

HORTON D R INC /DE/  
Form DEF 14A  
December 15, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**

**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**D.R. Horton, Inc.**

**(Name of Registrant as Specified In Its Charter)**

**(Name of Person(s) Filing Proxy Statement, if other than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
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- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On**

**Wednesday, January 24, 2018**

Dear Fellow Stockholder of D.R. Horton:

You are invited to attend the 2018 Annual Meeting of Stockholders of D.R. Horton, *America's Builder*. Our 2018 Annual Meeting will be held at our corporate offices located at: 1341 Horton Circle, Arlington, Texas 76011, on Wednesday, January 24, 2018, at 10:00 a.m., central time, for the following purposes:

To elect the five directors named in our proxy statement;

To seek an advisory vote on the approval of executive compensation;

To hold an advisory vote on the frequency of future advisory votes on executive compensation;

To approve the material terms of the performance criteria under our 2017 Incentive Bonus Plan for 162(m) purposes;

To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm; and

To conduct other business properly brought before the meeting.

Only stockholders of record at the close of business on Monday, November 27, 2017, are entitled to notice of and to vote at the 2018 Annual Meeting or any adjournment thereof.

While we would like to have each of you attend the meeting and vote your shares in person, we realize this may not be possible. However, whether or not you plan to attend the meeting, your vote is very important. For convenience of our stockholders, proxies may be given either by telephone, electronically through the Internet, or by mail.

A form of proxy on which to indicate your vote by mail and an envelope, postage prepaid, in which to return your proxy are enclosed. **WE URGE YOU TO COMPLETE AND RETURN YOUR PROXY BY ONE OF THESE METHODS SO THAT YOUR SHARES WILL BE REPRESENTED.** If you decide later to attend the 2018 Annual Meeting, you may revoke your proxy at that time and vote your shares in person. If you desire any additional information concerning the 2018 Annual Meeting, we would be glad to hear from you.

Very truly yours,

DONALD R. HORTON  
*Chairman of the Board*

Arlington, Texas

December 15, 2017

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**1341 Horton Circle**

**Arlington, Texas 76011**

**www.drhorton.com**

**PROXY STATEMENT**

**for the**

**2018 ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held On January 24, 2018**

**GENERAL**

**Time, Place and Purposes of Meeting**

Our 2018 Annual Meeting of Stockholders will be held on Wednesday, January 24, 2018, at 10:00 a.m., central time, at our corporate offices located at 1341 Horton Circle, Arlington, Texas. The purposes of the 2018 Annual Meeting are set forth in the Notice of Annual Meeting of Stockholders to which this Proxy Statement is attached. D.R. Horton, Inc. is referred to as *D.R. Horton*, the *Company*, *we*, and *our* in this Proxy Statement.

**Solicitation of Proxies**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of D.R. Horton. D.R. Horton expects that this Proxy Statement and the accompanying form of proxy will first be released to our stockholders of record on or about December 15, 2017. The cost of this solicitation will be paid by D.R. Horton. The solicitation of proxies will be made primarily by use of the mail. In addition, directors, officers and regular employees of D.R. Horton may make solicitations without special compensation by telephone, facsimile, e-mail or personal interview. They may request banks, brokers, fiduciaries and other persons holding stock in their names, or in the names of their nominees, to forward proxies and proxy materials to their principals and obtain authorization for the execution and return of such proxies to management. D.R. Horton will reimburse such banks, brokers and fiduciaries for their reasonable out-of-pocket expenses for this service.

**Revocation and Voting of Proxies**

Stockholders may vote by marking, signing and dating each proxy card received and returning it in the prepaid envelope, by telephone or electronically through the Internet by following the instructions included on the enclosed proxy card or by casting votes in person at the meeting. The telephone and Internet voting procedures are designed to authenticate votes cast by use of a personal identification number. The procedures, which are designed to comply with Delaware law, allow stockholders to appoint a proxy to vote their shares and to confirm that their instructions have been properly recorded. Stockholders who hold shares in street name through a broker or other nominee may be able to vote by telephone or electronically through the Internet in accordance with the voting instructions provided by that institution.

Any proxy given may be revoked by a stockholder at any time before it is exercised by filing with D.R. Horton a notice in writing revoking it, by duly executing and returning a proxy bearing a later date or by voting by telephone or Internet. Proxies also may be revoked by any stockholder present at the 2018 Annual Meeting who expresses a desire to vote his or her shares in person. Each shareholder may appoint only one proxy holder or representative to attend the meeting on his or her behalf. If you require directions to our meeting, please contact Investor Relations at (817) 390-8200. Subject to such revocation and except as otherwise stated herein or in the form of proxy, all proxies duly executed and received prior to, or at the time of, the 2018 Annual Meeting will be voted in accordance with the specifications of the proxies. If no specification is made, proxies will be

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voted as follows: (i) FOR each of the nominees for election of directors (*see Proposal One on page 5*), (ii) FOR the adoption of the advisory resolution on executive compensation (*see Proposal Two on page 57*), (iii) FOR an annual basis as the recommended frequency of future advisory votes on executive compensation (*see Proposal Three on page 58*), (iv) FOR approval of the material terms of the performance criteria under our 2017 Incentive Bonus Plan for Section 162(m) purposes (*see Proposal Four on page 59*), and (v) FOR ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm (*see Proposal Five on page 66*), and at the discretion of the proxy holders on all other matters properly brought before the 2018 Annual Meeting or any adjournment or postponement thereof.

## **Outstanding Shares and Voting Rights**

November 27, 2017 has been set as the record date for the purpose of determining stockholders entitled to notice of, and to vote at, the 2018 Annual Meeting. There were 376,002,909 shares of D.R. Horton's common stock, \$.01 par value, issued and outstanding on the record date. On any matter submitted to a stockholder vote, each holder of common stock will be entitled to one vote, in person or by proxy, for each issued and outstanding share of common stock registered in his or her name on the books of D.R. Horton as of the record date. A list of such stockholders will be available for examination by any stockholder at the offices of D.R. Horton set forth above for at least ten days before the 2018 Annual Meeting.

## **Quorum Requirement**

The D.R. Horton Bylaws provide that there will be a quorum if the holders of a majority of the issued and outstanding shares of common stock entitled to vote are present in person or represented by proxy. The aggregate number of votes entitled to be cast by all stockholders present in person or represented by proxy at the 2018 Annual Meeting, whether those stockholders vote for, against or abstain from voting on any matter, will be counted for purposes of determining whether a quorum exists. Broker non-votes, which are described below under *Vote Required*, will be considered present for purposes of determining whether a quorum exists.

## **Vote Required**

**NOTICE: Brokers and banks are not permitted to vote on certain non-routine proposals without instructions from the beneficial owner, as discussed in more detail below. Proposal One, Proposal Two Proposal Three and Proposal Four are non-routine proposals. Therefore, if your shares are held through a broker, bank or other nominee, your shares will not be voted on Proposal One, Proposal Two, Proposal Three or Proposal Four unless you provide voting instructions to your broker or bank as described herein.**

If your shares are held in a brokerage account or by a bank or other nominee, you are considered the *beneficial owner* of shares held in *street name*. If a broker or bank holds your shares, you may have received this Proxy Statement directly from them, together with instructions as to how to direct the broker or bank to vote your shares. If you intend to have your vote counted, it is important that you return your voting instructions to your broker or bank. Under the rules of the New York Stock Exchange ( *NYSE* ), a broker or bank has the authority to vote on certain *routine* proposals without voting instructions from the beneficial owner. A *broker non-vote* occurs when the broker or bank is unable to vote on a *non-routine* proposal because it does not have discretionary authority and the beneficial owner has not provided voting instructions. Brokers or banks may not vote on Proposal One, Proposal Two, Proposal Three or Proposal Four at the 2018 Annual Meeting without voting instructions from the beneficial owner because those proposals are *non-routine* proposals. Brokers and banks may vote on Proposal Five at the 2018 Annual Meeting without voting instructions from the beneficial owner because this proposal is *routine*.

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The following table reflects the vote required for each proposal and the effect of broker non-votes and abstentions on the vote, assuming a quorum is present at the meeting:

| <b>NYSE Routine and Non-Routine Matters:</b>   |  |  |
|--|--|--|
| <b>Proposal</b>  | <b>Vote Required</b>   | <b>Effect of Broker Non-Votes and Abstentions</b>  |
| (1) Election of Directors  | (1) The number of shares voted for a director must exceed the number of shares voted against that director   | (1) <i>Non-Routine:</i> Brokers and banks do not have discretionary authority to vote on this proposal in the event voting instructions are not received from street-name holder<br><br>Broker non-votes have no effect<br>Abstentions have no effect                                      |
| (2) Advisory vote on the approval of executive compensation  | (2) An affirmative vote of the holders of a majority of our common stock which has voting power present in person or represented by proxy and entitled to vote | (2) <i>Non-Routine:</i> Brokers and banks do not have discretionary authority to vote on this proposal in the event voting instructions are not received from street-name holder<br><br>Broker non-votes have no effect<br>Abstentions have the same effect as a vote against the proposal |
| (3) Advisory vote on the frequency of future advisory votes on executive compensation  | (3) The frequency option receiving a plurality of the votes cast will be deemed the preferred option on this advisory vote                                     | (3) <i>Non-Routine:</i> Brokers and banks do not have discretionary authority to vote on this proposal in the event voting instructions are not received from street-name holder<br><br>Broker non-votes have no effect<br>Abstentions have no effect                                      |
| (4) Approval of the material terms of the performance criteria under our 2017 Incentive Bonus Plan for Section 162(m) purposes | (4) An affirmative vote of the holders of a majority of our common stock which has voting power present in person or represented by proxy and entitled to vote | (4) <i>Non-Routine:</i> Brokers and banks do not have discretionary authority to vote on this proposal in the event voting instructions are not received from street-name holder<br><br>Broker non-votes have no effect<br>Abstentions have the same effect as a vote against the proposal |
| (5) Ratification of PricewaterhouseCoopers LLP as our independent registered public accounting firm                            | (5) An affirmative vote of the holders of a majority of our common stock which has voting power present in person or represented by proxy and entitled to vote | (5) <i>Routine:</i> Brokers and banks have discretionary authority to vote on this proposal in the event voting instructions are not received from street-name holder  |



Abstentions have the same effect as a vote  
against the proposal

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### **Stockholders Sharing the Same Address**

The broker, bank or other nominee of any stockholder who is a beneficial owner, but not the record holder, of the Company's common stock may deliver only one copy of this Proxy Statement and our Annual Report to multiple stockholders sharing an address, unless the broker, bank or nominee has received contrary instructions from one or more of the stockholders.

In addition, with respect to record holders, in some cases, only one copy of this Proxy Statement and our Annual Report will be delivered to multiple stockholders sharing an address, unless the Company has received contrary instructions from one or more of the stockholders. Upon written or oral request, the Company will deliver free of charge a separate copy of this Proxy Statement and our Annual Report to a stockholder at a shared address to which a single copy was delivered. You can notify your broker, bank or other nominee (if you are not the record holder) or the Company (if you are the record holder) that you wish to receive a separate copy of our proxy statements and annual reports in the future, or alternatively, that you wish to receive a single copy of the materials instead of multiple copies. The Company's contact information for these purposes is: D.R. Horton, Inc., Attention: Thomas B. Montano, Vice President, Corporate Compliance Officer and Secretary, 1341 Horton Circle, Arlington, Texas 76011, telephone number: (817) 390-8200, or e-mail: [tbmontano@drhorton.com](mailto:tbmontano@drhorton.com).

