, the obligation to retain legacy Board

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members for a period of time following the completion of the D.R. Horton merger, stockholder consent rights, board committee and investment committee requirements, and required D.R. Horton minimum ownership thresholds for various governance rights or that would allow termination of the Stockholder's Agreement or Master Supply Agreement. Later that day, representatives of JMP and Moelis participated in a conference call to discuss D.R. Horton's growth projections for the Company.

On June 17, 2017, Gibson Dunn delivered to Skadden revised drafts of the Merger Agreement, Stockholder's Agreement, and Master Supply Agreement, and Skadden delivered a draft of the Company Disclosure Letter to Gibson Dunn.

On June 18, 2017, Skadden and Kirkland held a telephonic conference to discuss the status of the Company's negotiations with D.R. Horton. In addition, representatives of the Company's management, JMP and Skadden participated in a conference call to discuss outstanding issues with the most recent drafts of the transaction documents delivered by Gibson Dunn, including potential approaches to the various governance provisions. Later that day, representatives of JMP spoke to Mr. Baker and Mr. Kantt from Starwood to discuss the current status of the Company's review of the D.R. Horton \$16.25 Proposal.

On June 19, 2017, the Board held a telephonic meeting to discuss the D.R. Horton \$16.25 Proposal, with members of the Company's management and representatives of JMP and Skadden in attendance. Skadden presented a summary of the open issues in the transaction documents, which were generally focused on the governance rights in the Stockholder's Agreement, including the provisions with respect to the legacy Forestar director, the extent of D.R. Horton consent rights as a stockholder, composition of the Nominating and Governance Committee during the Lock-Up Period (as defined herein), and ownership thresholds for D.R. Horton rights and termination of the Stockholder's Agreement. JMP discussed financial aspects of the D.R. Horton \$16.25 Proposal, including factors which might influence the valuation of Forestar common stock not held by D.R. Horton after the merger. In addition to valuation considerations, the Board, JMP and Skadden discussed the timing and process with respect to the D.R. Horton \$16.25 Proposal. After the discussion, the Board directed the Company's management and its representatives to revise the transaction documents and deliver them to D.R. Horton, and directed JMP to complete its work comparing financial aspects of the D.R. Horton \$16.25 Proposal and the Starwood merger agreement. The Board expected that it would be in a position to make a determination at its next meeting whether the D.R. Horton \$16.25 Proposal constituted a "Superior Proposal" under the Starwood merger agreement. After the meeting, Skadden delivered to Gibson Dunn updated drafts of the Merger Agreement, Stockholder's Agreement, Master Supply Agreement and Company Disclosure Letter. Skadden and Gibson Dunn held a conference call in which Skadden conveyed that if D.R. Horton would like the Board to consider a revised proposal from D.R. Horton that included the proposed changes to the various transaction documents, D.R. Horton should be prepared to submit executed documents and a binding offer ahead of the next Board meeting, which was expected to occur on June 21, 2017. Later that day, representatives from JMP spoke to Mr. Baker and Mr. Kantt from Starwood to discuss the current status of the Company's review of the D.R. Horton \$16.25 Proposal.

On June 20, 2017, Kirkland and Skadden held a conference call regarding various closing matters with respect to the Starwood merger and Kirkland indicated that Starwood remained committed to working toward a closing in the middle of July. Gibson Dunn delivered to Skadden revised drafts of the Merger Agreement, Stockholder's Agreement and Master Supply Agreement, as well as a draft certificate of incorporation and draft bylaws for the surviving entity in the prospective merger contemplated by the D.R. Horton \$16.25 Proposal. Skadden delivered notice to Starwood that the Company received revised drafts of the transaction documents from D.R. Horton. Representatives of Skadden and Gibson Dunn held various telephone conferences to discuss the revised drafts of the transaction agreements to attempt to resolve any remaining open items.

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On June 21, 2017, Skadden delivered to Gibson Dunn a revised Company Disclosure Letter. Skadden informed Kirkland that the Board would be meeting and expected to make its determination with respect to whether the D.R. Horton \$16.25 Proposal constituted a Superior Proposal. Prior to the meeting of the Board, Starwood transmitted a letter to the Company with a proposed amendment to the Starwood merger agreement, executed by the Starwood parties, to increase the merger consideration in the Starwood merger from \$14.25 per share to \$15.50 per share (the "Starwood \$15.50 Amendment"). The Starwood \$15.50 Amendment provided that other than the increase in the merger consideration to \$15.50 per share, the terms of the Starwood merger agreement would be unchanged. Starwood included with its letter a financial presentation prepared by Citi comparing the value of the D.R. Horton \$16.25 Proposal and the proposed increased \$15.50 per share price in the Starwood merger. Thereafter, the Board held a telephonic meeting, with members of the Company's management and representatives of JMP and Skadden in attendance, to discuss the D.R. Horton \$16.25 Proposal and the Starwood \$15.50 Amendment. Skadden presented an overview of the fiduciary duties of the Board, and provided a summary of the expected binding offer for the D.R. Horton \$16.25 Proposal and the proposed Starwood \$15.50 Amendment. The Company's management presented its views on the comparative value of the transactions. JMP discussed a comparison of financial aspects of the transactions. During the meeting, D.R. Horton submitted the expected binding offer with respect to the D.R. Horton \$16.25 Proposal, which included executed versions of the Merger Agreement, the Stockholder's Agreement and the Master Supply Agreement and a binding offer letter which stated that the binding offer would automatically terminate if, among other things, (a) the Company failed to provide notice to D.R. Horton by 5:30 p.m. New York time on June 22, 2017 that the Company had provided notice to Starwood that the Board had determined that the D.R. Horton \$16.25 Proposal was a Superior Proposal under the Starwood merger agreement, or (b) the Company failed to terminate the Starwood merger agreement and return the Company's countersignatures to the transaction agreements by 1:00 p.m. New York time on June 29, 2017. After discussing the D.R. Horton proposal and the proposed Starwood \$15.50 Amendment, the Board determined not to make a determination at the meeting regarding whether the D.R. Horton \$16.25 Proposal constituted a Superior Proposal in order to allow JMP to update its work comparing financial aspects of the transactions in light of the increased \$15.50 per share price proposed by Starwood, and to provide the Board with adequate time to consider the two transactions. The Board resolved to approve the Company's entry into the Starwood \$15.50 Amendment and reaffirmed its prior determination, in light of the Starwood \$15.50 Amendment, that the D.R. Horton \$16.25 Proposal could reasonably be expected to lead to a Superior Proposal. Thereafter, the Company executed the Starwood \$15.50 Amendment and Skadden delivered notice to Starwood of the execution of the Starwood \$15.50 Amendment and of the determination by the Board that the D.R. Horton \$16.25 Proposal could reasonably be expected to lead to a Superior Proposal. Skadden also delivered notice to Starwood of Gibson Dunn's delivery to Skadden of the D.R. Horton binding offer and of Skadden's delivery of an updated Company Disclosure Letter to Gibson Dunn. Later on June 21, 2017, the Company issued a press release announcing the Starwood \$15.50 Amendment and the determination by the Board that the D.R. Horton \$16.25 Proposal could reasonably be expected to lead to a Superior Proposal. That evening, representatives of JMP spoke with representatives of Moelis to discuss the D.R. Horton proposal in light of the Starwood \$15.50 Amendment.

On June 22, 2017, D.R. Horton issued a pre-market press release in which it noted its commitment to the D.R. Horton \$16.25 Proposal. Representatives of Skadden and Gibson Dunn held a conference call to discuss the upcoming meeting of the Board, scheduled for later in the day, and Skadden informed Gibson Dunn that it was expected that the Board would make a determination at the meeting regarding whether the D.R. Horton \$16.25 Proposal was a Superior Proposal. Prior to the Board meeting, D.R. Horton submitted a revised binding offer to the Company increasing the cash consideration to acquire 75% of the Company from \$16.25 per share to \$16.75 per share (the "D.R. Horton \$16.75 Proposal"). The binding offer with respect to the D.R. Horton \$16.75 Proposal,

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which included executed versions of the Merger Agreement, the Stockholder's Agreement and the Master Supply Agreement unchanged from the June 21 versions other than with respect to the increase in the cash consideration to \$16.75 per share, provided that the binding offer would automatically terminate if, among other things, (a) the Company failed to provide notice to D.R. Horton by 11:59 p.m. New York time on June 22, 2017 that the Company had provided notice to Starwood that the Board had determined that the D.R. Horton \$16.75 Proposal was a Superior Proposal under the Starwood merger agreement, or (b) the Company failed to terminate the Starwood merger agreement and return the Company's countersignatures to the transaction agreements by 1:00 p.m. New York time on June 29, 2017. After receiving the D.R. Horton \$16.75 Proposal, but before the Board meeting, Skadden telephoned Kirkland to update them that there had been developments with respect to the D.R. Horton transaction and that Skadden would likely have additional information to share following the meeting with the Board. The Board held a telephonic meeting at 5:00 p.m. New York time, with members of the Company's management and representatives of JMP and Skadden in attendance. In light of the recent receipt of the D.R. Horton \$16.75 Proposal, the Board discussed the relative valuations of the two transactions, but determined to make no immediate determination with respect to whether the D.R. Horton \$16.75 Proposal constituted a Superior Proposal. JMP again discussed a comparison of financial aspects of the transactions and discussed transaction timing, considerations related to stockholder approval, considerations related to recent trading of the Company's stock and other strategic considerations. The Board also discussed its approach with respect to the Starwood and D.R. Horton transactions and concluded that it would likely determine that a D.R. Horton transaction was a Superior Proposal at a price of \$17.25 per share, if the Starwood price remained at \$15.50 per share. The Board directed the Company's management, JMP and Skadden to reach out to Starwood and D.R. Horton to encourage each party to present a revised offer that evening for consideration by the Board ahead of the 11:59 p.m. New York time expiration of the D.R. Horton \$16.75 Proposal. The Board determined to reconvene later in the evening.