### **Future Stockholder Communications through the Internet**

Stockholders may elect to receive future notices of meetings, proxy materials and annual reports electronically through the Internet. The consent of stockholders who have previously consented to electronic delivery will remain in effect until withdrawn. To consent to electronic delivery:

stockholders whose shares are registered in their own name, and not in street name through a broker or other nominee, may simply log in to [www.proxyvote.com](http://www.proxyvote.com), the Internet site maintained by Broadridge Financial Solutions, Inc. and follow the step-by-step instructions; and

stockholders whose shares are registered in street name through a broker or other nominee must first vote their shares using the Internet at: [www.proxyvote.com](http://www.proxyvote.com), the Internet site maintained by Broadridge Financial Solutions, Inc., and immediately after voting, fill out the consent form that appears on-screen at the end of the Internet voting procedure.

The consent to receive stockholder communications through the Internet may be withdrawn at any time to resume receiving stockholder communications in printed form.

## **IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR**

### **THE STOCKHOLDER MEETING TO BE HELD JANUARY 24, 2018**

The Notice, Proxy Statement and Annual Report on Form 10-K are available at

<https://materials.proxyvote.com/23331A>

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**PROPOSAL ONE**

**ELECTION OF DIRECTORS**

Our Board of Directors currently consists of five members who were elected at the 2017 Annual Meeting and will serve until the 2018 Annual Meeting and until their successors have been elected and qualified.

The Nominating and Governance Committee recommended to the Board of Directors our five directors as director nominees, each of whom is listed below under the heading *Nominees for Director*. After review and consideration by the Board of Directors, the Board nominated Donald R. Horton, Barbara K. Allen, Brad S. Anderson, Michael R. Buchanan and Michael W. Hewatt, as recommended by the Nominating and Governance Committee, for election as directors of D.R. Horton at the 2018 Annual Meeting.

Unless otherwise specified in the accompanying proxy, the shares voted by proxy will be voted for each of the persons named below as nominees for election as directors. Nominees who are elected as directors will be elected for one-year terms and will serve until the next annual meeting of stockholders and their successors have been elected and qualified. We do not know of any reason why any of the nominees would be unable to serve. However, if any of the nominees is unable to serve or for good cause will not serve as a director at the time of the 2018 Annual Meeting, the Board may designate a substitute nominee or reduce the size of the Board. If the Board designates a substitute nominee, the persons named as proxies may vote **FOR** that substitute nominee.

The D.R. Horton Bylaws require that to be elected, a director nominee must receive a majority of the votes cast with respect to such nominee in uncontested elections (the number of shares voted for a director nominee must exceed the number of votes cast against that nominee). In a contested election, where the number of nominees exceeds the number of directors to be elected (which is not the case at the 2018 Annual Meeting), the directors will be elected by a plurality of the shares present in person or by proxy and entitled to vote on the election of directors. Under the Corporate Governance Principles of the Company, any director who is not elected is required to tender his or her resignation to the Chairman of the Board within a reasonable time following certification of the vote. The Nominating and Governance Committee, which is composed of only independent directors, will consider the resignation offer and make a recommendation to the Board as to whether to accept or reject the resignation offer, or whether other action should be taken. The Board will act on the Nominating and Governance Committee's recommendation within 90 days following certification of the election results. Thereafter, the Board will promptly publicly disclose in a report filed with the Securities and Exchange Commission ( *SEC* ) its decision regarding the director's resignation offer (including the reason(s) for rejecting the resignation offer, if applicable).

**The Board of Directors Unanimously Recommends that Stockholders Vote FOR**

**Each of the Following Director Nominees.**

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### **Nominees for Director**

The following is a summary of certain information regarding the nominees for election as directors.

**DONALD R. HORTON**, age 67, director since 1991. Mr. Horton has been executive Chairman of the Board of D.R. Horton since it was formed in July 1991, and he was President and CEO from July 1991 through November 1998. He has been involved in the real estate and homebuilding industries since 1972, and he was the founder, sole or principal stockholder, director and president of each of D.R. Horton's predecessor companies since their respective organization, which date from 1978 to 1990.

**Key Director Qualifications.** Mr. Horton's 39 years of extensive experience in the homebuilding industry provides valuable leadership to the Board and to the Company. Mr. Horton brings to the Board his experience as founder of the Company, Chairman of the Board and former CEO and President of the Company and its predecessor companies. Mr. Horton is also the largest individual stockholder of the Company. As founder of the Company, Mr. Horton has a unique understanding of all phases of the homebuilding business. Mr. Horton's leadership and strategic vision provides the Board and the Company with distinct advantages in the homebuilding industry.

**BARBARA K. ALLEN**, age 71, director since 2014. Ms. Allen has significant experience researching, analyzing and making investment decisions related to housing-related companies. Ms. Allen retired from Avondale Partners in July 2006 where she was a Partner and Housing, Construction and Retailing Analyst. From February 1997 through December 2004, she was the Home Construction, Building Materials, Home Furnishing and DIY (Do It Yourself) Retailing Analyst for Natexis Bleichroeder, Inc. Ms. Allen was a Vice President, Equity Research for Donaldson, Lufkin & Jenrette from January 1993 through January 1996. She served in other roles at Oppenheimer & Company, Kidder, Peabody, Inc., and Prudential Securities prior to January 1993. Ms. Allen has been a member of the Audit, Compensation and Nominating and Governance Committees since 2014.

**Key Director Qualifications.** Ms. Allen's extensive experience working as an analyst and consultant with housing-related companies provides valuable knowledge to the Board with regard to strategic decisions, including investment, operating and financing matters.

**BRAD S. ANDERSON**, age 56, director since 1998. Mr. Anderson has been an Executive Vice President of CBRE Group, Inc., formerly CB Richard Ellis, Inc., an international real estate brokerage company, since 2009, and he has held various positions in Phoenix, Arizona with its predecessor, CB Commercial Real Estate Group, Inc., since January 1987. He served as Interim Chairman of the Board of Continental Homes Holding Corp. from October 1997 through April 1998, when it merged into D.R. Horton, and he became a director of D.R. Horton at that time. Mr. Anderson is also a member of the Board of Directors and a member of the audit committee of KS StateBank, a private bank. Mr. Anderson has been a member of both our Audit and Compensation Committees since 1998, and he has been a member of the Nominating and Governance Committee since November 2003.

**Key Director Qualifications.** Mr. Anderson's extensive experience working with an international real estate brokerage company allows him to bring beneficial insight and perspective to the Board, as a number of factors that affect the real estate brokerage industry also affect the homebuilding industry. Mr. Anderson also brings to the Board his valuable experience of formerly serving on another public homebuilding company's board and serving on the Company's Board and its Committees since 1998.

**MICHAEL R. BUCHANAN**, age 70, director since 2003. Mr. Buchanan has significant commercial banking experience with several banking institutions serving the real estate and homebuilding sectors. He retired from commercial banking in March 2002. From March 2002 to March 2003, Mr. Buchanan was engaged as a senior advisor to Banc of America Securities. From 1998 to March 2002, Mr. Buchanan was a Managing Director of Bank of America, an executive officer position in which he was head of its national real estate banking group. From 1990 to 1998, Mr. Buchanan was an Executive Vice President of NationsBank, which later merged with Bank of America. Mr. Buchanan was appointed to our Board's Audit Committee in July 2003, Nominating and Governance Committee in November 2003 and Compensation Committee in January 2004.

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**Key Director Qualifications.** Mr. Buchanan is a highly experienced commercial banker who served the real estate and homebuilding sectors. His experience in these areas allows him to provide the Board with both a broad-based and a granular perspective on the homebuilding industry. Mr. Buchanan also brings his experience of serving on the board of a real estate investment trust, thereby providing the Board with additional perspective on the real estate industry and serving on a board of directors.

***MICHAEL W. HEWATT, age 68, director since 2005.*** Mr. Hewatt is a certified public accountant performing auditing and tax services as a sole practitioner. He has worked for Hewatt & Associates or its predecessor firms since 1980. From 1971 to 1979, Mr. Hewatt worked in the tax and audit areas at Coopers & Lybrand (now PricewaterhouseCoopers LLP) and was an audit manager for five years during that period. Mr. Hewatt is a member of the American Institute of Certified Public Accountants, former member of the board of directors of the Texas Society of Certified Public Accountants and former President of the Texas Society of Certified Public Accountants Fort Worth Chapter. Mr. Hewatt has been a director of D.R. Horton since 2005 and has been a member of the Audit, Compensation and Nominating and Governance Committees since that time.

**Key Director Qualifications.** Mr. Hewatt has extensive experience working as a certified public accountant for a national and local firm. This experience enables Mr. Hewatt to provide valuable perspective on accounting, auditing and tax matters to the Board and its Committees.

## **Other Executive Officers**

***DAVID V. AULD, age 61,*** is President and Chief Executive Officer of D.R. Horton, positions he has held since October 2014. Mr. Auld was Executive Vice President and Chief Operating Officer from November 2013 through October 2014. Mr. Auld was Region President overseeing the Company's homebuilding operations in Florida, North and South Carolina, Georgia and Alabama from 2005 to 2013. From 1988 to 2005, Mr. Auld served as the Division President of the Company and its predecessor's Orlando Division. Prior to 1988, Mr. Auld worked for Texas American Bank and General Dynamics. Mr. Auld graduated from Texas Tech University in 1978 with a bachelor of business administration degree in accounting.

***MICHAEL J. MURRAY, age 51,*** is Executive Vice President and Chief Operating Officer of D.R. Horton, positions he has held since October 2014. Mr. Murray served as Senior Vice President of Business Development from 2012 through October 2014. From 2004 to 2012, Mr. Murray served as the Company's Vice President and Controller after joining the Company in 2002 as the Director of Internal Audit. He began his career at Price Waterhouse LLP (now PricewaterhouseCoopers LLP) and then worked at several other companies in finance and accounting roles prior to joining the Company. Mr. Murray graduated from the University of Texas at Arlington in 1988 with a bachelor of business administration degree in accounting.

***BILL W. WHEAT, age 51,*** is Executive Vice President and Chief Financial Officer of D.R. Horton, positions he has held since 2003. Mr. Wheat was the Company's Senior Vice President and Controller from 2000 through 2003, after joining the Company in 1998 as an Accounting Manager. Mr. Wheat also served as a member of the Board of Directors of the Company from October 2003 through January 2011. Mr. Wheat began his career at Price Waterhouse LLP (now PricewaterhouseCoopers LLP) and then worked at The Bombay Company in several financial and accounting roles prior to joining the Company. Mr. Wheat graduated from Baylor University in 1988 with a bachelor of business administration degree in accounting and finance.

**Table of Contents****CORPORATE GOVERNANCE AND BOARD MATTERS****Corporate Governance Standards**

Our Board of Directors has adopted a number of standards to comply with requirements of the Sarbanes-Oxley Act of 2002 (*the Sarbanes-Oxley Act*) and the final rules of the NYSE and SEC relating to the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act (*the Dodd-Frank Act*) and other corporate governance matters. Our Board has adopted the D.R. Horton Corporate Governance Principles, which contain a number of corporate governance initiatives designed to comply with the NYSE listing standards (*the NYSE Rules*) and the rules and regulations of the SEC (*the SEC Rules*) relating to corporate governance. The significant corporate governance initiatives adopted by the Board of Directors are discussed below. The Corporate Governance Principles can be found under the Investor Relations and Corporate Governance links on our website at [www.drhorton.com](http://www.drhorton.com).

***Qualifications and Characteristics for Directors***

The Nominating and Governance Committee utilizes a variety of methods for identifying nominees for director, including considering potential director candidates who come to the Committee's attention through current officers, directors, professional search firms, stockholders or other persons. Once a potential nominee has been identified, the Nominating and Governance Committee evaluates whether the nominee has appropriate qualifications and characteristics to become a director in light of the current make-up of the Board of Directors. We do not have a formal or informal diversity policy regarding the selection or qualification of directors. We believe that appropriate director qualifications and characteristics include having directors with diverse backgrounds, education, experiences, expertise and perspectives. These qualifications and characteristics are discussed below.

***Key Qualifications and Experiences.*** As a leading national homebuilding company, we believe certain qualifications and experiences are important to the overall composition of our Board. We do not require that each director possess each of the qualifications listed below, but rather we look to whether our Board as a whole possesses these qualifications.

***Real Estate Experience.*** We seek to have directors with expertise or key experience in the real estate industry, which includes experience in homebuilding, land development, real estate brokerage and sales, commercial development and leasing, financing and banking in the real estate industry or experience in analyzing or consulting in these key areas. These key qualifications enable our Board to understand key operational aspects related to our business of running a national homebuilding company.

***Business, Management, Accounting and Finance Experience.*** We seek to have directors with expertise or key experience in business, management, accounting, finance or similar positions. We believe these key qualifications are important to the Board as it oversees risks in the Company's key functional areas of homebuilding operations, financing and liquidity, financial reporting, internal control and regulatory compliance, and compensation.

***Strategic Vision and Leadership.*** We seek to have directors with expertise or key experiences in positions that require strategic vision, leadership and decision making. We believe directors acquire these key qualifications through experience as executives, managers, entrepreneurs, business owners, directors, consultants, analysts or advisors. We believe these key qualifications are important to the Board, as directors with these attributes provide sound business judgment, leadership and strategic vision to the Board and the Company.

The key qualifications possessed by our nominees are discussed under each nominee's name and profile beginning on page 6.

***Key Characteristics.*** In addition to the key qualifications and experiences discussed above, we also believe each member of the Board of Directors should have the following minimum characteristics:

high personal and professional ethical standards, integrity and values;

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commitment to representing the long-term interests of the stockholders;

practical wisdom, mature judgment and collegiality;

objectivity and inquisitiveness; and

willingness to offer his or her resignation in the event of any significant change in personal circumstances that could affect the discharge of his or her responsibilities as a director, including a change in his or her principal job responsibilities.

Ordinarily, directors who serve as chief executive officers or in equivalent positions for other companies should not serve on more than one other board of a public company in addition to the D.R. Horton Board, and other directors should not serve on more than two other boards of public companies in addition to the D.R. Horton Board. Because of the value the Board places on having directors who are knowledgeable about the Company and its operations, neither the Board nor the Nominating and Governance Committee believes that an arbitrary term limit on director service is appropriate.

***Retirement Age Policy***

On January 25, 2007, our Board adopted a retirement policy for directors. Under the policy, directors may not stand for re-election after they have reached the age of 75. Directors serving on the Board on January 25, 2007, which include all current directors other than Barbara K. Allen, are exempt from this policy.

***Majority Vote Standard and Resignation Policy***

The Company's Bylaws provide that in an uncontested election of directors, a director nominee must receive a majority of the votes cast to be elected. Any current director who is not re-elected is required to tender his or her resignation to the Chairman of the Board within a reasonable time following certification of the vote. Details regarding the majority vote standard and resignation policy are discussed under *Proposal One Election of Directors* on page 5.

***Procedures for Nominating or Recommending for Nomination Candidates for Director***

Our Bylaws provide, outside of the proxy access process, that any stockholder may make nominations for the election of directors if notice of such nominations is delivered to the principal executive offices of D.R. Horton not later than the close of business on the 90th calendar day or earlier than the close of business on the 120th calendar day prior to the first anniversary of the preceding year's annual meeting. However, in the event that the date of the annual meeting is changed by more than 30 calendar days from the anniversary date of the preceding year's meeting, for notice by the stockholder to be timely, it must be so delivered not earlier than the close of business on the 120th calendar day prior to such meeting and not later than the close of business on the later of the 90th calendar day prior to such meeting or the 10th calendar day following the day on which public disclosure of the date of such meeting is made. Such public disclosure is defined to mean a press release reported by the Dow Jones News Service, Associated Press or a comparable national news service or a document publicly filed by the Company with the SEC pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended (*the Exchange Act*). In addition, the notice must include information specified in our Bylaws, including information concerning the nominee, the stockholder and the beneficial owner, as the case may be. Because no such nominations have been made in accordance with our Bylaws, only the nominations of the Board of Directors may be voted upon at the 2018 Annual Meeting.

On November 2, 2017, the Board of Directors adopted proxy access, which allows a stockholder or group of up to 20 stockholders owning in the aggregate 3% or more of D.R. Horton's outstanding shares continuously for at least three years to nominate and include in the proxy materials director nominees constituting up to 20% of the number of directors in office, provided the stockholder(s) and nominee(s) satisfy the requirements in our Bylaws. In order for a stockholder or group of stockholders to nominate a director candidate to be included in D.R. Horton's proxy materials, notice of such nomination must be delivered to the principal executive offices of D.R. Horton not later than the close of business on the 120th calendar day or earlier than the close of business on

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the 150th calendar day prior to the first anniversary of the date that the definitive proxy statement was first released to stockholders in connection with the preceding year's annual meeting, and the nomination must otherwise comply with our Bylaws. However, in the event that the date of the annual meeting is changed by more than 30 calendar days from the anniversary date of the preceding year's annual meeting, for notice by the stockholder to be timely, it must be so delivered not earlier than the close of business on the 150th calendar day prior to such meeting and not later than the close of business on the later of the 120th calendar day prior to such meeting or the 10th calendar day following the day on which public disclosure of the date of such meeting is made.

In addition, the Nominating and Governance Committee has adopted a policy permitting stockholders to recommend candidates for director for consideration by the committee. The Nominating and Governance Committee will consider candidates recommended by stockholders on the same basis as candidates identified through other means. Stockholders wishing to recommend candidates for election must give notice to the Nominating and Governance Committee by following the same deadlines for notice to submit a nomination outlined in our Bylaws and described above. Each notice must set forth the same information required by our Bylaws to submit a nomination. All recommended candidates shall, at a minimum, possess the characteristics for directors discussed above. The Nominating and Governance Committee may request additional information to assist in the evaluation of the candidacy of such person.

### ***Director Independence***

Our Board of Directors is composed of a majority of independent directors in accordance with the NYSE Rules. Our Board made the independence determination of its members based on the *Independence Standards* discussed below.

Our Board has adopted a set of *Independence Standards*, consistent with the NYSE Rules, to aid it in determining whether a member of the Board is independent under the NYSE Rules. In accordance with these Independence Standards, a director must not have a direct or indirect material relationship with the Company or its management, other than as a director. The Independence Standards specify the criteria by which the independence of our directors will be determined, including strict guidelines for directors and their immediate family members with respect to past employment or affiliation with the Company, its management or its independent auditor.

The Independence Standards are contained in the Corporate Governance Principles set forth on our website, [www.drhorton.com](http://www.drhorton.com), under the Investor Relations and Corporate Governance links. These include the following:

A director who is an employee or whose immediate family member is an executive officer of D.R. Horton is not independent until three years after the end of such employment relationship.

A director who receives, or whose immediate family member receives, more than \$120,000 per year in direct compensation from D.R. Horton, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), is not independent until three years after he or she ceases to receive more than \$120,000 per year in compensation. Compensation received by an immediate family member for service as a non-executive employee or non-member of senior management of D.R. Horton will not be considered in determining independence under this test.

A director is not independent if (i) the director or an immediate family member is a current partner of D.R. Horton's external audit firm, (ii) the director is a current employee of such firm, (iii) the director's immediate family member is a current employee of such firm and personally works on D.R. Horton's audit, or (iv) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such firm and personally worked on D.R. Horton's audit within that time.

A director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of D.R. Horton's present executives serves on that company's compensation committee is not independent until three years after the end of such service or employment relationship.



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A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, D.R. Horton for property or services in an amount that, in any single fiscal year, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues, is not independent until three years after falling below such threshold.

If a director serves as an executive officer, director or trustee of a charitable or educational organization and D.R. Horton's contributions to the organization are less than \$500,000, then the relationship will not be considered to be a material relationship that would impair a director's independence.

For purposes of these Independence Standards, an *immediate family member* includes a director's spouse, parents, children, siblings, mother and father-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares the director's home.

### ***Audit Committee Independence, Financial Literacy and Audit Committee Financial Expert***

In addition to being independent based on the Independence Standards, the NYSE Rules require that each member of an audit committee satisfy additional independence and financial literacy requirements and at least one of these members must satisfy the additional requirement of having accounting or related financial management expertise. This additional requirement can be satisfied by the Board determining that at least one Audit Committee member is an *audit committee financial expert* within the meaning of the SEC Rules. Accordingly, the Corporate Governance Principles contain a set of standards that relate to audit committee independence, financial literacy and audit committee accounting and financial management expertise. Generally, the additional independence standard provides that (i) a member of the Audit Committee or his or her immediate family members are prohibited from receiving any direct or indirect compensation or fee from the Company, its subsidiaries or its affiliates, other than in his or her capacity as a member of the Audit Committee, the Board or any other committee of the Board, and (ii) he or she may not be an affiliated person of the Company or any of its subsidiaries. Generally, the financial literacy standard provides that the Board, in its business judgment, shall determine if each member is financially literate, taking into account factors such as the member's education, experience and ability to read and understand financial statements of public companies. Also, audit committee financial experts must have five additional attributes, which are (i) an understanding of generally accepted accounting principles and financial statements, (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves, (iii) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities, (iv) an understanding of internal control over financial reporting and (v) an understanding of audit committee functions. Altogether, attributes (i) through (v) are referred to as the *Financial Expert Attributes*. The audit committee financial expert standards are set forth in the Corporate Governance Principles.

### ***Compensation Committee Independence***

In addition to being independent based on the Independence Standards, the NYSE Rules require that each member of a compensation committee satisfy additional independence requirements. The NYSE Rules require that the Board consider all factors specifically relevant to determining whether a director has a relationship to the Company that is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to (i) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by the Company to such director and (ii) whether such director is affiliated with the Company, a subsidiary of the Company or an affiliate of a subsidiary of the Company.

### ***Board Determinations***

Based on the independence, financial literacy and financial expert standards discussed above, the Board has determined that Barbara K. Allen, Brad S. Anderson, Michael R. Buchanan, and Michael W. Hewatt are

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(i) independent, for purposes of serving as independent members of the Board of Directors and the Nominating and Governance Committees, (ii) independent, for purposes of serving as independent members on the Audit Committee and the Compensation Committee, and (iii) financially literate, for purposes of serving on the Audit Committee. The Board has also determined, as set forth below, that Mr. Hewatt and Mr. Buchanan each have the Financial Expert Attributes described above.