After the conclusion of the 5:00 p.m. New York time meeting of the Board, representatives of JMP telephoned representatives of Moelis to convey that no determination was made with respect to the D.R. Horton \$16.75 Proposal but that, based on the Starwood \$15.50 Amendment, the Board had authorized JMP to communicate that the Board would likely declare a D.R. Horton transaction at a price of \$17.25 per share a Superior Proposal and that, in any event, the Board was scheduled to reconvene that evening. Skadden telephoned Kirkland to notify them of the D.R. Horton \$16.75 Proposal and informed them that if an improved Starwood offer were to be forthcoming, it would be preferable to be made that evening. Subsequently, Kirkland delivered to Skadden a second proposed amendment to the Starwood merger agreement, executed by the Starwood parties, to increase the merger consideration from \$15.50 to \$16.00 per share (the "Starwood \$16.00 Amendment"). The Starwood \$16.00 Amendment provided that other than the increase in the merger consideration to \$16.00 per share, the terms of the Starwood merger agreement would be unchanged. The Board held another telephonic meeting, at 9:30 p.m. New York time, to discuss its approach while awaiting a possible response from D.R. Horton. The Board was informed that a response from D.R. Horton had not been received and was likely to be provided, if one were forthcoming, only on the morning of June 23, 2017. Representatives of JMP discussed with the Board the relative valuation of the Starwood \$16.00 Amendment and the D.R. Horton transaction at various potential values of the cash consideration in the D.R. Horton merger. After such discussion, the Board instructed JMP to notify Moelis that the Board would likely determine the D.R. Horton transaction a Superior Proposal at a price of \$17.75 per share in light of the increased Starwood price. In light of the lack of response from D.R. Horton and the Starwood \$16.00 Amendment, the Board opted to allow the D.R. Horton \$16.75 Proposal to expire at 11:59 p.m., approved the execution and delivery of the Starwood \$16.00 Amendment and decided to reconvene at 7:00 a.m. New York time on June 23, 2017. Representatives of JMP telephoned Moelis to inform Moelis that the Board would reconvene at that time to consider any binding offer that was provided by D.R. Horton ahead of such meeting.

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On June 23, 2017, prior to the 7:00 a.m. New York time Board meeting, D.R. Horton submitted a revised binding offer to the Company increasing the cash consideration to acquire 75% of the Company from \$16.75 per share to \$17.75 per share (the "D.R. Horton \$17.75 Proposal"). The D.R. Horton \$17.75 Proposal, which included executed versions of the Merger Agreement, the Stockholder's Agreement and the Master Supply Agreement unchanged from the June 21 versions other than with respect to consideration, provided that the binding offer would automatically terminate if, among other things, (a) the Company failed to provide notice to D.R. Horton by 9:30 a.m. New York time on June 23, 2017 that the Company had provided notice to Starwood that the Board had determined that the D.R. Horton \$17.75 Proposal was a Superior Proposal under the Starwood merger agreement, or (b) the Company failed to terminate the Starwood merger agreement and return the Company's countersignatures to the transaction agreements by 1:00 p.m. New York time on June 30, 2017. The Board held a telephonic Board meeting at 7:00 a.m. New York time, with members of Company management and representatives of JMP and Skadden in attendance. Representatives of Skadden provided an overview of the Board's fiduciary duties and the proposed terms of the transaction documents with D.R. Horton, and JMP discussed financial aspects of the D.R. Horton \$17.75 Proposal compared to the \$16.00 per share price from Starwood. After discussing the D.R. Horton \$17.75 Proposal and the Starwood merger agreement, including the Starwood \$16.00 Amendment, the Board determined that the D.R. Horton \$17.75 Proposal constituted a Superior Proposal, and that failure to terminate the Starwood merger agreement to enter into an agreement concerning the D.R. Horton \$17.75 Proposal would be inconsistent with its fiduciary duties to the stockholders of the Company under applicable law. Following the Board meeting, Skadden delivered a notice to Starwood that the Board has determined that the D.R. Horton \$17.75 Proposal constituted a Superior Proposal and that the Board intended to terminate the Starwood merger agreement to enter into a definitive, written agreement with respect to the D.R. Horton \$17.75 Proposal. In accordance with the Starwood merger agreement, the Company informed Starwood that it would discuss and negotiate with Starwood in good faith (to the extent requested by Starwood) until 5:00 p.m. New York time on June 28, 2017 such adjustments in the terms and conditions of the Starwood merger agreement as would permit the Board not to terminate the Starwood merger agreement with Starwood, and provided notice to D.R. Horton of its delivery of such notice to Starwood. The Company also delivered written notice to Starwood of the D.R. Horton \$16.75 Proposal and the D.R. Horton \$17.75 Proposal, as well as the execution by the Company of the Starwood \$16.00 Amendment. Representatives from JMP spoke with Mr. Baker at Starwood regarding the decision of the Board and the pending press release. The Company issued a press release announcing the Superior Proposal determination and the Starwood \$16.00 Amendment on the morning of June 23, 2017.

Following the notice on June 23, 2017 until the end of the notice period at 5:00 p.m. New York time on June 28, 2017, Starwood did not request that the Company discuss and negotiate with Starwood in good faith any adjustments to the terms and conditions of the Starwood merger agreement. During such period, representatives of Starwood contacted representatives of D.R. Horton to discuss the potential acquisition of certain Forestar assets by Starwood. D.R. Horton informed Starwood that it did not have the authority to negotiate any such transaction on behalf of Forestar and that it was not currently in a position to determine the appropriate sale value of any of Forestar's assets.

On the evening of June 28, 2017, the Board convened a telephonic meeting to consider the D.R. Horton \$17.75 Proposal. Representatives of Company management and representatives of JMP and Skadden were in attendance. Skadden's representatives reviewed the director fiduciary duties and other legal matters and the terms of the Merger Agreement, the Stockholder's Agreement and the Master Supply Agreement and confirmed that the transaction documents were unchanged from those discussed at the previous Board meeting, other than the increased price. JMP reviewed with the Board JMP's financial analysis of the D.R. Horton \$17.75 Proposal and rendered to the Board an oral opinion, confirmed by delivery of a written opinion dated June 28, 2017, to the effect that, as of that



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date and based on and subject to the various assumptions and limitations set forth in its opinion, the aggregate merger consideration to be received by the holders of Forestar common stock (other than D.R. Horton and its affiliates) in the merger was fair, from a financial point of view, to such holders. After discussing the proposed transaction and considering the presentations by Skadden and JMP, the Board unanimously resolved that the D.R. Horton \$17.75 Proposal remained a Superior Proposal, to terminate the Starwood merger agreement, to authorize the Company to pay the \$20 million termination fee to Starwood, that the merger with D.R. Horton is advisable and in the best interests of Forestar stockholders and to approve the Merger Agreement and recommend adoption of the Merger Agreement by Forestar stockholders.

On the morning of June 29, 2017, the Company paid the \$20 million termination fee to Starwood as required under the Starwood merger agreement and provided a notice of termination of the Starwood merger agreement to Starwood. Immediately thereafter, the Company executed the Merger Agreement, the Stockholder's Agreement and the Master Supply Agreement and provided such documents to D.R. Horton, together with a notice of the Company's termination of the Starwood merger agreement.

Later on the morning of June 29, 2017, prior to the market opening, the Company issued a press release announcing the termination of the Starwood merger agreement and the entry into the Merger Agreement, and the Company and D.R. Horton issued a joint press release announcing the execution of the Merger Agreement.

Following the execution of the merger agreement, representatives of Starwood again contacted representatives of D.R. Horton to discuss a potential transaction involving the acquisition of certain Forestar assets by Starwood. Representatives of D.R. Horton informed representatives of Forestar regarding the Starwood inquiry, and subsequently representatives of D.R. Horton met with representatives of Starwood to discuss Starwood's interest in a transaction. Following such meeting, D.R. Horton again informed Starwood that it did not have the authority to negotiate any such transaction on behalf of Forestar and that it was not currently in a position to determine the appropriate sale value of any of Forestar's assets.

**Recommendation of the Forestar Board of Directors and Reasons for the Merger**

*Recommendation of Our Board of Directors*

The Board, after considering the various factors described below, (i) unanimously determined that the Merger Agreement and the transactions contemplated by the Merger Agreement, including the merger, are advisable, fair to and in the best interests of Forestar and its stockholders, (ii) declared the Merger Agreement advisable under Delaware law and (iii) unanimously approved, adopted and authorized the Merger Agreement and the transactions contemplated by the Merger Agreement, including the merger.

**The Board unanimously recommends that you vote (i) "FOR" the proposal to adopt the Merger Agreement, (ii) "FOR" the proposal to approve, by non-binding advisory vote, specified compensation that may be paid or become payable to Forestar's named executive officers in connection with the merger and (iii) "FOR" the proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the proposal to adopt the Merger Agreement.**

*Reasons for the Merger*

In evaluating the merger, the Merger Agreement and the other transactions contemplated by the Merger Agreement, the Board consulted with our management team and our outside legal and financial advisors and, in reaching its decision to approve the merger, the Merger Agreement and the

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other transactions contemplated by the Merger Agreement, the Board considered a number of factors, including the following material factors which it viewed as supporting its decision to approve and recommend approval of the merger and the adoption of the Merger Agreement by our stockholders:

the fact that the Company considered a variety of strategic alternatives over an extensive, approximately two-year period;

the fact that the Company sought offers to purchase from a broad group of potential bidders, including financial sponsors and strategic bidders, 22 of which entered into confidentiality agreements with the Company and received information related to the Company, and D.R. Horton's offer was the highest value final offer in the judgment of the Board;

the fact that the implied value of the proposed aggregate consideration to be received by the holders of Forestar's common stock of \$16.00 to \$17.82 on a per share basis (as indicated by the illustrative pro forma Forestar discounted cash flow analysis performed by Forestar's financial advisor described below under "*Opinion of Forestar's Financial Advisor*") was equal to or above the price of \$16.00 per share to be paid in the amended Starwood merger agreement, and a premium of between 13.8% and 26.8% over the Company's closing stock price on April 12, 2017, the day prior to the announcement of the Starwood merger agreement; and

the belief of the Board that the per share transaction consideration of \$17.75 in cash for 75% of the shares of Forestar common stock is more favorable to Forestar stockholders than the consideration of \$16.00 per share in cash per share of Forestar common stock that was to be paid under the amended Starwood merger agreement;

the fact that the price proposed by D.R. Horton reflected extensive negotiations between the Company and D.R. Horton, as well as extensive negotiations between the Company and Starwood;

the Company's current and historical financial condition, results of operations, competitive position, strategic options and prospects, as well as the Company's future financial plan and prospects, and the Board's and management's knowledge of D.R. Horton's business, strategy and future prospects, and the assessment, based on such knowledge, that the transaction would be favorable to Forestar and its stockholders;

the perceived challenges and risks, and the general and administrative costs, of continuing as a stand-alone public company and the assessment by the Board that no other internally developed alternatives were reasonably likely in the near term to create greater value for Forestar stockholders than the merger, taking into account business, competitive, industry and market risks;

the Board's view of D.R. Horton's successful track record in the real estate business and the potential benefits of the strategic alliance with D.R. Horton, the nation's largest homebuilder (as measured by number of homes closed and revenues), including pursuant to the Master Supply Agreement, and discussions with Forestar's management and its financial advisor regarding D.R. Horton's business, assets, financial condition, business plan and prospects;

the financial analyses presented by JMP, as well as the oral opinion of JMP delivered to the Board on June 28, 2017, and subsequently confirmed by delivery of a written opinion by JMP, dated June 28, 2017, as to the fairness, from a financial point of view and as of the date of the opinion, to holders of Forestar common stock (other than D.R. Horton and its affiliates) of the aggregate merger consideration, which opinion was based on and subject to the assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken, as more fully described below under "*Opinion of Forestar's Financial Advisor*," and in considering JMP's opinion, the Board noted that JMP had informed the Board on June 6,