*Mr. Hewatt.* Mr. Hewatt acquired the Financial Expert Attributes primarily through his 46 years of experience working as a certified public accountant for Coopers & Lybrand LLP and Hewatt & Associates, CPAs and its predecessor and successor entities, as applicable. Mr. Hewatt’s experience as an auditor provided him active experience in designing and conducting audits and reviewing financial statements, which developed his understanding of generally accepted accounting principles and financial statements as well as his abilities to assess the application of such principles in accounting for estimates, accruals and reserves and to evaluate related internal control structures. Mr. Hewatt’s active status as a certified public accountant requires him to stay current on pronouncements and advisory notices issued by accounting, auditing and tax regulatory boards and organizations. Mr. Hewatt has additional experience in providing management advisory, tax advisory and tax preparation services, which has provided him with a strong background in the Internal Revenue Code (the *Code*) and in dealing with the Internal Revenue Service. Mr. Hewatt has prepared and issued audit and management advisory reports to the boards of directors of his clients, whereby he has gained an understanding of the functioning of boards of directors and related committees. Mr. Hewatt’s clients have included public and private companies, governmental organizations and non-profit organizations.

*Mr. Buchanan.* Mr. Buchanan acquired the Financial Expert Attributes primarily through his experience as a commercial banker in the real estate and homebuilding sectors, including serving as head of Bank of America’s national real estate group. Mr. Buchanan’s responsibilities as a banker required him to analyze and evaluate financial statements to make credit and lending decisions. In this regard, he developed significant expertise in understanding the integrity of the financial information used to prepare financial statements and how such information should be used to analyze and evaluate a company’s financial condition and its ability to meet the company’s debt obligations. As head of the national real estate group at Bank of America, Mr. Buchanan also actively supervised others in conducting financial statement and financial condition analysis and evaluation.

As provided by the safe harbor contained in the SEC Rules, our audit committee financial experts will not be deemed *experts* for any purpose as a result of being so designated. Such designation does not impose on such persons any duties, obligations or liabilities that are greater than the duties, obligations and liabilities imposed on such persons as members of the Audit Committee or the Board of Directors in the absence of such designation, and such designation does not affect the duties, obligations or liabilities of any other member of the Audit Committee or the Board of Directors.

The Board also determined that Mr. Horton, a director nominee, is not independent because he is an executive officer.

***Code of Ethical Conduct for the CEO, CFO and Senior Financial Officers***

In accordance with SEC Rules, the Audit Committee and the Board have adopted the *Code of Ethical Conduct for the CEO, CFO and Senior Financial Officers*. The Board believes that these individuals must set an exemplary standard of conduct for D.R. Horton, particularly in the areas of accounting, internal accounting control, auditing and finance. The ethics code sets forth ethical standards the designated officers must adhere to and other aspects of accounting, auditing and financial compliance. The full text of the *Code of Ethical Conduct for the CEO, CFO and Senior Financial Officers* has been posted to the Company’s website, www.drhorton.com, under the Investor Relations and Corporate Governance links. Information relating to any amendment to or waiver of a provision of the *Code of Ethical Conduct for the CEO, CFO and Senior Financial Officers* will be disclosed on the website within four business days of such amendment or waiver.

***Corporate Code of Business Conduct and Ethics***

The Board of Directors has adopted a *Corporate Code of Business Conduct and Ethics* for employees and directors of D.R. Horton in accordance with the NYSE Rules. The Board adopted the *Corporate Code of*

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*Business Conduct and Ethics* to provide guidance to the Board and management in areas of ethical business conduct and risk and to provide guidance to employees and directors by helping them recognize and deal with ethical issues including, but not limited to, (i) conflicts of interest, (ii) corporate opportunities, (iii) confidentiality, (iv) fair dealing, (v) protection of corporate assets, (vi) compliance with rules and regulations, including insider trading of securities, and (vii) confidential reporting of unethical behavior and hotline telephone numbers. The *Corporate Code of Business Conduct and Ethics* can be found on the Company's website under the Investor Relations and Corporate Governance links.

### ***Complaint Procedures For Accounting, Internal Control, Auditing and Financial Matters***

In accordance with SEC Rules, the Audit Committee has established procedures for (i) the receipt, retention and treatment of complaints regarding accounting, internal control, auditing or financial matters (collectively, *Accounting Matters*) and (ii) the confidential, anonymous submission by employees of concerns regarding questionable Accounting Matters. The Audit Committee oversees treatment of complaints and concerns in this area. The full text of the *Complaint Procedures For Accounting, Internal Control, Auditing and Financial Matters* has been posted to the Company's website under the Investor Relations and Corporate Governance links.

### ***Executive Sessions of the Board of Directors***

In accordance with the NYSE Rules, the non-management members of the Board of Directors have held and will continue to hold regularly scheduled executive sessions of the non-management directors, each of whom is independent. Michael R. Buchanan, Chairman of the Nominating and Governance Committee, presides at these executive sessions. During fiscal 2017, the non-management directors met four times in executive session, without members of management present.

### ***Communications with the Board of Directors and Stockholder Engagement***

Stockholders and other interested parties can communicate with any member of our Board by sending the communication to the Chairman of the Nominating and Governance Committee, who also serves as the Presiding Director. Currently, Mr. Buchanan serves as our Presiding Director. Send communications to: Presiding Director c/o Thomas B. Montano, Vice President, Corporate Compliance Officer and Secretary, D.R. Horton, Inc., 1341 Horton Circle, Arlington, Texas 76011. Our Corporate Counsel will review the communications and determine if such communications come within the purview of a Board committee or Board member(s). After such determination, these communications will be promptly forwarded to such Board member(s) or the Presiding Director as applicable. The Presiding Director reports these communications to the Board on a quarterly basis. Further information may be obtained on the Company's website under the Investor Relations and Corporate Governance links.

Our executive management team actively engages in communications throughout the year with stockholders of all ownership levels. Generally these communications involve participating in investor presentations and question and answer sessions, meeting with investors and stockholders one-on-one and in small groups, and responding to investor and stockholder letters, emails and telephone calls. Management's discussions with stockholders and the investment community address numerous aspects of our business and matters of importance or concern to our stockholders. When investors or stockholders ask our executive team to share an observation, question or comment with our Board, they do, so that the Board can then consider the matter as part of its governance responsibilities.

### **Board Leadership Structure, Board's Role in Risk Oversight and Board and Committee Meetings**

#### ***Board Leadership Structure***

Our Board of Directors operates under the leadership of our executive Chairman of the Board and founder, Donald R. Horton. Mr. Horton has been executive Chairman of the Board of the Company and its predecessor companies since 1978. We do not have a policy that requires the positions of Chairman of the Board and CEO be separated, but we have had a separate Chairman of the Board and CEO since 1998. We believe the separation of

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these positions is appropriate at this time as it allows our executive Chairman to focus on overall strategy and vision while leading the Board and the Company in overseeing key risk and management issues facing the Board and the Company. We further believe that Mr. Horton's extensive experience in the homebuilding industry enables him to provide valuable insight and leadership to both the Board and the Company.

Mr. Horton's role as an executive officer also benefits the Board and the Company as he works with key officers of the Company to implement the Board's strategies and oversight functions on a daily basis.

Our Nominating and Governance Committee, which is composed of four independent directors, oversees our corporate governance, and we have taken a number of measures that collectively provide for our effective corporate governance. Our independent directors meet regularly throughout the year in executive session to encourage open communication and discussion among the independent directors without the presence of management. The Presiding Director chairs these meetings. Overall, the Board is composed of four independent directors and one management director. The Board has designated four primary committees that are responsible for various duties of the Board or its Committees, as applicable. The four committees of the Board are the Nominating and Governance Committee, Audit Committee, Compensation Committee, and Executive Committee. The Committees of the Board are discussed in more detail under the heading *Committees of the Board* on page 17.

### ***Board's Role in Risk Oversight***

Our Board and Board Committees have overall risk oversight responsibility of the Company, but do not provide day-to-day risk management of the Company, which is the responsibility of our key officers and managers. The risk management process established and overseen by the Company's executive management includes centralized corporate review of the market, real estate, financial, legal and environmental risks associated with each transaction and management approval of funds disbursed. Because of the manner in which the Board and Committees oversee risk, the Board's role in risk oversight does not have an effect on the Board's leadership structure. Risk oversight is reviewed in the risk areas of the Company listed below.

***Homebuilding Operations.*** Our ability to build and sell homes that meet buyer demand is determined by our ability to control, buy and develop land and lots in a cost effective manner. As a result, we use substantial financial resources to control, buy and develop land and lots. We control the amount of financial resources used in the acquisition of land and lots through a process which requires divisional, regional and corporate approval before financial resources are authorized for this purpose. Corporate approval includes review by corporate legal and accounting personnel and approval by our Chairman, CEO or executive officers. Our chief financial officer and chief legal officer both report to the Board regarding our process of reviewing, approving and funding land and lot acquisitions. We believe this process adequately manages the risk related to our land and lot acquisitions.

***Financing and Liquidity.*** Our financing and liquidity positions may fluctuate due to changes in the homebuilding industry and in home sales demand. Our Board oversees financing and liquidity risk by regularly monitoring our financial and liquidity position to ensure we maintain the financial resources needed to fund our homebuilding operations and other financing and operating expenses. At each quarterly meeting, management reviews information related to the Company's financial and liquidity position with the Board, which includes projected short and long-term financing and liquidity needs. To further manage risk in this area, the Board approves a limit on the amount of debt and equity that may be repurchased each year. Any debt or equity issuance or debt or equity repurchase above the approved limit must be separately approved by the Board. We believe these procedures provide adequate risk oversight of financing and liquidity matters affecting the Company.

### ***Financial Reporting, Internal Control and Regulatory Compliance.***

***Audit Committee Risk Oversight.*** The Audit Committee of the Board provides risk oversight with respect to financial reporting, internal control over financial reporting, internal audit and related regulatory compliance matters. Each quarter, our Audit Committee discusses with our independent auditor its review of our interim financial information and, after our fiscal year-end, discusses its audit of our annual consolidated financial statements, including our procedures on internal control over financial reporting. Also, during the fiscal year, our

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Audit Committee meets in private session (without the presence of management) with our independent auditor to discuss any matters related to the audit of our annual consolidated financial statements and review of our internal control over financial reporting.

Each quarter, our Audit Committee meets with our director of internal audit and reviews the results of the internal audits of the Company's operating divisions and other key control areas performed during the quarter. Each year, the Audit Committee reviews and approves the internal audit plan for the forthcoming fiscal year. The internal audit plan is designed using a risk-based approach focusing on key risk areas in the Company's homebuilding and financial services operations and other key control areas. During the fiscal year, the Audit Committee meets in private session (without the presence of management) with our internal audit director.

Throughout the fiscal year, our Audit Committee invites guest speakers to give presentations on a variety of topics related to recent or anticipated changes to accounting rules and regulations, tax laws and regulations, corporate governance and financial reform rules and regulations. By staying informed, the Audit Committee is able to oversee the Company's compliance with regulatory issues in these areas, and to discuss with management any actions necessary to maintain or become compliant with such regulatory matters.

Compensation Risk Oversight. The Compensation Committee provides risk oversight with respect to compensation of the Company's employees, including the named executive officers and other key officers, with the assistance of the Board. We regularly review the Company's compensation policies and practices and believe that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company. We believe we have established a short and long-term compensation program that properly incentivizes desired performance and mitigates inappropriate risk-taking. We believe the following compensation components help us achieve this balance:

*Base Salary:* We set fixed base salaries in amounts that we believe are commensurate with the level of experience, responsibility and tenure of the executive. We believe that providing an appropriate base salary mitigates inappropriate risk-taking by providing a fixed and certain level of semi-monthly income.

*Annual Bonus Plan:* With respect to our Chairman, CEO and COO, we provide annual incentive bonus opportunities based on various performance goals. Recent performance goals were based on pre-tax income. Our CFO is awarded an annual discretionary bonus based on his responsibilities. Final payout of these annual awards is at the discretion of the Compensation Committee. Their discretion can be used to reduce payouts when the Committee believes levels achieved result in an inappropriately high level of annual pay when balanced with the total compensation package and taking into consideration the Company's and the executive's performance. We believe we mitigate risk related to the annual performance goals through the approval process with respect to the final payout of these awards, the quarterly review of our financial statements by our management and through our internal control over financial reporting.

*Long-Term Bonus Plan:* With respect to our Chairman, CEO, COO and CFO, we use a combination of equity awards in the form of performance restricted stock units and time-based restricted stock units to incentivize performance on key operational and financial goals important to the Company and its stockholders over a period longer than one fiscal year. We believe the long-term nature of these performance awards mitigates risk because the level of performance achieved is analyzed over a number of fiscal years (typically three), thereby allowing us to take into account any short-term or one-time events that may not be sustainable over a longer period.

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| <i>Stock Options:</i>              | <p>We use stock options as a component of long-term compensation to incent performance and to serve as a retention tool. We believe time-based vesting of our stock options creates a continuing incentive to grow value in the Company stock price, balancing out the risk taking incentives that might otherwise apply to performance-based options. We mitigate risk related to granting stock options by not granting stock options in coordination with the release of material non-public information. Further, we have several levels of review when stock options are approved and granted, including approval by the Compensation Committee and review by corporate legal, human resources and accounting personnel to ensure the terms of the stock options approved match the terms of the stock options issued.</p>  |
| <i>Restricted Stock Units:</i>     | <p>We use restricted stock units as a component of long-term compensation to incent performance and to serve as a retention tool. We believe time-based vesting of our restricted stock units creates a continuing incentive to grow value in the Company stock price, balancing out the risk taking incentives that might otherwise apply to performance-based units. We mitigate risk related to granting restricted stock units by not granting restricted stock units in coordination with the release of material non-public information. Further, we have several levels of review when restricted stock units are approved and granted, including approval by the Compensation Committee and review by corporate legal, human resources and accounting personnel to ensure the terms of the restricted stock units approved match the terms of the restricted stock units issued.</p>                         |
| <i>Performance Goals:</i>          | <p>The Compensation Committee has selected a variety of short and long-term operating and financial performance goals to incent performance and to drive increased Company operating and financial results on these goals. The performance goals tied to the annual cash bonus and restricted stock unit bonus programs relate to consolidated pre-tax income, return on investment, gross profit, selling, general and administrative expense and total shareholder return. The Company has established appropriate controls around the determination of the components that define these goals which mitigate risk related to monitoring the actual performance of these goals.</p>  |
| <i>Discretion and Clawback:</i>    | <p>We further mitigate compensation risk by giving the Compensation Committee sole discretion to reduce the final payout on a portion of the total compensation awarded. The Compensation Committee maintains sole discretion to reduce the final payout for the Annual Bonus Plan. The Committee does not have sole discretion with respect to the annual salary, stock options and time-based restricted stock units because these items are fixed. Additionally, the Committee does not have discretion with respect to the performance-based restricted stock units.</p> <p>Our executive officers are subject to the clawback provisions of the Sarbanes-Oxley Act. Our executive officers that receive performance-based compensation are subject to appropriate clawback provisions to comply with enacted federal legislation regarding clawback provisions on performance-based executive compensation.</p> |
| <i>Hedging Company Securities:</i> | <p>Our directors and executive officers are prohibited from engaging in short sales of our securities or from engaging in transactions designed to hedge the value of our securities held by them. Our directors and executive officers have not pledged as collateral our securities held by them.</p>  |

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### ***Board Meetings***

During our fiscal year ended September 30, 2017 ( *fiscal 2017* ), our Board of Directors held seven meetings and acted once by written consent. Each director attended at least 95% of the total Board and committee meetings for the committees on which he or she served during fiscal 2017. Executive sessions of our non-management directors, all of whom are independent, are regularly held. The sessions are scheduled and chaired by the Chairman of the Nominating and Governance Committee, who also acts as our Presiding Director. Although we do not have a policy with respect to director attendance at our annual meeting of stockholders, the 2017 Annual Meeting was attended by each of our directors.

### ***Committees of the Board***

The Board of Directors has four committees: the Executive Committee, the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. The Board of Directors has adopted governing Charters for each of the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee. Each of the Charters is posted on the Company's website under the Investor Relations and Corporate Governance links.

### ***Executive Committee***

The Executive Committee, while the Board is not in session, possesses all of the powers and may carry out all of the duties of the Board of Directors in the management of the business of D.R. Horton that by state or federal law or the NYSE Rules may be delegated to it by the Board of Directors. During fiscal 2017, the Executive Committee was composed of Donald R. Horton.

### ***Nominating and Governance Committee***

The members of the Nominating and Governance Committee are Michael R. Buchanan, Barbara K. Allen, Brad S. Anderson and Michael W. Hewatt, with Mr. Buchanan serving as Chairman. Each committee member has been determined by the Board to be independent in accordance with the NYSE Rules. During fiscal 2017, the Nominating and Governance Committee met four times and took no action by written consent, and each member attended all of the meetings in person or by telephone conference.

The Nominating and Governance Committee Charter has been posted to the Company's website under the Investor Relations and Corporate Governance links. The Nominating and Governance Committee's primary purpose is to provide assistance to the Board of Directors in fulfilling its responsibility to the stockholders by:

identifying individuals qualified to become directors consistent with criteria approved by the Board and recommending to the Board the qualified candidates for directorships to be filled by the Board or by the stockholders;

developing and recommending to the Board a set of corporate governance principles applicable to the Company; and

overseeing the evaluation of the Board and key management.

### ***Compensation Committee***

The members of the Compensation Committee are Brad S. Anderson, Barbara K. Allen, Michael R. Buchanan and Michael W. Hewatt, with Mr. Anderson serving as Chairman. Each Compensation Committee member has been determined to be independent under the NYSE Rules, an outside director under Section 162(m) of the Code, and a non-employee director under Rule 16b-3 under the Exchange Act. During fiscal 2017, the Compensation Committee met seven times and took no action by written consent, and each member attended all of the meetings in person or by telephone conference.

The Compensation Committee Charter has been posted to the Company's website under the Investor Relations and Corporate Governance links. The Charter provides that the Compensation Committee shall assist the Board of Directors in discharging its responsibility to the stockholders with respect to the Company's compensation programs and compensation of the Company's executive officers.





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The Compensation Committee Charter also sets forth the responsibilities and duties of the committee with regard to reviewing the compensation for the CEO and other executive officers, monitoring incentive and equity-based compensation plans, preparing an annual report on executive compensation and reporting to the Board of Directors.

### ***Audit Committee***

The members of the Audit Committee are Michael W. Hewatt, Barbara K. Allen, Brad S. Anderson and Michael R. Buchanan, with Mr. Hewatt serving as Chairman. During fiscal 2017, the Audit Committee met five times and took no action by written consent, and each member attended at least 80% of the meetings in person or by telephone conference.

As discussed under the heading *Corporate Governance Standards* on page 8 of this Proxy Statement, each member of the Audit Committee has been determined by the Board to be *independent* and *financially literate* in accordance with NYSE Rules, the SEC Rules, and the corporate governance and independence standards adopted by the Board. Also, the Board has determined that both Mr. Buchanan and Mr. Hewatt are *audit committee financial experts* under such rules, regulations and standards as set forth in the Company's Corporate Governance Principles posted on our website.

The Audit Committee operates pursuant to an Audit Committee Charter, which was approved and adopted by the Board of Directors and posted to the Company's website under the Investor Relations and Corporate Governance links. The duties and responsibilities of the Audit Committee are set forth in its Charter. The Audit Committee's primary purposes are to:

assist the Board in fulfilling its oversight responsibilities relating to the:

integrity of the Company's financial statements;

Company's compliance with legal and regulatory requirements;

independent auditor's qualifications and independence; and

performance of the Company's internal audit function and independent auditor; and

prepare an Audit Committee report to be included in the Company's annual proxy statement.

Further discussion regarding the Audit Committee's processes and procedures regarding the Company's audited consolidated financial statements for the year ended September 30, 2017 and other matters are discussed in the Audit Committee Report on page 65 of this Proxy Statement.

### **Compensation of Directors**

Our Board of Directors approves the annual compensation and fees paid to our non-management directors, each of whom is listed in the *Director Compensation for Fiscal 2017* table. Traditionally, the Board has strived to set non-management director compensation at a reasonable level of cash and equity compensation. The total annual compensation of directors has varied primarily due to the granting of long-term equity awards in certain years. Our Chairman, a member of executive management, does not receive any compensation for serving on the Board of Directors.

**Director Fees Paid in Cash.** In fiscal 2017, each non-management director received \$15,000 for each Board meeting attended in person or by telephone conference, paid quarterly and not to exceed \$60,000 per year. In addition, each non-management director who served on a committee of the Board of Directors received an annual fee of \$5,000 per committee, paid quarterly, and each non-management director who served as the Chairman of a committee of the Board of Directors received an annual fee of \$2,500 per committee, paid quarterly.

***Director Retainer Fees Paid in Restricted Stock Units.*** In the past, our non-management directors have received retainer fees paid in the form of restricted stock units that vest annually in equal installments over three years. In January 2016, Ms. Allen, Mr. Anderson, Mr. Buchanan and Mr. Hewatt each received 12,000 restricted stock units.

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**Restricted Stock Units.** Our non-management directors received a grant of 2,115 restricted stock units in February 2017 as reflected in the Director Compensation table below. These restricted stock units vest ratably over five years. In addition, when a new non-management director joins our Board, the Board of Directors may award restricted stock units to the new non-management director.

**Stock Options.** When a new non-management director joins our Board, he or she traditionally has been awarded stock options. These stock options have an exercise price equal to the closing price of our common stock on the date of approval and grant. Traditionally, these stock options have vested over five years and have a ten-year term. In addition to the initial grant received upon joining the Board, we have awarded stock options to non-management directors at other times, which have typical vested over five years. There were no stock options granted to non-management directors during fiscal 2017, fiscal 2016 or fiscal 2015.

**Expenses and Health Care Plan.** Each non-management director is entitled to reimbursement for reasonable expenses relating to their service on the Board and any committee, including travel, meals and other related expenses. Each non-management director is eligible to participate in the Company's health care plan and Ms. Allen, Mr. Anderson, Mr. Buchanan and Mr. Hewatt elected to participate in the plan in fiscal 2017.

**Director Compensation for Fiscal 2017**

| Name <sup>(1)</sup> | Fees Earned or Paid in Cash <sup>(2)</sup> | Stock Awards <sup>(3)</sup> | Option Awards <sup>(4)</sup> | All Other Compensation | Total      |
|---------------------|--|-----------------------------|------------------------------|------------------------|------------|
| Barbara K. Allen    | \$ 75,000                                  | \$ 60,531                   |                              |                        | \$ 135,531 |
| Brad S. Anderson    | \$ 77,500                                  | \$ 60,531                   |                              |                        | \$ 138,031 |
| Michael R. Buchanan | \$ 77,500                                  | \$ 60,531                   |                              |                        | \$ 138,031 |
| Michael W. Hewatt   | \$ 77,500                                  | \$ 60,531                   |                              |                        | \$ 138,031 |

(1) The Company pays director fees only to non-management directors.

(2) Amounts represent non-management director fees paid in cash during fiscal 2017.