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2017, that during the two year period ended June 6, 2017, JMP had not been engaged by Forestar, D.R. Horton or Starwood Land Ventures, and there was no potential engagement pending with such persons, other than in its role as financial advisor to Forestar in connection with the merger, and that JMP believed that it did not have any relationships with D.R. Horton or Starwood that would prevent JMP from acting independently as Forestar's financial advisor in connection with the merger;

the current state of the economy and uncertainty surrounding forecasted economic conditions both in the near term and the long term, generally, and within our industry in particular which could reduce revenue generated by our projects;

the fact that the Forestar stockholders may elect to receive the merger consideration either in (i) all cash or (ii) all Forestar common stock (subject, in each case, to proration), providing Forestar stockholders with the option to receive immediate value through the cash consideration or to continue to participate in the equity value of Forestar as an affiliate of D.R. Horton following the D.R. Horton merger recognizing that Forestar stockholders will hold approximately 25% on a fully diluted basis of Forestar equity immediately after the D.R. Horton merger, and that one current Forestar director will continue to serve on the Board after the D.R. Horton merger;

the fact that the termination fee of \$20 million payable by us in certain circumstances was viewed by the Board, after consultation with our advisors, as reasonable and not likely to preclude any other party from making a competing acquisition proposal, including in light of D.R. Horton's acquisition proposal;

the fact that the expense reimbursement of \$4 million payable by us if the Merger Agreement is terminated in certain circumstances was viewed by the Board, after consultation with our advisors, as reasonable;

the reasonable likelihood that the merger and the other transactions contemplated by the Merger Agreement would be completed based on, among other things, D.R. Horton's size and financial liquidity and its status as a strategic acquiror, and the Company's ability to seek to specifically enforce D.R. Horton's obligations under the Merger Agreement, including the obligation to consummate the merger, and the lack of a financing condition for the merger;

the Company's ability, under circumstances described in the Merger Agreement, to provide information to and engage in discussions or negotiations with a third party that makes an unsolicited bona fide acquisition proposal if the Board, prior to taking any such actions, determines in good faith that such acquisition proposal either constitutes a superior proposal or could reasonably be expected to lead to a superior proposal and the fact that none of the confidentiality agreements entered into by the Company in the potential sales process contains a "standstill" provision that remains effective;

the ability of the Board, under circumstances described in the Merger Agreement, to withdraw, modify or amend the Board's recommendation that Forestar stockholders vote to adopt the Merger Agreement, subject to payment of a termination fee of \$20 million if the Merger Agreement is terminated in such case;

our ability to terminate the Merger Agreement, under certain circumstances, in order to enter into a definitive agreement providing for a superior proposal if the Board determines, after consultation with advisors and after taking into account any changes to the terms of the Merger Agreement proposed by D.R. Horton, that the superior proposal continues to constitute a superior proposal, upon payment of a termination fee of \$20 million;

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the terms and conditions of the Merger Agreement, which were reviewed by the Board in consultation with our advisors, and the fact that such terms were derived from arm's-length negotiations among the parties;

the belief of the Board that there are a limited number of potential purchasers of the Company based on, among other things, strategic fit and financial ability;

the fact that the receipt of new shares of Forestar common stock, if applicable, is not expected to be taxable to Forestar stockholders for U.S. federal income tax purposes;

the fact that the Merger Agreement would be subject to adoption by our common stockholders, and our common stockholders would be free to reject the merger by voting against the merger for any reason, including if a higher offer were to be made prior to the special meeting (although we may be required to pay expense reimbursement of \$4 million in such circumstances or, if we subsequently were to enter into a definitive agreement relating to and/or consummate an acquisition proposal, a termination fee of \$20 million under certain circumstances);

the minority stockholder protections contained in the D.R. Horton Stockholder's Agreement and Forestar organizational documents, including independent director approval of certain actions of Forestar for a period of time after consummation of the D.R. Horton merger; and

the fact that stockholders who do not vote to adopt the Merger Agreement and who follow certain prescribed procedures are entitled to appraisal rights under Delaware law.

The Board also considered the following potentially negative factors in its deliberations concerning the merger, the Merger Agreement and the other transactions contemplated by the Merger Agreement:

the fact that the transaction is not all cash, which precludes Forestar stockholders from enjoying certainty of value for their shares of Forestar common stock;

the fact that the receipt of cash, if applicable, is expected to be taxable to Forestar stockholders for U.S. federal income tax purposes;

the fact that the existence of a controlling stockholder of Forestar may have the effect of making it more difficult for a third party to acquire, or discouraging a third party from seeking to acquire, Forestar, and that a third party would be required to negotiate any such transaction with D.R. Horton, and the interests of D.R. Horton with respect to such transaction may be different from the interests of other Forestar stockholders;

the risk that the merger could be delayed or not completed;

the fact that, although the Board has determined that the merger is advisable and in the best interests of the Company and our stockholders and reflects the best price reasonably available in a sale of the Company at this time, and despite the fact that we conducted an extensive marketing process, with the assistance of our financial advisor, there can be no assurances that another alternative would not have resulted in a higher amount per share than the price payable pursuant to the merger;

the significant costs involved in connection with entering into and completing the merger and the substantial time and effort of management required to complete the merger, which may disrupt the Company's business operations;

the restrictions on the conduct of our business prior to the completion of the merger, which could delay or prevent us from undertaking acquisition, development, redevelopment, disposition and other business opportunities that may arise pending completion of the proposed transactions and generally change the manner in which we have conducted our business and operations in the past;

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the risk that the pending transactions or failure to complete the merger may negatively impact our relationships with our lenders, stockholders, joint venture partners and other business partners, and may divert attention away from the day-to-day operation of our business;

the risk that the conditions to the merger may not be satisfied, including if holders of 20% or more of our common stock properly exercise appraisal rights;

our inability to solicit competing acquisition proposals and the possibility that the \$20 million termination fee payable by us upon the termination of the Merger Agreement under the circumstances described in the Merger Agreement could discourage other potential bidders from making a competing bid to acquire us;

the risk that the potential benefits of the strategic relationship with D.R. Horton, including the transactions contemplated by the Master Supply Agreement, may not be realized;

the risk that other builder customers may be reluctant to purchase lots from or refer new development projects to Forestar due to the relationship with D.R. Horton;

the risk that after the merger, D.R. Horton will control Forestar and D.R. Horton's interests may conflict with the interests of the other Forestar stockholders.

the fact that some of our directors and executive officers may have interests in the merger and the other transactions contemplated by the Merger Agreement that are different from, or in addition to, those of our stockholders; and

the fact that the Company will experience an "ownership change" under Section 382 of the Code, potentially limiting its use of tax attributes, such as unrealized built-in losses and other tax attributes, to reduce future tax liabilities after completion of the merger.

The foregoing discussion is not meant to be exhaustive, but summarizes the material factors considered by the Board in its consideration of the merger. After considering these and other factors, the Board concluded that the potential benefits of the merger outweighed the uncertainties and risks. In view of the variety of factors considered by the Board and the complexity of these factors, the Board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the foregoing factors in reaching its determination and recommendations. Moreover, each member of the Board applied his or her own personal business judgment to the process and may have assigned different weights to different factors. Based upon the totality of the information presented to and considered by the Board, the Board unanimously approved the Merger Agreement and the consummation of the merger in accordance with the terms and subject to the conditions of the Merger Agreement and recommends that Forestar stockholders adopt the Merger Agreement.

### **Opinion of Forestar's Financial Advisor**

Forestar has retained JMP as its financial advisor in connection with the merger. In connection with this engagement, Forestar requested that JMP evaluate the fairness, from a financial point of view, to holders of Forestar common stock (other than D.R. Horton and its affiliates) of the aggregate merger consideration to be received by such holders in the merger. On June 28, 2017, at a meeting of the Board at which the merger was approved, JMP rendered to the Board an oral opinion, confirmed by delivery of a written opinion dated June 28, 2017, to the effect that, as of that date and based on and subject to the matters described in its opinion, the aggregate merger consideration to be received by the holders of Forestar common stock (other than D.R. Horton and its affiliates) in the merger was fair, from a financial point of view, to such holders.

The full text of JMP's written opinion, dated June 28, 2017, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached to this proxy statement/prospectus as Annex D and is incorporated into this proxy statement/prospectus by





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reference. The description of JMP's opinion set forth in this proxy statement/prospectus is qualified in its entirety by reference to the full text of JMP's opinion. **JMP's opinion was provided to the Board (in its capacity as such) in connection with its consideration of the merger. JMP's opinion did not address the underlying decision of Forestar to proceed with or effect the merger or the relative merits of the merger as compared to any alternative strategy or transaction that might exist for Forestar (including, without limitation, the previously proposed Starwood merger). JMP's opinion does not constitute a recommendation as to how the Board or any stockholder should act or vote with respect to the merger or any other matter, including whether any stockholder should elect to receive either the cash consideration or the stock consideration or make no election. Forestar stockholders are urged to read carefully JMP's opinion in its entirety.**

For purposes of its opinion, JMP:

reviewed the financial terms and conditions of the Merger Agreement;

reviewed certain publicly available business and financial information relating to Forestar, including Forestar's audited financial statements for the years ended December 31, 2016, 2015 and 2014;

reviewed certain financial projections provided to JMP by Forestar relating to Forestar and its community development projects, as well as to the estimated sale value of Forestar's multifamily assets (as summarized below under "*Projected Financial Information*"), and certain other historical and current financial and business information provided to JMP by Forestar, including purchase price information from certain letters of intent and draft purchase agreements as well as certain third party appraisals provided to JMP by Forestar relating to certain other real estate assets of Forestar;

reviewed certain financial projections provided to JMP by D.R. Horton relating to the Company after completion of the merger and adjustments thereto provided to JMP by Forestar;

held discussions regarding the operations, financial condition and prospects of Forestar before and after completion of the merger with the respective senior managements of Forestar and D.R. Horton;

reviewed, for informational purposes, the premiums paid in certain publicly announced mergers and acquisitions transactions in certain real estate industries;

reviewed the current and historical trading prices and volume of Forestar common stock;

considered the results of Forestar's efforts, with JMP's assistance, to solicit indications of interest and definitive proposals from certain third parties with respect to a possible acquisition of Forestar, including with respect to the previously proposed Starwood merger; and

performed such other studies, analyses and inquiries and considered such other factors as JMP deemed appropriate.

In arriving at its opinion, JMP, with Forestar's consent, (i) relied upon and assumed the accuracy and completeness of all information from public sources or which was provided to JMP by or on behalf of Forestar or D.R. Horton or otherwise reviewed by JMP, without independent verification, (ii) did not assume any responsibility for independently verifying such information, and (iii) relied on the assurances of the senior management of Forestar that it was not aware of any facts or circumstances that would make such information provided to JMP inaccurate or misleading. In addition, with Forestar's consent, JMP did not make any independent evaluation or appraisal of any of the assets or liabilities (contingent or otherwise) of Forestar (with respect to any of its community development projects or otherwise), nor was JMP furnished with any such evaluations or appraisals except as described above. With respect to the financial projections referred to above (including the financial



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projections provided to JMP by D.R. Horton as adjusted by Forestar relating to the Company after completion of the merger) and any other forecasts or forward-looking information, JMP assumed, at the direction of the senior management of Forestar, that such projections, forecasts and information were reasonably prepared and reflected the best currently available estimates and good faith judgments of such management as to the expected future results of operations and financial condition of Forestar before and after completion of the merger and the other matters covered thereby, and JMP relied on such information in arriving at its opinion. Further, with respect to such financial projections and any other forecasts or forward-looking information, as part of JMP's analysis in connection with its opinion, JMP assumed, with Forestar's consent, that the financial results reflected therein could be realized in the amounts and at the times indicated thereby, and JMP did therefore not assess the reasonableness or achievability of such projections, forecasts and information. With respect to the purchase price information from letters of intent and draft purchase agreements as well as the third party appraisals referred to above, JMP assumed, at the direction of the senior management of Forestar, that such purchase price information and third party appraisals represented reasonable estimates of the values of the assets of Forestar to which they relate, and JMP relied on such information in arriving at its opinion. In arriving at its opinion, JMP did not apply a minority discount for purposes of its analysis of the new Forestar common stock to be received as part of the aggregate merger consideration.

In addition, in arriving at its opinion, JMP assumed, with Forestar's consent, that (i) all material information JMP requested from Forestar during the scope of its engagement had been provided to JMP fully and in good faith, (ii) the merger would be consummated in accordance with the terms and conditions set forth in the Merger Agreement (the final terms and conditions of which JMP assumed would not differ in any respect material to JMP's analysis from the aforementioned draft that JMP reviewed), without any waiver, modification or amendment of any material terms or conditions, (iii) the representations and warranties made by the parties to the Merger Agreement were and would be true and correct in all respects material to JMP's analysis, (iv) all governmental and third party consents, approvals and agreements necessary for the consummation of the merger would be obtained without any adverse effect on Forestar or the merger, and (v) the merger would not violate any applicable federal or state statutes, rules or regulations.

JMP's opinion addressed only the fairness, from a financial point of view, to the holders of Forestar common stock (other than D.R. Horton and its affiliates) of the aggregate merger consideration to be received by such holders in the merger. JMP's opinion did not constitute legal, regulatory, accounting, insurance, tax or other similar professional advice and did not address (i) the underlying decision of Forestar to proceed with or effect the merger, (ii) the terms of the merger (other than the aggregate merger consideration to the extent expressly addressed in JMP's opinion) or any arrangements, understandings, agreements or documents related to the merger (including the terms of the Master Supply Agreement and Stockholder's Agreement contemplated to be entered by Forestar and D.R. Horton), (iii) the fairness of the merger (other than with respect to the aggregate merger consideration to the extent expressly addressed in JMP's opinion) or any other transaction to Forestar's equity holders or creditors or any other person or entity, including, without limitation, the fairness of any consideration to be paid in connection with the merger to the holders of any other class of securities, creditors or other constituencies of Forestar or the fairness of the aggregate merger consideration relative to any such consideration, (iv) the election by holders of Forestar common stock to receive the cash consideration or the stock consideration, or the actual allocation between the cash consideration and the stock consideration among such holders (including, without limitation, any allocation thereof as a result of proration pursuant to the Merger Agreement), or the relative fairness of the cash consideration and the stock consideration, (v) the relative merits of the merger as compared to any alternative strategy or transaction that might exist for Forestar (including, without limitation, the previously proposed Starwood merger), or the effect of any other transaction which Forestar may consider in the future, (vi) the tax, accounting or legal consequences of the merger, or (vii) the solvency, creditworthiness, fair market value or fair value of any of Forestar, D.R. Horton or

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their respective assets under any applicable laws relating to bankruptcy, insolvency, fraudulent conveyance or similar matters. JMP's opinion expressed no opinion as to the fairness of the amount or nature of any compensation to any officers, directors or employees of any party to the merger, or any class of such persons, relative to the aggregate merger consideration to be received by the holders of Forestar common stock in the merger.

JMP's opinion was necessarily based on business, economic, monetary, market and other conditions as they existed and could be reasonably be evaluated on, and the information made available to JMP as of, the date of JMP's opinion. Subsequent developments may affect JMP's opinion, and JMP assumed no responsibility for updating or revising its opinion based on circumstances or events occurring after the date of the opinion (regardless of the closing date of the merger). JMP has not been engaged to amend, supplement or update its opinion at any time. JMP expressed no view or opinion as to what the value of the new Forestar common stock actually will be when issued pursuant to the merger or the prices at which Forestar common stock issued before or after completion of the merger may be purchased, sold or exchanged, or otherwise be transferable, at any time. JMP also expressed no view or opinion as to the prices at which any of the real estate assets of Forestar may be purchased, sold or exchanged, or otherwise be transferable, at any time. Forestar imposed no other instructions or limitations on JMP with respect to the investigations made or procedures followed by JMP in rendering its opinion.

In preparing its opinion, JMP performed a variety of financial analyses, including those described below. This summary of the analyses is not a complete description of JMP's opinion or the analyses underlying, and factors considered in connection with, JMP's opinion, but summarizes the material analyses performed and presented in connection with such opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to summary description. JMP arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and did not draw, in isolation, conclusions from or with regard to any one factor or method of analysis for purposes of its opinion. Accordingly, JMP believes that its analyses must be considered as a whole and selecting portions of its analyses and factors without considering all analyses and factors could create a misleading or incomplete view of the processes underlying its analyses and opinion.

In its analyses, JMP considered industry performance, general business, economic, market and financial conditions and other matters existing as of the date of its opinion, many of which are beyond the control of Forestar. No company, business or transaction reviewed is identical to Forestar, either before or after completion of the merger, or the merger. An evaluation of these analyses is not entirely mathematical; rather, the analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading or other values of the companies, businesses or transactions reviewed.

The estimates contained in JMP's analyses and the valuation ranges resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by its analyses. In addition, analyses relating to the value of businesses or securities do not purport to be appraisals or to reflect the prices at which businesses or securities actually may be sold or acquired. Accordingly, the estimates used in, and the results derived from, JMP's analyses are inherently subject to substantial uncertainty.

JMP was not requested to, and it did not, recommend the specific consideration payable in the merger. The type and amount of consideration payable in the merger was determined through negotiations between Forestar and D.R. Horton and the decision of Forestar to enter into the Merger Agreement was solely that of the Board. JMP's opinion was only one of many factors considered by the

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Board in its consideration of the merger and should not be viewed as determinative of the views of the Board or management with respect to the merger or the consideration to be received in the merger.

The following is a summary of the material financial analyses provided to the Board in connection with JMP's opinion. **The financial analyses summarized below include information presented in tabular format. In order to fully understand JMP's financial analyses, the tables must be read together with the text of each summary. Considering the data below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of JMP's financial analyses.**

***Implied Aggregate Merger Consideration.*** JMP calculated implied values of the aggregate merger consideration by adding together the cash component of approximately \$558.3 million and implied values of the aggregate stock consideration based on (1) an implied value of the stock consideration of \$17.75 per share and (2) a range of implied values of the stock consideration based on an illustrative pro forma discounted cash flow analysis described below. These calculations indicated the following:

An implied value of the aggregate merger consideration of \$744.3 million using an implied value of the aggregate stock consideration based on an implied value of the stock consideration of \$17.75 per share; and

A range of implied values of the aggregate merger consideration of \$670.7 million to \$747.2 million (or \$16.00 to \$17.82 on a per share basis based on the total number of outstanding share of Forestar common stock as provided by the management of Forestar and without regard to the allocation of the cash consideration and the stock consideration to individual Forestar stockholders pursuant to the merger agreement) using a range of implied values of the aggregate stock consideration based on an illustrative pro forma discounted cash flow analysis.

JMP also reviewed with the Board for informational purposes (and not as part of JMP's financial analysis with respect to its opinion), among other things, implied values of the aggregate merger consideration by adding together the cash component of approximately \$558.3 million and implied values of the aggregate stock consideration based on the volume weighted average stock prices of Forestar for the 30-day, 60-day, 90-day and 180-day periods ended April 12, 2017, which indicated implied values of the aggregate merger consideration of \$699.2 million, \$697.5 million, \$696.1 million and \$692.8 million, respectively.

***Illustrative Pro Forma Discounted Cash Flow Analysis.*** JMP performed an illustrative pro forma discounted cash flow analysis of the Company after completion of the merger based on financial projections provided to JMP by D.R. Horton as adjusted by Forestar relating to the Company after completion of the merger (as summarized below under "*Projected Financial Information*"). Using discount rates ranging from 9.2% to 13.6%, which were selected by JMP taking into account a weighted average cost of capital calculation performed with data relating to the Company after completion of the merger and selected publicly traded, small-cap homebuilders, JMP calculated (i) a range of implied present values of the projected unlevered free cash flows of the Company after completion of the merger that it was forecasted to generate from April 1, 2017 through calendar year 2022 as summarized in "*Projected Financial Information*" and (ii) a range of implied present values of implied terminal values for the Company after completion of the merger derived by applying a range of terminal multiples of 1.00x to 1.50x selected by JMP to the estimated book value of the Company after completion of the merger as of December 31, 2022. This analysis indicated an approximate implied per share equity value reference range for the Company after completion of the merger of \$10.73 to \$18.02 and an approximate implied value range for the aggregate stock consideration of \$112.5 million to \$188.9 million.

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**Standalone Forestar Net Asset Valuation Analysis.** JMP performed a net asset valuation analysis of Forestar based on (i) financial projections provided to JMP by Forestar relating to Forestar's community development projects as well as the estimated sale value of Forestar's multifamily assets (as summarized below under " *Projected Financial Information*"), (ii) certain purchase price information from letters of intent and draft purchase agreements provided to JMP by Forestar relating to certain other real estate assets of Forestar held for sale, including water and timberland assets and other undeveloped land assets held for sale, and (iii) book values as of March 31, 2017 for Forestar's other assets and liabilities provided to JMP by Forestar. With respect to Forestar's community development projects, JMP calculated a range of implied present values of approximately \$283.8 million to \$310.5 million for the projected cash flows that Forestar's community development projects were forecasted by Forestar to generate using a blended discount rate of 23.0% to 27.0%, which reflected project-by-project adjustments based on project type, project lifecycle, project activity status and other market specific adjustments (weighted by the projected cash flows of each community development project) to an initial discount rate range of 19.5% to 23.5% selected by JMP based on review of industry surveys, industry research and industry experience. With respect to Forestar's multifamily assets, JMP calculated a range of implied present values of approximately \$44.1 million to \$52.8 million for the potential estimated net proceeds that Forestar forecasted could be generated by Forestar from the sale of such assets. Other real estate asset values were based on certain third party appraisals and other purchase price information provided to JMP by Forestar. This analysis indicated an approximate implied per share equity value reference range for Forestar of \$13.71 to \$14.53 and an approximate implied total equity value reference range for Forestar of \$582.6 million to \$617.9 million, as compared to the implied values of the aggregate merger consideration referred to above.