(3) Amount represents the grant date fair value of \$28.62 per unit for the 2,115 restricted stock units granted to each non-management director on February 14, 2017. The grant date fair value of the restricted stock units was determined in accordance with accounting guidance for share-based payments. The Company recognizes expense for this award over its five-year vesting period.

As of September 30, 2017, each non-management director held the following number of unvested restricted stock units:

| Name                | Unvested Restricted Stock Units |
|---------------------|---------------------------------|
| Barbara K. Allen    | 12,935                          |
| Brad S. Anderson    | 12,935                          |
| Michael R. Buchanan | 12,935                          |
| Michael W. Hewatt   | 12,935                          |

(4) The non-management directors did not receive stock option awards during fiscal 2017. As of September 30, 2017, each non-management director held the following number of outstanding vested and unvested stock options:

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| Name                | Outstanding Stock Options |          |
|---------------------|---------------------------|----------|
|                     | Vested                    | Unvested |
| Barbara K. Allen    |                           | 3,334    |
| Brad S. Anderson    | 29,000                    | 1,000    |
| Michael R. Buchanan | 4,000                     | 1,000    |
| Michael W. Hewatt   | 15,000                    | 1,000    |

**Table of Contents****BENEFICIAL OWNERSHIP OF COMMON STOCK****Management**

The following table shows the beneficial ownership of the common stock of D.R. Horton as of November 27, 2017 by (i) each director, (ii) each named executive officer, and (iii) all directors and executive officers as a group. Unless stated otherwise, the shares are owned directly and the named beneficial owners possess sole voting and investment power with respect to the shares set forth in the table. The address for each beneficial owner in the table below is c/o D.R. Horton, Inc., 1341 Horton Circle, Arlington, Texas 76011.

| Name of Beneficial Owner                                    | Amount and Nature of<br>Common Stock<br>Beneficially Owned <sup>(1)</sup> |                                    |
|---|---|------------------------------------|
|   | Number<br>of Shares<br>Beneficially Owned                                 | Percent of<br>Class <sup>(2)</sup> |
| Donald R. Horton  | 24,434,641 <sup>(3)</sup>   | 6.48%                              |
| Barbara K. Allen  | 9,650   | *                                  |
| Brad S. Anderson  | 59,828  | *                                  |
| David V. Auld   | 402,952   | *                                  |
| Michael R. Buchanan   | 23,880  | *                                  |
| Michael W. Hewatt   | 21,000  | *                                  |
| Michael J. Murray   | 218,304   | *                                  |
| Bill W. Wheat   | 288,404   | *                                  |
| All directors and executive officers as a group (8 persons) | 25,458,659  | 6.74%                              |

\* Less than 1%.

A named executive officer.

(1) Beneficial ownership includes the following shares that the executive officers and directors could acquire by exercising stock options on or within 60 days after November 27, 2017: Mr. Horton: 1,200,000, Mr. Anderson: 29,000, Mr. Auld: 192,000, Mr. Buchanan: 4,000, Mr. Hewatt: 13,000, Mr. Murray: 169,000, and Mr. Wheat: 172,000.

The beneficial ownership also includes the following restricted stock units that vest on or within 60 days after November 27, 2017: Ms. Allen: 4,000, Mr. Anderson: 4,000, Mr. Buchanan: 4,000, and Mr. Hewatt: 4,000.

For all directors and executive officers as a group, these stock options and restricted stock units represent an aggregate of 1,795,000 shares.

(2) The percentages are calculated based on 376,002,909 issued and outstanding shares on November 27, 2017. For each person, separately, his or her percentage was calculated by including his or her stock options and restricted stock units set forth in note (1) in both the numerator and denominator, and for the group, the percentage was calculated by including the 1,795,000 stock options and restricted stock units set forth in note (1) in both the numerator and denominator.

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- (3) These shares do not include (i) 3,514,391 shares directly owned by Donald Ryan Horton, an adult son of Mr. Horton, (ii) 3,464,310 shares directly owned by Douglas Reagan Horton, an adult son of Mr. Horton, (iii) 1,368,005 shares held by the Martha Elizabeth Horton Trust, and (iv) 1,499,984 shares held by the Donald Ray Horton Trust. Mr. Horton disclaims any beneficial interest in these shares. These trusts were established by Mr. Horton and his wife for the benefit of their descendants. Terrill J. Horton serves as the sole trustee of these trusts. Terrill J. Horton is a retired director of the Company and the brother of Donald R. Horton.

**Table of Contents****Certain Other Beneficial Owners**

Based on Schedule 13G filings under the Exchange Act, available as of November 27, 2017, the only other known beneficial owners of more than 5% of D.R. Horton common stock outstanding were the following.

| Name and Address of Beneficial Owner   | Shares Beneficially Owned<br>Number | Percent |
|--|-------------------------------------|---------|
| The Vanguard Group <sup>(1)</sup><br>100 Vanguard Blvd.<br>Malvern, Pennsylvania 19355           | 33,923,958                          | 9.08%   |
| BlackRock, Inc. <sup>(2)</sup><br>55 East 52nd Street<br>New York, New York 10055                | 29,818,844                          | 8.0%    |
| Sanders Capital, LLC <sup>(3)</sup><br>390 Park Avenue<br>17th Floor<br>New York, New York 10022 | 23,653,452                          | 6.34%   |

- (1) Based solely upon information contained in the most recently filed Schedule 13G/A of The Vanguard Group, filed with the SEC on February 9, 2017, reflecting beneficial ownership as of December 31, 2016. According to this Schedule 13G/A, The Vanguard Group had sole voting power for 530,153 of these shares, shared voting power for 59,934 of these shares, sole dispositive power for 33,335,772 of these shares and shared dispositive power for 588,186 of these shares.
- (2) Based solely upon information contained in the most recently filed Schedule 13G/A of BlackRock, Inc., filed with the SEC on January 23, 2017, reflecting beneficial ownership as of December 31, 2016. According to this Schedule 13G/A, BlackRock, Inc. had sole voting power for 26,322,677 of these shares, no shared voting power, sole dispositive power for 29,818,844 of these shares and no shared dispositive power.
- (3) Based solely upon information contained in the Schedule 13G of Sanders Capital, LLC filed with the SEC on February 1, 2017, reflecting beneficial ownership as of December 31, 2016. According to this Schedule 13G, Sanders Capital, LLC had sole voting power for 9,001,352 of these shares, no shared voting power, sole dispositive power for 23,653,452 of these shares and no shared dispositive power.

**Table of Contents****EXECUTIVE COMPENSATION****Compensation Discussion and Analysis****Overview**

Our Compensation Committee strives to design a fair and competitive compensation program for executive officers that will attract, motivate and retain highly qualified and experienced executives, reward superior performance and provide incentives that are based on the performance of the Company, with an overall emphasis on maximizing our long-term stockholder value. Our executive compensation program consists of several components, including base salaries, cash bonuses, performance-based equity awards, time-based equity awards, deferred compensation plans and retirement benefits. This compensation discussion and analysis provides information regarding our compensation objectives, the relationship between the components of our compensation program and our objectives, and factors considered by the Compensation Committee in establishing compensation levels for our named executive officers. Our fiscal 2017 named executive officers are:

Donald R. Horton, Chairman of the Board;

David V. Auld, President and Chief Executive Officer;

Michael J. Murray, Executive Vice President and Chief Operating Officer; and

Bill W. Wheat, Executive Vice President and Chief Financial Officer.

**Executive Summary Key Operating and Financial Results**

The homebuilding business requires long-term planning and implementation of operating strategies over several years to deliver successful operating and financial results. Accordingly, in the table below and summary that follows, we set forth key operating and financial results of the Company for fiscal years 2017, 2016 and 2015. For the 16<sup>th</sup> consecutive fiscal year, we closed more homes than any other homebuilder in the United States. Our pre-tax income increased in fiscal 2017 compared to fiscal 2016 and 2015, and we believe our business is well-positioned for the future based on our land and finished lot position, inventory of available homes, strong balance sheet and liquidity position and broad geographic operating base. The fiscal 2017 compensation received by our executives reflects their contribution to the Company's improved financial and operating results.

**Key results in fiscal years 2017, 2016 and 2015:**

| Key Result                                  | As of and for the Fiscal Year Ended September 30, |                |                |
|---|---|----------------|----------------|
|   | 2017  | 2016           | 2015           |
| Homes Closed                                | 45,751  | 40,309         | 36,648         |
| Revenues                                    | \$14.1 billion                                    | \$12.2 billion | \$10.8 billion |
| Pre-Tax Income                              | \$1.6 billion                                     | \$1.4 billion  | \$1.1 billion  |
| Pre-Tax Income as a Percentage of Revenues  | 11.4%   | 11.1%          | 10.4%          |
| SG&A Expense as a Percentage of Revenues    | 10.4%   | 10.9%          | 11.0%          |
| Homebuilding Return on Inventory            | 16.6%   | 15.4%          | 12.8%          |
| Stockholders' Equity                        | \$7.7 billion                                     | \$6.8 billion  | \$5.9 billion  |
| Stockholders' Equity per Common Share       | \$20.66   | \$18.21        | \$15.99        |
| Common Stock Price                          | \$39.93   | \$30.20        | \$29.36        |
| Cash Dividends Declared per Common Share    | \$0.40  | \$0.32         | \$0.25         |
| Ratio of Homebuilding Debt to Total Capital | 24.0%   | 29.2%          | 36.1%          |
| Total Market Capitalization                 | \$15.0 billion                                    | \$11.2 billion | \$10.8 billion |

Key operating and financial results for fiscal 2017, as compared to fiscal 2016 were as follows:



Homes closed increased 14% to 45,751 homes in fiscal 2017 compared to 40,309 homes in fiscal 2016;

Revenues increased 16% to \$14.1 billion in fiscal 2017 compared to \$12.2 billion in fiscal 2016;

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Pre-tax income increased 18% to \$1.6 billion in fiscal 2017 from \$1.4 billion in fiscal 2016;

Pre-tax income as a percentage of revenues improved to 11.4% in fiscal 2017 from 11.1% in fiscal 2016;

SG&A expense as a percentage of revenues improved to 10.4% in fiscal 2017 from 10.9% in fiscal 2016;

Homebuilding return on inventory improved to 16.6% in fiscal 2017 from 15.4% in fiscal 2016;

Stockholders' equity increased 14% to \$7.7 billion at September 30, 2017 compared to \$6.8 billion at September 30, 2016;

Stockholders' equity per common share (stockholders' equity divided by the number of common shares outstanding at the end of each fiscal year) increased 13% to \$20.66 per share at September 30, 2017 from \$18.21 per share at September 30, 2016;

The Company's common stock price increased 32% to \$39.93 at September 30, 2017 from \$30.20 at September 30, 2016. During fiscal 2017, our stock price ranged from \$26.69 to \$40.01; and

Homebuilding debt to total capital was 24.0% at September 30, 2017, improved from 29.2% at September 30, 2016.

The improvement in our operating and financial results over the last three fiscal years reflects a consistent focus on the fundamentals of our business across the markets in which we operate. We manage our business at the community level in each market to achieve an optimal balance of sales pace, pricing, profit margins and inventory levels to maximize the returns on our inventory investments. For a more detailed discussion of our fiscal 2017 financial results, including the calculation of homebuilding return on inventory and homebuilding debt to total capital, please see the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 26 through 56 of our Annual Report on Form 10-K filed with the SEC on November 15, 2017.

## **Advisory Vote and Process for Determining Compensation**

### ***2017 Advisory Vote on Executive Compensation***

At our last Annual Meeting of Stockholders held on January 19, 2017, our stockholders voted in favor of a resolution to approve, on an advisory basis, the compensation of the Company's named executive officers disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables, notes and narrative in our Proxy Statement for the Company's 2017 Annual Meeting of Stockholders. Approximately 94.16% of votes cast voted in favor of the advisory vote on executive compensation. The Compensation Committee evaluated the results of the 2017 advisory vote and did not make any changes to our executive compensation program and policies as a result of the vote.

### ***Authority and Role of Compensation Committee***

Our Compensation Committee evaluates performance, approves compensation for our Chairman and our CEO and makes compensation recommendations to the Board with respect to other named executive officers. The Compensation Committee also administers our equity programs, which include awards under our 2006 Stock Incentive Plan and all other compensation plans that are intended to qualify as performance-based. Our equity and compensation plans are discussed under the heading "Incentive Bonus Plans Approved by Stockholders" on page 40. Our Compensation Committee has the authority to delegate any or all of its responsibilities to a subcommittee of the Compensation Committee comprised of at least two members and, in certain other circumstances, to any other committee of directors of the Company. The duties of the Compensation Committee are summarized under the heading "Compensation Committee" on page 17 and are more fully set forth in the Compensation Committee Charter, which is available on our website under the Investor Relations and Corporate Governance links.



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### ***Compensation Committee Risk Oversight***

The Compensation Committee provides risk oversight with respect to compensation of the Company's employees, including the named executive officers and other key officers, with the assistance of the Board. The Compensation Committee's risk oversight is discussed in more detail under the heading *Board's Role in Risk Oversight - Compensation Risk Oversight* on page 15.

### ***Role of Chairman and Chief Executive Officer***

Our Chairman and our CEO review and discuss salary and bonus compensation of our other named executive officers and our Chairman makes recommendations to the Compensation Committee regarding the compensation of our executive officers, other than for himself. The Compensation Committee considers these recommendations when making its recommendations to the Board. At the request of the Compensation Committee, our Chairman also provides a recommendation concerning the annual base salary and incentive bonus program for our CEO, but not for himself.

### ***Review of Compensation***

We review the compensation of our executive officers on a regular basis. With respect to fiscal 2017 executive compensation, the Compensation Committee formally met in October, November and December of 2016, and in January, February, April, July, November and December of 2017 to review and discuss compensation matters. In addition, the Compensation Committee has discussions with management during the year regarding these matters. To assist the Compensation Committee, the Company engages the services of Equilar, a leading third-party provider of financial and executive compensation data. Utilizing the data provided by Equilar, the committee reviews the compensation of executives of publicly-traded companies, including our peer group and other public companies within a range of our market capitalization and industrial classification code. The scope of Equilar's services during fiscal 2017 was limited to providing access to its database to the Compensation Committee and discussing database issues with the Compensation Committee. Equilar did not advise the Compensation Committee on its executive compensation programs or decisions. The Compensation Committee does not otherwise engage any other compensation consultant to advise it on executive compensation matters.

The Compensation Committee believes it is appropriate to exercise its judgment when reviewing and setting the total mix of compensation related to short and long-term awards and cash and equity awards rather than relying on a set formula or percentage allocation. The Compensation Committee believes an important part of an executive's value is helping the Company achieve its business objectives when housing market conditions change. Accordingly, when determining the mix of compensation, the Compensation Committee considers the ability of the executive to assist the Company in achieving its business objectives as well as each executive's experience and role at the Company.

### **Fiscal 2017 - Outline of Executive Compensation Actions**

For fiscal 2017, the Compensation Committee took actions on matters related to executive compensation as outlined below. These executive compensation components are discussed in more detail under the referenced headings in this *Compensation Discussion and Analysis* section.

***Base Salaries*** - The Board and Compensation Committee set and paid base salaries. See the heading *Base Salaries - Named Executive Officers* on page 26.

***Short-Term Incentive Bonuses*** - The Compensation Committee established and approved annual short-term incentive bonuses for Mr. Horton, Mr. Auld and Mr. Murray based on semi-annual pre-tax income. For fiscal 2017, Mr. Horton was eligible to earn a maximum short-term incentive bonus of 0.6% of pre-tax income, which resulted in payments to him of \$4,032,282 for the semi-annual period ended March 31, 2017 and \$5,580,237 for the semi-annual period ended September 30, 2017, for a total annual cash bonus of \$9,612,519.

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For fiscal 2017, Mr. Auld was eligible to earn a maximum short-term incentive bonus of 0.35% of pre-tax income, which resulted in payments to him of \$2,352,164 for the semi-annual period ended March 31, 2017 and \$3,255,139 for the semi-annual period ended September 30, 2017, for a total annual cash bonus of \$5,607,303. For fiscal 2017, Mr. Murray was eligible to earn a maximum short-term incentive bonus of 0.1% of pre-tax income, which resulted in payments to him of \$672,047 for the semi-annual period ended March 31, 2017 and \$930,040 for the semi-annual period ended September 30, 2017, for a total annual cash bonus of \$1,602,087. Mr. Wheat was paid semi-annual cash discretionary bonuses for the semi-annual periods ended March 31, 2017 and September 30, 2017 in the amounts of \$500,000 and \$800,000, respectively, for a total annual cash bonus of \$1,300,000. See the headings *2017 Fiscal Year Annual Incentive Bonus* on page 27 and *2017 Fiscal Year Annual Incentive Bonus Results and Payout* on page 28.

**Long-Term 2020 Performance and Time-Based Restricted Stock Units (RSUs)** In November 2017, the Compensation Committee granted to Mr. Horton, Mr. Auld and Mr. Murray Performance RSUs that vest based on performance against four goals over the three-year performance period beginning October 1, 2017 and ending September 30, 2020. Mr. Horton was awarded a target amount of 200,000 Performance RSUs, Mr. Auld was awarded a target amount of 100,000 Performance RSUs and Mr. Murray was awarded a target amount of 30,000 Performance RSUs. Mr. Wheat was awarded 40,000 time-based RSUs that vest annually in equal installments over a three-year period. See the heading *2018 Fiscal Year Award of 2020 Performance Restricted Stock Units Potential Vesting at September 30, 2020 and Award of Restricted Stock Units Time-Based Vesting* on page 39.

**Long-Term Restricted Stock Units** The Compensation Committee approved and granted time-based vesting restricted stock units to our executive officers and key employees in fiscal 2017. See the heading *2017 Fiscal Year Award of Restricted Stock Units Time-Based Vesting* on page 38.

**Settlement of Long-Term 2017 Performance Restricted Stock Units (RSUs)** Based on the Company's performance during the three-year period from October 1, 2014 to September 30, 2017, Mr. Horton earned 325,000 shares of common stock (162.5% of target), Mr. Auld earned 97,500 shares of common stock (162.5% of target) and Mr. Murray earned 48,750 shares of common stock (162.5% of target). For additional information on the 2017 Performance RSUs, which were granted in 2014, see the heading *2017 Performance Restricted Stock Units Ranking Results and Vesting at September 30, 2017* on page 29.

**Executive Compensation Objectives**

Our primary compensation objectives are to:

motivate and retain highly qualified and experienced executives;

award compensation that recognizes valuable short and long-term individual performance as well as the Company's overall performance; and

implement a compensation plan that aligns our executives' interests with those of our stockholders with the goal of maximizing long-term stockholder value.

As a leading national homebuilding company, we employ key executives who have delivered strong results in a competitive and challenging homebuilding market. Our key executives have experience in both up and down cycles in the homebuilding industry. The Compensation Committee considers this type of experience to be very valuable due to the cyclical nature of the homebuilding industry. Because of the performance of our key executives over the past several years, they may encounter other professional opportunities due to the extensive experience gained during their employment with us. As a result, we provide competitive compensation packages to retain our executives. We believe that to maintain our position as a leader in the homebuilding industry and to serve our stockholders' interests, the Company must provide executive compensation programs that continually motivate and are effective in retaining our executives.

With the goal of maximizing long-term stockholder value, we believe it is important to have a significant portion of executive compensation tied to attaining both short and long-term performance goals. In addition to



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the financial performance of the Company, we also considered certain subjective factors when reviewing an executive's value. These factors include the number of years with the Company, significance of job function, ability to analyze and make effective decisions regarding significant business and financial objectives, effectiveness of their work as part of the executive management team and their ability to lead our employees. By placing importance on these qualities, we are aligning individual and corporate performance with the compensation that is ultimately paid for performance. Due to the significant number of years of dedicated service our executives have with us, the Board of Directors and Compensation Committee have chosen not to pursue written employment agreements with our executives. Based on the Compensation Committee's continual review of market trends occurring in our industry, we believe our cash and equity compensation programs are effective in allowing us to motivate and retain our executives.

### **Use of Compensation Peer Group Data**

The Compensation Committee utilizes compensation data from our peer group of publicly-traded homebuilding companies to analyze compensation decisions in light of current market conditions and practices and to ensure that our compensation decisions are reasonable in comparison to our peer group and the value of our executives to the Company. However, the Compensation Committee does not attempt to position compensation at any specified level or ranking within our peer group. In fiscal 2017, the peer group compensation data was compiled by the Compensation Committee Chairman and the Company's Corporate Counsel and Secretary using information from Equilar's database and from the data in executive compensation discussions and tables in publicly filed proxy statements. When determining peer group averages, rankings and medians, we include our Company and each company in our peer group in the rankings and computations. Our peer group may change from year to year based on the discretion of the Compensation Committee or other events such as mergers and acquisitions. Our Compensation Committee considers factors such as market capitalization, competition in our markets and mergers and consolidations when determining our peer group. For fiscal 2017, our peer group consisted of the following publicly-traded homebuilding companies that had market capitalizations ranging from approximately \$1.7 billion to \$12.1 billion at September 30, 2017. Our market capitalization on that date was \$15.0 billion.

| <b>Peer Group</b> |                  |
|-------------------|------------------|
| CalAtlantic Group | NVR              |
| KB Home           | PulteGroup       |
| Lennar            | Taylor Morrison  |
| M.D.C. Holdings   | Toll Brothers    |
| Meritage Homes    | TRI Pointe Group |

In an effort to include homebuilders with the largest market capitalization, we removed Beazer Homes USA, Inc. and Hovnanian Enterprises, Inc., who were previously included in our peer group, and added Taylor Morrison Home Corporation and TRI Pointe Group, Inc.

### **Components of Compensation**

#### ***Base Salaries – Named Executive Officers***

Base salaries for our executive officers provide a fixed or base level of compensation. When setting base salaries for our executives, we considered the following factors:

level of experience, responsibility and tenure;

national scope of the Company's operations;

contributions to achievements of the Company's operating objectives;

amount of fixed cash compensation considered appropriate to retain the executive's services;





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average and median base salaries of comparable executives in our peer group; and

recommendations of our Chairman and our CEO, other than for themselves.

Base salaries for our named executive officers for fiscal 2016, 2017, and 2018 are set forth in the following table:

| Name              | Base Salary  |              |              |
|-------------------|--------------|--------------|--------------|
|                   | 2016         | 2017         | 2018         |
| Donald R. Horton  | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 |
| David V. Auld     | \$ 700,000   | \$ 700,000   | \$ 700,000   |
| Michael J. Murray | \$ 500,000   | \$ 500,000   | \$ 500,000   |
| Bill W. Wheat     | \$ 500,000   | \$ 500,000   | \$ 500,000   |

The base salary of Mr. Horton, our Chairman, was unchanged for fiscal years 2016, 2017 and 2018 and is comparable to the base salaries of similar executive officers in our peer group. The base salary of our Chairman reflects his significant experience in the real estate and homebuilding industry and his tenure with the Company.