**Standalone Forestar Discounted Cash Flow Analysis.** JMP performed a discounted cash flow analysis of Forestar based on financial projections provided to JMP by Forestar relating to Forestar (as summarized below in " *Projected Financial Information*"). Using discount rates ranging from 13.1% to 16.1%, which were selected by JMP taking into account a weighted average cost of capital calculation performed with data relating to Forestar, JMP calculated (i) a range of implied present values of the projected unlevered free cash flows of Forestar that Forestar was forecasted to generate from April 1, 2017 through March 31, 2027 as summarized below under " *Projected Financial Information*" and (ii) a range of implied present values of implied terminal values for Forestar derived by applying a range of perpetuity growth rates of 0.5% to 2.5% selected by JMP to Forestar's estimated unlevered free cash flows for the 12-month period ending March 31, 2027. This analysis indicated an approximate implied per share equity value reference range for Forestar of \$12.93 to \$13.85 and an approximate implied total equity value reference range for Forestar of \$550.8 million to \$590.6 million, as compared to the implied values of the aggregate merger consideration referred to above.

**Premiums Paid in Selected Historical M&A Transactions.** JMP reviewed for informational purposes (and not as part of JMP's financial analysis with respect to its opinion) the implied premiums paid in 25 selected acquisitions of publicly traded U.S. equity REITs and homebuilders relative to the closing stock prices of the acquired companies one day, five days and 30 days prior to public announcement of the relevant transaction and relative to the volume weighted average stock prices of the acquired companies during the 30-day, 60-day, 90-day and 180-day periods (except as otherwise noted) ended on the last trading day prior to public announcement of the relevant transaction. The selected acquisitions consisted of completed transactions consummated between June 26, 2007 and June 26, 2017 with at least 50% cash consideration and announced equity transaction values of between \$250 million and \$5 billion. The medians of the implied premiums paid in the selected acquisitions reviewed by JMP were then compared to the implied premiums paid in the merger based on the \$17.75 cash consideration to be received in the merger relative to the closing stock prices of Forestar on April 12,

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2017, April 7, 2017 and March 12, 2017 and relative to the volume weighted average stock prices of Forestar during the 30-day, 60-day, 90-day and 180-day periods ended April 12, 2017, as follows:

	Implied Premiums Paid (Prior to Announcement)						
	Spot Price			Volume Weighted Average Price			
	1-Day	5-Day	30-Day	30-Day	60-Day	90-Day	180-Day
<b>Median of Selected Historical M&amp;A Transactions</b>	14.5%	17.1%	15.5%	7.0%	10.2%	12.2%	13.3%
<b>Forestar (Proposed Transaction at \$17.75 per Share)</b>							
<b>Implied Premiums</b>	26.3%	25.4%	36.5%	32.1%	33.7%	35.0%	38.3%

Note: Volume weighted average stock price of American Realty Capital Healthcare Trust, which was acquired by Ventas, Inc. on January 16, 2015, used to calculate 60-day, 90-day and 180-day median data was based on trading period beginning April 7, 2014, the first day of trading on NASDAQ of American Realty Capital Healthcare Trust common stock.

**Miscellaneous.** Under the terms of JMP's engagement, Forestar has agreed to pay JMP for its financial advisory services in connection with the merger an aggregate fee currently estimated to be approximately \$7.1 million, portions of which became payable upon JMP's engagement and upon delivery of JMP's opinion, dated April 13, 2017, in connection with the previously proposed Starwood merger, a portion of which was payable upon delivery of JMP's opinion in connection with the merger and approximately \$5.6 million of which is contingent upon completion of the merger. In addition, Forestar has agreed to indemnify JMP against certain claims and liabilities related to or arising out of its engagement. JMP may seek to provide financial advisory services to Forestar, D.R. Horton or their respective affiliates in the future, for which JMP would expect to receive compensation. In the ordinary course of business, JMP and its affiliates may actively trade or hold the securities of Forestar and D.R. Horton for their own account or for the account of their customers and, accordingly, may at any time hold a long or short position in those securities.

Forestar selected JMP as its financial advisor in connection with the merger based on JMP's reputation and experience and familiarity with Forestar and its business. JMP is a nationally recognized investment banking firm which provides capital raising, mergers and acquisitions transaction and other strategic advisory services to corporate clients. JMP's opinion was approved by a JMP Securities LLC fairness opinion committee.

**Projected Financial Information**

Forestar does not, as a matter of course, publicly disclose long-term projections as to future financial performance due to, among other reasons, the unpredictability of the underlying assumptions and estimates, though Forestar has in the past provided investors with annual lot sale volume guidance among other items, which it may update from time to time during the relevant year. However, in connection with the evaluation of the proposed merger, Forestar provided the Board and/or certain bidders, including Starwood and D.R. Horton, with certain non-public, unaudited prospective financial information prepared by Forestar's management, and D.R. Horton publicly released certain growth projections for Forestar, each as summarized below, which we refer to as the "Forecasts." As noted below, certain Forecasts were also provided to JMP for use in connection with its financial analyses summarized above under " *Opinion of Forestar's Financial Advisor.*"

The Forecasts were not prepared with a view to public disclosure and are included in this proxy statement/prospectus only because such information was made available as described above. The Forecasts were not prepared with a view to compliance with generally accepted accounting principles as applied in the United States, which we refer to as GAAP, the published guidelines of the SEC regarding projections and forward-looking statements or the guidelines established by the American

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Institute of Certified Public Accountants for preparation and presentation of prospective financial information. Neither the Company's independent auditors, nor any other independent accountants, have compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information. Except for the D.R. Horton Forestar projections described below under " *D.R. Horton Forestar Projections*," the Forecasts included in this proxy statement/prospectus have been prepared by, and are the responsibility of, Forestar's management, and are subjective in many respects. D.R. Horton prepared the projections described below under " *D.R. Horton Forestar Projections*," which are included for informational purposes, and Forestar has no responsibility for such prospective financial information.

Although a summary of the Forecasts is presented with numerical specificity, they reflect numerous assumptions and estimates as to future events made by Forestar's management, which it believes were reasonable at the time the Forecasts were prepared, taking into account the relevant information available to management at such time. However, this information is not fact and should not be relied upon as being necessarily indicative of actual future results. Important factors that may affect actual results and cause the Forecasts not to be achieved include general economic conditions, interest rates, accuracy of certain accounting assumptions, timing of development expenditures, demand for residential lots and new housing, changes in actual or projected cash flows, competitive pressures, including from existing and potential new real estate supply, and changes in tax or other laws, governmental policies or regulations. In addition, the Forecasts do not take into account any circumstances or events occurring after the date that they were prepared and, except as noted in the D.R. Horton Forestar Projections and the Forestar Adjusted D.R. Horton Forestar Projections, do not give effect to the merger. As a result, there can be no assurance that the Forecasts will be realized, and actual results may be materially better or worse than those contained in the Forecasts. The inclusion of this information should not be regarded as an indication that the Board, Forestar's management, D.R. Horton, JMP, their respective representatives or any other recipient of this information considered, or now considers, the Forecasts to be material information of Forestar, or necessarily predictive of actual future results nor should it be construed as financial guidance, and it should not be relied upon as such. The summary of the Forecasts is not included in this proxy statement/prospectus in order to induce any stockholder to vote in favor of the proposal to adopt the Merger Agreement or any of the other proposals to be voted on at the special meeting or to influence any stockholder to make any investment decision with respect to the merger or Forestar, including whether or not to seek appraisal rights with respect to the shares of Forestar's common stock.

The Forecasts should be evaluated, if at all, in conjunction with the historical financial statements and other information regarding Forestar contained in Forestar's public filings with the SEC. The Forecasts are forward-looking statements. For information on factors that may cause Forestar's future results to materially vary, see the section entitled "*Cautionary Statement Regarding Forward-Looking Statements*."

Except to the extent required by applicable federal securities laws, we do not intend, and expressly disclaim any responsibility to update or otherwise revise the Forecasts to reflect circumstances existing after the date when Forestar prepared the Forecasts or to reflect the occurrence of future events or changes in general economic of industry conditions, even in the event that any of the assumptions underlying the Forecasts are shown to be in error.

In light of the foregoing factors and the uncertainties inherent in the Forecasts, stockholders are cautioned not to place undue reliance on the Forecasts included in this proxy statement/prospectus.

Certain of the measures included in the Forecasts may be considered non-GAAP financial measures, as noted below. Non-GAAP financial measures should not be considered in isolation from,



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or as a substitute for, financial information presented in compliance with GAAP, and non-GAAP financial measures as used by Forestar may not be comparable to similarly titled amounts used by other companies.

*Community Development Project Cash Flows*

The following table presents the estimated future net cash flow data prepared by Forestar's management for the Company's community development business from April 1, 2017 - October 31, 2034. This data does not include any cash flows generated from non-core asset sales or any other sources other than the community development business. The net cash flows include direct project related carry costs, but exclude SG&A costs not directly associated with the projects, interest expense on corporate debt and income taxes. It does not give effect to the merger and related transactions.

The Company has historically prepared this data for internal business purposes and updated the information quarterly to reflect business activity in the prior quarter. The Company made the data available to JMP in connection with its analyses and to all parties in the potential sale process that executed confidentiality agreements, including D.R. Horton, for purposes of evaluating Forestar's community development business. This data is substantially similar to the net cash flow information included in the proxy statement related to the Starwood merger, except that Forestar updated the data for the passage of time from the initial preparation in January 2017.

(\$ in millions)	Projected Years Ending December 31,(1)												Total Estimated Undiscounted 2027 - Net Cash 2034 Flows
	April 1 - December 31, 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027 - 2034		
<b>Owned</b>													
<b>Projects(1)</b>	\$ 52.3	\$ 146.8	\$ 64.6	\$ 59.3	\$ 63.1	\$ 33.6	\$ 17.4	\$ 10.7	\$ 12.0	\$ 8.4	\$ 82.4	\$ 550.6	
<b>Joint Venture</b>													
<b>Projects(2)</b>	\$ 14.3	\$ 34.3	\$ 28.7	\$ 22.1	\$ 13.1	\$ 11.5	\$ 7.5	\$ 5.7	\$ 8.5	\$ 3.2	\$ 2.8	\$ 151.7	
<b>Total</b>	\$ 66.6	\$ 181.1	\$ 93.3	\$ 81.4	\$ 76.2	\$ 45.1	\$ 24.9	\$ 16.4	\$ 20.5	\$ 11.6	\$ 85.2	\$ 702.3	

(1) Represents the Company's existing community development portfolio life of project remaining net cash flows and assumes the existing projects are developed. Assumes residential lots and residential and commercial tracts are sold over time based on the Company's current business plans. Years 2027 - 2034 principally represent net cash flows from utility and improvement districts associated with certain projects. Owned Projects include the Company's two remaining mitigation projects.

(2) Represents Forestar's pro-rata share of the net cash flows distributed from joint ventures.

*Alternative Net Asset Value Scenarios*

The following table represents net asset value scenarios that were prepared by Forestar's management and presented to the Board in February 2017 as the Board considered various strategic alternatives for Forestar, including the potential bulk sale of the community development assets, sale of the remaining non-core assets and subsequent liquidation of the Company. As noted above, the Company made a number of assumptions and estimates in preparation of the prospective financial information, including assumptions regarding the sales prices of non-core assets and SG&A costs. The potential scenarios depicted in the table below were (a) a bulk sale of community development assets in September 2017 and the sale of the remaining non-core assets by year-end 2017, (b) a bulk sale of the community development assets in December 2019 and the sale of the remaining non-core assets by year-end 2017, (c) a portfolio run-off based on the execution of Forestar's existing business plan with no new acquisitions assumed and the sale of the remaining non-core assets by year-end 2017, (d) a plan to continue operating Forestar as a standalone public company executing the existing business plans with additional investment in the business to maintain approximately 1,800 lots sold per year on average over the next five years and the sale of the remaining non-core assets by year-end 2017, and

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(e) a plan to continue operating Forestar as a standalone public company executing the existing business plans with additional investment in the business to maintain approximately 2,500 lots sold per year on average over the next five years and the sale of the remaining non-core assets by year-end 2017. This financial data was not provided to D.R. Horton or other potential acquirors prior to such data being included in the Company's proxy statement with respect to the Starwood merger.

(\$ in millions, except per share amounts)	2017 Bulk Sale/ Liquidation(1)	2019 Bulk Sale/ Liquidation(2)	Portfolio Run-Off(3)	1,800 Lots Per Year(4)	2,500 Lots Per Year(5)
<b>Total Estimated Asset Value</b>	\$ 825.7	\$ 843.7	\$ 841.9	\$ 857.0	\$ 870.0
<b>Total Debt, Accounts Payable and Other Liabilities</b>	\$ 167.8	\$ 167.8	\$ 154.4	\$ 154.4	\$ 154.4
<b>Estimated Net Asset Value (NAV) (Before Estimated Carry Costs)</b>	\$ 657.9	\$ 675.9	\$ 687.5	\$ 702.6	\$ 715.6
<b>Total Estimated Carry Costs(6)</b>	\$ 61.8	\$ 124.1	\$ 163.7	\$ 161.8	\$ 175.8
<b>Estimated NAV After Estimated Carry Costs</b>	\$ 596.1	\$ 551.8	\$ 523.8	\$ 540.8	\$ 539.8
<b>NAV Per Share (After Estimated Carry Costs)(7)</b>	\$ 13.99	\$ 12.95	\$ 12.29	\$ 12.69	\$ 12.67

- (1) Assumes the community development business plan is executed through September 2017 with the net present value of \$44.7 million estimated at December 31, 2016 and a sale of the remaining community development assets at September 30, 2017 for \$370.5 million at an estimated net present value of \$305.3 million at December 31, 2016. Assumes the remaining non-core assets are sold by year-end 2017 for \$191 million, which includes multifamily assets, undeveloped land and timberland assets, minerals and water assets; repayment of \$125.3 million in outstanding debt upon the sale of assets, receipt of other current assets and taxes receivable and settlement of accounts payable and other liabilities.
- (2) Assumes the community development business plan is executed 2017 - 2019 with the net present value of \$253.8 million estimated at December 31, 2016 and a sale of the remaining community development assets at December 31, 2019 for \$194.3 million, at an estimated net present value of \$114.2 million at December 31, 2016. Assumes the remaining non-core assets are sold by year-end 2017 for \$191 million, which includes multifamily assets, undeveloped land and timberland assets, minerals and water assets; repayment of \$125.3 million in outstanding debt upon the sale of the remaining community development assets, receipt of other current assets and taxes receivable and settlement of accounts payable and other liabilities.
- (3) Assumes the community development assets are sold per the execution of the existing business plan with no new acquisitions but including \$252.2 million in development (including contributions to joint ventures), essentially running off the portfolio over time; assumes the remaining non-core assets are sold for \$191 million by year-end 2017, which includes multifamily assets, undeveloped land and timberland assets, minerals and water assets; repayment of the \$125.3 million in outstanding debt by first quarter-end 2020 and receipt of other current assets and taxes receivable and settlement of accounts payable and other liabilities.
- (4) Assumes the Company continues to operate as a standalone public company executing the existing business plan (consistent with the portfolio run-off scenario) with investment of \$522.3 million in community development, including acquisition of approximately 7,000 lots for \$151.7 million over five years and the investment of \$370.6 million in development (including contributions to joint ventures); assumes the remaining non-core assets are sold by year-end 2017 for \$191 million, which includes multifamily assets, undeveloped land and timberland assets, minerals and water assets; repayment of \$125.3 million in outstanding debt by first quarter-end 2020, receipt of other current assets and taxes receivable and settlement of accounts payable and other liabilities.

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- (5) Assumes the Company continues to operate as a standalone public company executing the existing business plan (consistent with the portfolio run-off scenario) with investment of \$739.1 million in community development, including acquisition of approximately 12,000 lots for \$257.2 million over five years and the investment of \$481.9 million in development (including contributions to joint ventures); assumes the remaining non-core assets are sold by year-end 2017 for \$191 million, which includes multifamily assets, undeveloped land and timberland assets, minerals and water assets; repayment of \$125.3 million in outstanding debt by first quarter-end 2020, receipt of other current assets and taxes receivable and settlement of accounts payable and other liabilities.
- (6) Includes assumptions on SG&A and headcount, interest expense, income taxes (which for the 2017 bulk sale/liquidation scenario includes sales of community development assets with built-in tax losses that fully offset federal income tax liability from non-core asset sales) and transaction costs. Also includes, in the 2017 bulk sale/liquidation scenario, the 2019 bulk sale/liquidation scenario and the portfolio run-off scenario, estimated contingent liability reserve for unknown liabilities assuming the Company is dissolved and winds up its affairs in accordance with Delaware law.
- (7) Assumes 42.6 million fully diluted shares outstanding.

*April 1, 2017 - March 31, 2027 Financial Model*

The following table presents selected unaudited prospective financial data for April 1, 2017 to March 31, 2027 for Forestar as provided to JMP in June 2017 in connection with its financial analyses summarized above under " *Opinion of Forestar's Financial Advisor.*" This financial data generally incorporates and reflects the financial information included in " *Community Development Project Cash Flows*" above, except for changes relating to updated timing assumptions with respect to two community development projects to reflect developments after the preparation of the financial information included in " *Community Development Project Cash Flows*" above. The data does not give effect to the merger and related transactions. This financial data was not provided to D.R. Horton or other potential acquirors prior to a version of such information being included in the proxy statement for the Starwood merger. This data is substantially similar to the 2017 - 2026 Financial Model information included in the Company's proxy statement related to the Starwood merger, except that Forestar has updated the data for the passage of time from the initial preparation in April 2017.

(\$ in millions)	Projected Years Ending December 31,(1)											January 1
	April 1 - December 31, 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	March 31, 2027
<b>Revenue</b>	\$ 119.4	\$ 163.3	\$ 129.9	\$ 179.7	\$ 142.5	\$ 146.6	\$ 133.6	\$ 128.6	\$ 133.4	\$ 141.6	\$ 37.6	
<b>Net Income (after-tax)</b>	\$ 46.7	\$ 22.9	\$ 16.0	\$ 25.4	\$ 19.0	\$ 13.6	\$ 11.4	\$ 11.2	\$ 12.3	\$ 12.7	\$ 2.9	
<b>Cash Flow From Operations</b>	\$ 50.3	\$ 64.0	\$ 26.2	\$ 66.4	\$ (9.9)	\$ 40.1	\$ 26.6	\$ 24.6	\$ (1.6)	\$ 24.2	\$ 5.3	
<b>Cash Flow From Investing</b>	\$ 58.5	\$ 13.9	\$ 15.9	\$ 9.2	\$ 6.3	\$ 3.7	\$ 1.9	\$ 3.4	\$ 5.2	\$ 1.8	\$ (0.1)	
<b>Cash Flow From Financing</b>	\$ (5.1)	\$ (1.0)	\$ (120.0)	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Net Change in Cash Flow</b>	\$ 103.7	\$ 76.9	\$ 42.1	\$ (44.4)	\$ (3.6)	\$ 43.8	\$ 28.5	\$ 28.0	\$ 3.6	\$ 26.0	\$ 5.2	

- (1) The model assumes Forestar would deploy capital to re-invest in its community development business to achieve the sale of approximately 1,700 - 1,800 lots per year from the business, generally consistent with the average range of lots sold 2012 - 2016, including approximately \$94 million invested in acquisitions and development (including contributions to ventures) per year on average to fund the replacement of residential lot inventory sold from the community development business as projected. The model also assumes the Company's senior secured notes of \$5.3 million are paid in full in third quarter of 2017 and the Company's convertible notes are held and paid in full at maturity in the first quarter of 2020. The model assumes all growth is funded through cash flow generated from operations and assumes no additional leverage on the business. The model assumes income tax liability of \$36.4 million net of refunds in April 2017 - December 2017 related to gains from non-core asset sales and from operations of the community development business. Income taxes are calculated in 2018 first quarter 2027 based on a 37% income tax rate with limited ability to utilize any built in losses from the community development business due to the continued operations and capitalization of costs for tax purposes. The model assumes Forestar continues operating over the 10 year period as a standalone public company and the Company executes its cost savings related to targeted SG&A levels.



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For use in connection with its financial analyses summarized above under " *Opinion of Forestar's Financial Advisor*," JMP Securities arithmetically calculated projected unlevered free cash flow for April 1, 2017 to March 31, 2027 using the information contained in the prospective April 1, 2017 to March 31, 2027 financial model prepared by Forestar's management, as follows (in millions): April 1, 2017 to December 31, 2017: \$111.5; 2018: \$80.3; 2019: \$44.9; 2020: \$76.6; 2021: (\$3.6); 2022: \$44.1; 2023: \$30.1; 2024: \$28.1; 2025: \$3.7; 2026: \$26.1; January 1, 2027 to March 31, 2027: \$5.2. Unlevered free cash flow is defined for purposes of the Forecasts as net cash flow generated excluding debt repayment and interest expense, interest income and tax benefit of interest tax deductible. Calculation also excludes consolidated venture cash flows due to third parties. Unlevered free cash flow is a non-GAAP financial measure and should not be considered as an alternative to revenue or net income as a measure of operating performance or net change in cash flow as a measure of liquidity. The foregoing estimates of unlevered free cash flows were calculated solely for purposes of the standalone discounted cash flow analysis in connection with JMP's opinion, and none of Forestar, D.R. Horton or JMP assumes any responsibility for any use of such estimates, or reliance on such estimates, for any other purpose.

*D.R. Horton Forestar Projections*

The following table presents the D.R. Horton growth projections that D.R. Horton publicly released in connection with the announcement of its initial submission of a non-binding proposal on June 5, 2017. The D.R. Horton projections were based on future D.R. Horton-sourced projects and did not include lot deliveries, revenue or operating profits from Forestar's existing assets. D.R. Horton noted that (a) it expects to accelerate lot absorptions and improve the return profile across Forestar's existing asset base, but those benefits are not included in the analysis, (b) the projections assume D. R. Horton sources eight projects for Forestar within the first year, scaling up to a run-rate of 24 projects per year by 2021 across D.R. Horton's 78 operating markets, (c) project level assumptions are based on a representative sample of deals that D.R. Horton either currently owns or controls and (d) the growth plan is funded with Forestar's existing balance sheet and assumes modest project-level leverage and no new equity. Corporate operating costs were allocated based on the projected D.R. Horton-sourced lot sales as a percentage of estimated total lot sales by the Company, and such costs do not include all of the estimated corporate and project level operating costs associated with the Company's ongoing business.

(\$ in millions)	2018	2019	2020	2021	2022	2023
<b>D.R. Horton Incremental Lots</b>						
<b>Sold</b>	945	3,560	7,131	10,666	13,348	15,650
<b>Lot Sale Revenue</b>	\$ 75.8	\$ 276.6	\$ 549.2	\$ 831.0	\$ 1,038.1	\$ 1,221.3
<b>Operating Profit</b>	\$ 0.5	\$ 19.5	\$ 54.1	\$ 89.5	\$ 115.4	\$ 139.2

*Forestar Adjusted D.R. Horton Forestar Projections*

The following table presents the D.R. Horton growth projections presented in the prior section, as adjusted by Forestar management. The adjusted projections are based on the adjusted D.R. Horton-sourced projects and do not include lot deliveries, revenue or operating profits from Forestar's existing assets, but do include 100% of the estimated corporate operating costs of the Company's ongoing business and the projected D.R. Horton-sourced projects (unlike the *D.R. Horton Forestar Projections* above, which allocated the estimated corporate operating costs based on the projected D.R. Horton-sourced lot sales as a percentage of estimated total lot sales by the Company). Forestar's management reviewed the D.R. Horton projections and made certain adjustments to such projections, including (a) a 20% reduction in lot absorption over the life of the four representative land development projects provided by D.R. Horton to Forestar, (b) project-level development spending timeframe increased from a median of nine months to 12 months to reflect cash expenditures over a longer time period and (c) a 40% increase in corporate operating costs compared to D.R. Horton's projected corporate operating

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costs. The Company made this information available to the Board and to JMP for use in connection with the illustrative pro forma discounted cash flow analysis summarized above under " *Opinion of Forestar's Financial Advisor.*"

(\$ in millions)	2017	2018	2019	2020	2021	2022	Cumulative 2017 - 2022
<b>D.R. Horton Incremental Lots Sold</b>	33	945	3,560	7,164	10,666	13,348	35,716
<i>Annual Period Adjustment</i>			(1,140)	(3,190)	(4,887)	(6,502)	(15,719)
<b>Forestar Adjusted D.R. Horton Incremental Lots Sold</b>	33	945	2,420	3,974	5,779	6,846	19,997
<b>D.R. Horton New Pipeline Deals</b>	8	16	16	24	24	24	112
<i>Annual Period Adjustment</i>	(4)	(8)	(8)	(12)	(12)	(8)	(52)
<b>Forestar Adjusted New Pipeline Deals</b>	4	8	8	12	12	16	60
<b>Lot Sale Revenue</b>	\$ 3.1	\$ 76.4	\$ 188.6	\$ 309.3	\$ 445.6	\$ 537.6	\$ 1,560.7
<b>Cost of Sales</b>	\$ (2.5)	\$ (62.2)	\$ (152.9)	\$ (250.2)	\$ (360.7)	\$ (435.4)	\$ (1,264.0)
<b>Project Level and Corporate Operating Costs</b>	\$ (13.8)	\$ (34.0)	\$ (40.5)	\$ (50.6)	\$ (57.6)	\$ (62.3)	\$ (258.7)
<b>Forestar Adjusted Operating Profit</b>	\$ (13.2)	\$ (19.8)	\$ (4.8)	\$ 8.5	\$ 27.3	\$ 39.9	\$ 38.0

**Interests of Forestar's Directors and Executive Officers in the Merger**

In considering the recommendation of the Board that you vote to adopt the Merger Agreement, you should be aware that Forestar's directors and current and former executive officers have interests in the merger that are different from, or in addition to, those of Forestar stockholders generally. The Board was aware of and considered those interests, among other matters, in reaching its decisions to (i) approve the merger and (ii) resolve to recommend that Forestar stockholders adopt the Merger Agreement. Stockholders should take these interests into account in deciding whether to vote "FOR" the proposal to adopt the Merger Agreement. These interests are described in more detail below, and certain of them are quantified in the narrative below and, for the executive officers, in the Golden Parachute Compensation table below under " *Merger-Related Compensation for Forestar's Named Executive Officers.*"

*Overview*

Certain directors hold unvested stock options that will vest and become payable upon consummation of the merger. The non-employee directors otherwise have no interests in the merger that are different from, or in addition to, those of Forestar stockholders generally, though the directors do also hold fully vested restricted stock units and, together with the executive officers of Forestar, will be entitled to receive indemnification, advancement of expenses and exculpation from the surviving entity and coverage under directors' and officers' liability insurance policies following the merger. See the section entitled "*The Merger Agreement Other Covenants and Agreements Indemnification and Insurance.*"

Each of the Company's current executive officers (Messrs. Weber, Jehl and Quinley) hold unvested equity awards that will vest and become payable upon consummation of the merger, and each will be entitled to certain severance benefits upon and by reason of a qualifying termination of employment following the merger. Moreover, each of the current executive officers has been granted a cash retention incentive award. Mr. Grimm, the Company's former Chief Administrative Officer & General Counsel, holds unvested equity awards that will vest and become payable upon and by reason of consummation of the merger, and he is also party to a Separation Agreement and Release that will provide him additional benefits by reason of consummation of the merger. Mr. Dickson, the Company's former Chief Real Estate Officer (together with Messrs. Weber, Jehl, Quinley and Grimm, the "named executive officers") holds performance-based equity awards that will become payable upon consummation of the merger, but he is not entitled to any other compensation or benefits by reason of the merger.

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These interests are described further below.

*Equity Award Acceleration*

Pursuant to the Merger Agreement, each equity incentive compensation award denominated in shares of Forestar common stock (an "equity award") that is outstanding immediately prior to the effective time of the merger will be cancelled as of the effective time. In exchange for such cancellation, the holders of equity awards will receive from Forestar the cash consideration for each share of Forestar common stock underlying the equity award (plus payment in cash, without interest, of all accrued dividend equivalents, if any, with respect thereto and, in the case of equity awards that are stock options, less the aggregate exercise or strike price thereunder, but not less than \$0), whether or not such equity award was vested as of the effective time of the merger, with such payment subject to applicable tax withholding.

With respect to any equity award that is a market-leveraged stock unit, the number of shares of Forestar common stock subject to such equity awards will be determined according to the terms set forth in the applicable award agreements, with the vesting date fair market value (as used in such agreements) equal to the sum of the cash consideration and reinvested dividends (as defined in such agreement).

Several of our directors hold unvested equity awards in the form of stock options (in addition to restricted stock units that will either vest by reason of service before consummation of the merger or cease to be of effect at the time of the merger). The number of options (based on holdings as of August 21, 2017, the latest practicable date prior to the filing of this proxy statement/prospectus) and their value (based on the excess of the merger consideration over the applicable exercise price) are set out in the table below as applicable.

<b>Director</b>	<b>Number of Unvested Options</b>	<b>Value of Unvested Options</b>
M. Ashton Hudson	13,500	\$ 123,525
William Powers, Jr.*		
James A. Rubright		
Daniel B. Silvers	7,000	\$ 25,690
Richard M. Smith		
Richard D. Squires	13,500	\$ 123,525

\*

Mr. Powers retired from the Board effective May 9, 2017.

In addition, each named executive officer holds market-leveraged stock units, and each of our named executive officers other than Mr. Dickson hold unvested stock options and time-based restricted stock units. The value of those various awards is reflected in the Golden Parachute Compensation table below under " *Merger-Related Compensation for Forestar's Named Executive Officers.*"

*Cash Retention Incentive Award*

In anticipation of the potential for a corporate transaction involving the Company, its executive officers did not receive long-term incentive grants that otherwise would have been authorized in the ordinary course in February 2017. In lieu thereof, and with the consent of D.R. Horton, the Company on August 22, 2017 granted cash-settled retention incentive awards to its current executive officers in the aggregate amount of \$405,000 for Mr. Weber, \$375,000 for Mr. Jehl and \$225,000 for Mr. Quinley. The awards are payable in three equal installments, in each case, notwithstanding the terms and conditions of any other agreement such respective officer may have with the Company, conditioned

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upon the continued employment of the officer through, respectively, (i) the earlier of February 13, 2018 or the closing date of the merger, (ii) February 13, 2019, and (iii) February 13, 2020.

*Change in Control/Severance Agreements with Current Executive Officers*

Each of our current executive officers is a party to a Change in Control/Severance Agreement with the Company that provides certain payments and benefits upon a qualifying termination of the executive officer's employment by the Company without "cause" (as defined below) or by the executive for "good reason" (as defined below) within two years following a "change in control" of the Company (which would include consummation of the merger). Upon such a qualifying termination of employment, the executives would be entitled to:

a prorated current cycle annual incentive bonus if the termination is before the end of the first half of the cycle or a full annual incentive bonus if termination is during the second half of the cycle (in each case, assuming achievement of performance goals at the target level);

any earned but unpaid incentive compensation that has been allocated or awarded to the executive for a completed bonus cycle preceding the date of termination (presently \$0);

lump sum cash severance payment equal to two times their highest base salary during the three-year period prior to the change in control plus two times the target annual bonus during the year of the termination, or if higher, the actual bonus in any of the three fiscal years preceding the termination;

health and welfare benefits for two years at no greater cost to the executive;

full acceleration of vesting of all unvested or restricted equity or equity-based awards, including stock options, stock appreciation rights, restricted shares, restricted stock units, market-leveraged stock units, and performance stock units (though, in regard to awards outstanding immediately before consummation of the merger, such acceleration will occur by reason of the consummation of the merger without regard to any subsequent employment termination);

a lump sum payment equal to two years' match and contributions under the Company's 401(k) plan plus two years' contributions under the Company's Supplemental Executive Retirement Plan ("SERP"), assuming, in each case, that the executive made the maximum permissible contributions and earned compensation at the highest rate of compensation during the three-year period prior to the termination;

three years (two years in the case of Mr. Jehl) of additional service credit under the SERP (though no such additional service credit will increase the executives' benefit under that plan);

reimbursement for outplacement services for one year not to exceed 15% of the sum of the applicable executive's highest base salary during the three years preceding the termination and his target bonus for the year of the termination, or if higher, the actual bonus in any of the three fiscal years before the termination; and

two years' continuation of current perquisites.

The agreements with Messrs. Jehl and Quinley include gross-up provisions in the event the executive is required to pay excise tax on these amounts, but only if their value exceeds 110% of the amount that would not be subject to excise tax; otherwise the amount would be reduced to the maximum amount that would not trigger the excise tax. Mr. Weber is not entitled to any excise tax gross-up; however, if any amounts payable to him would be subject to excise tax, the amount payable to him would be reduced to the extent such reduction would provide him with a greater after-tax benefit.



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For purposes of the Change in Control/Severance Agreement, "cause" generally means (i) the willful and continued failure by the executive officer to substantially perform his or her duties with the

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Company after a written demand for substantial performance is delivered by the Board or (ii) the willful engaging by the executive officer in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise.

For purposes of the Change in Control/Severance Agreement, "good reason" generally means (i) a material reduction in the executive officer's authority, duties, or responsibilities, which for purposes of the Change in Control/Severance Agreement, shall include only the assignment to the executive officer of any duties substantially inconsistent with the executive officer's status as a senior executive officer of the Company or a material adverse alteration in the nature or status of the executive officer's responsibilities from those in effect immediately prior to the change in control (including, as applicable and without limitation, the executive officer ceasing to be an executive officer of a public company), (ii) a material diminution in base salary as in effect immediately prior to the change in control, (iii) relocation of the executive officer's principal place of employment to a location more than fifty miles from the Company's headquarters immediately prior to the change in control or (iv) any other action or inaction that constitutes a material breach of certain successor employer obligations or employee benefits continuation provisions of the Change in Control/Severance Agreement. Any such "good reason" must be asserted by the executive officer in a notice of termination given within ninety days following the date of the first act or failure to act constituting such "good reason."

The Golden Parachute Compensation table below under "*Merger-Related Compensation for Forestar's Named Executive Officers*" quantifies the payments and benefits that may be provided under the Change in Control/Severance Agreements upon a qualifying termination of employment following consummation of the merger. In addition, pursuant to the terms of a separate employment agreement with the Company, if he becomes eligible for benefits under his Change in Control/Severance Agreement by reason of a termination of employment following consummation of the merger, Mr. Weber would be subject to a two-year noncompetition and employee/customer nonsolicitation restrictive covenant.

*Separation Agreement and Release with Mr. Grimm*

On April 13, 2017, the Company and Mr. Grimm entered into a Separation Agreement and Release pursuant to which Mr. Grimm's employment with the Company terminated effective April 14, 2017. Pursuant to that agreement, Mr. Grimm provided a release of claims against the Company, agreed to certain other restrictive covenants and cooperation undertakings, and also agreed to provide post-employment consulting services to the Company on an as-needed basis generally through July 13, 2017 for a monthly consulting fee of \$25,000 and (pursuant to a modification of the agreement effected June 29, 2017) thereafter from time to time through consummation of the merger (subject to earlier termination by either Mr. Grimm or the Company) for an hourly fee of \$500.

Upon and by reason of his employment termination, the Company agreed to provide Mr. Grimm termination benefits in the form of a lump-sum cash payment of \$550,000, reimbursement for medical insurance continuation costs for one year and for the cost of converting his Company-provided life and AD&D insurance to a personal policy (provided that such reimbursement obligations will cease to the extent he acquires other employer-provided coverage), and reimbursement for outplacement expenses of up to \$25,000 to the extent incurred not more than six months following his termination.

Upon consummation of the merger, the Company will provide to Mr. Grimm the payments and benefits that would have been provided to him (based on his compensation levels in effect upon his employment termination) pursuant to the Change in Control/Severance Agreement that was in effect between him and the Company immediately before his termination as if he had experienced a qualifying termination of employment thereunder immediately following consummation of the merger, less the termination benefits provided to him under the Separation Agreement and Release. Mr. Grimm's Change in Control/Severance Agreement was substantially identical to the Change in

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Control/Severance Agreement applicable to Mr. Jehl, as described above under "*Change in Control/Severance Agreements with Current Executive Officers.*" The amounts that would become payable to Mr. Grimm under his Separation Agreement and Release by reason of the consummation of the merger are set out in the Golden Parachute Compensation table below under "*Merger-Related Compensation for Forestar's Named Executive Officers.*"

*Indemnification and Insurance*

Pursuant to the terms of the Merger Agreement, members of the Board and executive officers of Forestar will be entitled to certain ongoing indemnification and coverage under directors' and officers' liability insurance policies following the merger. Such indemnification and insurance coverage is further described in the section entitled "*The Merger Agreement Other Covenants and Agreements Indemnification and Insurance.*"

*Merger-Related Compensation for Forestar's Named Executive Officers*

In accordance with Item 402(t) of Regulation S-K, the Golden Parachute Compensation table below sets forth the estimated amount of compensation that is based on or that otherwise relates to the merger and that may be payable to the Company's "named executive officers" identified above, who are those individuals listed in the "Summary Compensation Table" that is part of the Company's most recent securities filing for which disclosure was required under Item 402(c) of Regulation S-K (its proxy statement for the 2017 annual meeting). These amounts have been calculated assuming the merger was consummated on August 21, 2017 (the latest practicable date prior to the filing of this proxy statement/prospectus), equity incentive compensation award holdings as of such date and, for purposes of determining equity award values, the per-share merger consideration (a per-share cash value of \$17.75). The amounts in the table below do not include amounts that are already vested without regard to the merger (such as vested equity awards and benefits under the Company's Supplemental Executive Retirement Plan) or amounts that may be granted following the date of this proxy statement/prospectus.

Other than a portion of the amounts shown for Messrs. Weber, Jehl and Quinley in the "Cash" column of the table (as described in footnote 1 to the table), the amounts shown in the "Equity" column of the table and the amounts shown in the table for Mr. Grimm, which respective amounts will become payable upon and solely by reason of consummation of the merger, the amounts set out in the table below are payable only if there shall occur a qualifying termination of employment within two years following consummation of the merger (a termination of Messrs. Weber, Jehl or Quinley by the Company without "cause" or by such executive for "good reason") and were determined as if such executive experienced a qualifying termination of employment as of the date of the merger's consummation.

See the discussion above for further information about the compensation disclosed in the table below. The amounts indicated below are estimates of amounts that might become payable to the named executive officers and the estimates are based on multiple assumptions that may not prove correct, including assumptions that are based on information not currently available. Accordingly, the actual amounts, if any, received by a named executive officer (other than Mr. Dickson) may differ in material respects from the amounts set forth below. The amounts set forth in the table below do not reflect any reduction that might apply by reason of the applicable limits on paying amounts subject to a golden parachute excise tax; it is not expected that any payments would be grossed up in respect of such taxes.

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<b>Named Executive Officer</b>	<b>Cash(1)</b>	<b>Equity(2)</b>	<b>Perquisites/ Benefits(3)</b>	<b>Total</b>
Phillip J. Weber	\$ 2,730,399	\$ 1,335,919	\$ 185,966	\$ 4,252,284
Charles D. Jehl	\$ 1,809,699	\$ 1,189,586	\$ 137,216	\$ 3,136,501
Michael Quinley	\$ 1,374,031	\$ 1,203,055	\$ 108,225	\$ 2,685,311
David M. Grimm*	\$ 812,002	\$ 747,414	\$ 107,083	\$ 1,666,499
Bruce F. Dickson**		\$ 226,668		\$ 226,668

\*

Mr. Grimm's employment with the Company terminated April 14, 2017. As explained more fully above under " *Separation Agreement and Release with Mr. Grimm*," the amounts shown for him (in other than the "Equity" column) represent amounts that would have been provided to him (based on his compensation levels in effect upon his actual termination of employment) pursuant to the Change in Control/Severance Agreement that was in effect between him and the Company immediately before his termination as if he had experienced a qualifying termination of employment thereunder immediately following consummation of the merger, less the \$550,000 already paid to him upon his termination of employment and less certain medical insurance cost amounts described in footnote 3 to this table.

\*\*

Mr. Dickson's employment with the Company terminated March 31, 2016. The amount shown for him represents payment in respect of market-leveraged stock units that were prorated upon his retirement and otherwise would have settled as of February 10, 2018 based on the Company's average stock price during the 40 trading days preceding such date.

(1)

Includes, for Messrs. Weber, Jehl and Quinley, the portion of a retention incentive that is payable on the closing date of the merger (i.e., on a "single-trigger" basis); the table does not reflect additional retention amounts that would be payable on February 13, 2019 and February 13, 2020 subject to continued employment through the respective dates, as described above under " *Cash Retention Incentive Award*." Otherwise represents lump-sum severance payable upon a qualifying termination of employment (a termination of employment by the Company without "cause" or by the executive for "good reason" within two years following consummation of the merger) i.e., on a "double-trigger" basis except for Mr. Grimm, who would be paid such amount in a lump sum upon and by reason of the consummation of the merger i.e., on a "single-trigger" basis. As described in greater detail above, the severance payments would consist of the following (in the case of Mr. Grimm, less the \$550,000 already paid under his Separation Agreement and Release): (i) two times their respective highest base salary during the three-year period prior to the merger plus two times the target annual bonus during the year of the termination, or if higher, the actual bonus in any of the three fiscal years preceding the termination, (ii) a pro-rated short-term incentive bonus based on the number of months in the year of termination that the individual was employed prior to the termination date if the termination date occurred in the first half of the bonus cycle or (as is assumed here) the full incentive bonus if the termination date occurred during the second half of the cycle, in each case assuming achievement of performance goals at the target level, and (iii) a lump sum payment equal to two years' match and contributions under the Company's 401(k) plan plus two years' contributions under the Company's SERP, assuming, in each case, that the executive made the maximum permissible contributions and earned compensation at the highest rate of compensation during the three-year period prior to

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termination. The following table sets out these various components as reflected in the "Cash" column in the "Golden Parachute Compensation" table above:

<b>Named Executive Officer</b>	<b>Retention Incentive</b>	<b>Salary and Bonus</b>	<b>Severance</b>	<b>Incentive Bonus</b>	<b>401(k) and SERP</b>	<b>Total</b>
Phillip J. Weber	\$ 135,000	\$ 2,000,000	\$	\$ 500,000	\$ 95,399	\$ 2,730,399
Charles D. Jehl	\$ 125,000	\$ 1,350,000	\$	\$		