The base salary of Mr. Auld, our CEO, was unchanged for fiscal years 2016, 2017 and 2018. Based on data contained in the most recently filed proxy statements of our peer group, the base salary of the chief executive officer of each company, including D.R. Horton, ranged from \$673,077 to \$1,566,375 with an average of \$970,719 and a median of \$1,000,000. Mr. Auld's base salary is at the low end of the CEO base salaries in our peer group, but we believe his salary is at a competitive level of fixed compensation to incent and retain his services as our CEO.

The base salary of Mr. Murray, our COO, was unchanged for fiscal years 2016, 2017 and 2018. Based on data contained in the most recently filed proxy statements of our peer group, the base salary of the chief operating officer of each company, including D.R. Horton, ranged from \$500,000 to \$1,000,000 with an average of \$716,130 and a median of \$700,481. Mr. Murray's base salary is at the low end of the COO base salaries in our peer group, but we believe his salary is at a competitive level of fixed compensation to incent and retain his services as our COO.

The base salary for Mr. Wheat, our CFO, was unchanged for fiscal years 2016, 2017 and 2018. Based on data contained in the most recently filed proxy statements of our peer group, the base salary of the chief financial officer of each company, including D.R. Horton, ranged from \$389,562 to \$970,833 with an average of \$599,083 and a median of \$536,539. We believe his salary is at a competitive level of fixed compensation to incent and retain his services as our CFO.

When determining named executive officer base salaries, the Compensation Committee did not assign specific weight to the factors listed under the heading *Base Salaries Named Executive Officers*, did not assign a specific ranking that base salaries should be within the peer group and did not use a percentage or ratio that the base salaries should be in relation to total compensation.

**2017 Fiscal Year Annual Incentive Bonus**

**Chairman, Chief Executive Officer and Chief Operating Officer.** During fiscal 2017, in furtherance of our compensation philosophy to award incentive bonuses based on performance, Mr. Horton, Mr. Auld and Mr. Murray each had the opportunity to earn a performance bonus based on the amount of pre-tax income earned by the Company during the year.

*Pre-tax income* means consolidated income before income taxes, as publicly reported by the Company in its consolidated financial statements prepared in accordance with generally accepted accounting principles.

For fiscal 2017, we believed that Mr. Horton, Mr. Auld and Mr. Murray should be incentivized to help the Company generate positive pre-tax income. The pre-tax income performance goal is intended to have our executives focus on improving the components of pre-tax income, namely, increasing revenues and controlling our cost of sales and selling, general and administrative (SG&A) expenses.

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The maximum percentage of pre-tax income that could be earned under the annual incentive bonus opportunity was as follows:

| Name              | Fiscal 2017 Performance Goal | Maximum Bonus Potential      |                              |
|-------------------|------------------------------|------------------------------|------------------------------|
|                   |                              | 1st<br>Semi-Annual<br>Period | 2nd<br>Semi-Annual<br>Period |
| Donald R. Horton  | Pre-Tax Income               | 0.6%                         | 0.6%                         |
| David V. Auld     | Pre-Tax Income               | 0.35%                        | 0.35%                        |
| Michael J. Murray | Pre-Tax Income               | 0.1%                         | 0.1%                         |

The 1<sup>st</sup> semi-annual period was the six months ended March 31, 2017 (first and second quarters of fiscal 2017) and the 2<sup>nd</sup> semi-annual period was the six months ended September 30, 2017 (third and fourth quarters of fiscal 2017). The hurdle or threshold for achieving an annual incentive bonus was the attainment of positive pre-tax income. If no positive pre-tax income was attained, then no bonus would be paid under the annual incentive bonus opportunity. The bonuses paid under this program are paid in cash.

At the beginning of fiscal 2017, the Compensation Committee made the subjective determination to continue to use 0.6% of pre-tax income for Mr. Horton, 0.35% for Mr. Auld and 0.1% for Mr. Murray as the maximum bonus under this performance goal. The Committee's decision was based on its determination that if the maximum bonus was paid as calculated on estimated projections of the Company's pre-tax income, the amount would be reasonable in relation to the goal achieved and reasonable in relation to the Company's goal of containing overall SG&A expense.

The percentage chosen for the annual incentive bonus opportunity is not based on any formulaic methodology. For fiscal 2017, the Compensation Committee believed that by using a percentage of pre-tax income, we would incent our Chairman, CEO and COO to achieve positive pre-tax income and maintain competitive levels of revenues, cost of sales and SG&A expense, all of which align their interests with those of our stockholders. By using pre-tax income as a performance goal, we balanced the mix of short-term performance period compensation with the long-term performance period compensation of restricted stock units. Because the selection of 0.6%, 0.35% and 0.1% as the maximum percentages was a subjective determination, and not one based on any formulaic method or benchmark other than as described herein, the Compensation Committee maintained the right to use its discretion in adjusting downward the amount to be paid for this award. The Compensation Committee did not use its discretion to adjust the bonus payouts for fiscal 2017.

**2017 Fiscal Year Annual Incentive Bonus Results and Payout**

The table below sets forth the Company's pre-tax income ( *PTI* ) and the annual incentive bonuses paid in cash for fiscal 2017 to Mr. Horton, Mr. Auld and Mr. Murray:

| Semi-Annual Period                                 | PTI              | Donald R. Horton<br>Chairman   |               | David V. Auld<br>Chief Executive Officer |               | Michael J. Murray<br>Chief Operating Officer |               |
|--|------------------|--------------------------------|---------------|--|---------------|--|---------------|
|  |                  | Maximum<br>Bonus<br>Percentage | Bonus<br>Paid | Maximum<br>Bonus<br>Percentage           | Bonus<br>Paid | Maximum<br>Bonus<br>Percentage               | Bonus<br>Paid |
| 1st Semi-Annual Period Ended<br>March 31, 2017     | \$ 672,046,958   | 0.6%                           | \$ 4,032,282  | 0.35%                                    | \$ 2,352,164  | 0.1%   | \$ 672,047    |
| 2nd Semi-Annual Period Ended<br>September 30, 2017 | \$ 930,039,615   | 0.6%                           | \$ 5,580,237  | 0.35%                                    | \$ 3,255,139  | 0.1%   | \$ 930,040    |
| Annual Amount                                      | \$ 1,602,086,573 | 0.6%                           | \$ 9,612,519  | 0.35%                                    | \$ 5,607,303  | 0.1%   | \$ 1,602,087  |

**Table of Contents****2017 Fiscal Year Annual Discretionary Bonus**

**Chief Financial Officer Mr. Wheat.** During 2017, the Board of Directors approved a discretionary bonus for Mr. Wheat on a semi-annual basis. For the first semi-annual period ended March 31, 2017, Mr. Wheat received a \$500,000 bonus, and for the second semi-annual period ended September 30, 2017, he received an \$800,000 bonus, for a total bonus of \$1,300,000 paid in cash. Mr. Wheat's fiscal 2017 discretionary bonus of \$1,300,000 was a \$200,000 increase from the bonus he received in the prior year.

The increase to Mr. Wheat's bonus was discretionary, but factors considered included the financial and operating performance by the Company in fiscal 2017, including higher levels of profitability in fiscal 2017 compared to fiscal 2016 and the individual performance of Mr. Wheat in his areas of responsibility. The process of awarding a discretionary bonus to Mr. Wheat included review and consideration by our Chairman and CEO. Our Chairman made a recommendation to the Compensation Committee who then considered the recommendation and made a recommendation to the Board of Directors. The discretionary bonus was not based on specific quantitative formulas, percentages or numerical weightings, but rather was related to subjective evaluations of the Company's level of profitability relative to the prior year, job performance and the level of retention risk related to the Company's ability to continue to employ Mr. Wheat as our CFO. The amount of discretionary bonus awarded to Mr. Wheat was not benchmarked or tied to any other performance metrics or pay of similar executives at peer companies, although the Compensation Committee did review the pay of chief financial officers in our peer group.

Mr. Wheat's responsibilities within the Company were considered when determining the amount of his discretionary bonus. As Executive Vice President and CFO, Mr. Wheat works closely with our Chairman, CEO and COO in setting operational and financial strategies for our operations, communicating and implementing such strategies across the Company, analyzing and monitoring the Company's performance and reviewing and approving investments in land and lots. These operational strategies include our homebuilding and financial services business plans and incentive compensation, land and lot investment criteria, level of homes in inventory, expense levels, capital structure and liquidity goals, among others. Mr. Wheat also provides executive management direction and oversight to the financial services operations and serves as a director on the boards of the Company's mortgage and insurance subsidiaries.

Mr. Wheat has direct responsibility for the Company's financial management and financial reporting process, including the Company's financial projections and cash forecasts, the effectiveness and integrity of the Company's financial, internal and disclosure controls and procedures, and compliance with all applicable financial reporting rules and regulations for public companies. Mr. Wheat is also directly responsible for providing executive management oversight of the Company's accounting, management reporting, internal audit, finance, treasury, tax, information technology and human resources functions. Additionally, Mr. Wheat is directly involved in the Company's investor relations process, including interactions with investors in the Company's equity and debt securities and industry research analysts. He also assists in the executive management oversight of the Company's public communications, marketing and corporate purchasing functions.

**2017 Performance Restricted Stock Units Ranking Results and Vesting at September 30, 2017**

**Chairman, Chief Executive Officer and Chief Operating Officer.** In November 2017, Mr. Horton was awarded 325,000 shares of common stock based on a target number of 200,000 performance restricted stock units ( *2017 Performance RSUs* ) granted in November 2014. Mr. Auld was awarded 97,500 shares of common stock based on a target number of 60,000 2017 Performance RSUs. Mr. Murray was awarded 48,750 shares of common stock based on a target number of 30,000 2017 Performance RSUs. The performance period for the 2017 Performance RSUs was the three-year period of October 1, 2014 to September 30, 2017 ( *the 2017 Performance Period* ). The 2017 Performance RSUs vested based on the following four performance goals ( *Performance Goals* ):

| Performance Goal | Performance Comparison | Weighting to Total Award |
|------------------|------------------------|--------------------------|
| Relative TSR     | S&P 500 Index TSR      | 25%                      |
| Relative ROI     | Peer Group             | 25%                      |
| Relative SG&A    | Peer Group             | 25%                      |
| Relative GP      | Peer Group             | 25%                      |

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- TSR:** means total shareholder return (stock price increases and decreases plus dividends) of the Company over the 2017 Performance Period as determined by Standard and Poor's using the same methodology used by Standard and Poor's in preparing the stock performance graph included each year in the Company's Form 10-K.
- ROI:** means return on investment which is consolidated pre-tax income or loss divided by average total assets over the 2017 Performance Period.
- SG&A:** means consolidated selling, general and administrative expense (including corporate general and administrative expenses) as a percentage of consolidated revenues over the 2017 Performance Period.
- GP:** means gross profit defined as homebuilding revenues minus homebuilding cost of sales, including inventory and land option charges, divided by homebuilding revenues over the 2017 Performance Period.

The following table sets forth the potential performance adjustments that could have been made to the 2017 Performance RSUs based on the final performance rankings of the peer group and the Company.

**2017 Performance RSUs****Potential Performance Adjustments as a Percentage of Target****Donald R. Horton**

| Company TSR<br>Relative to<br>S&P 500 Index TSR                                       |  | TSR Portion of Award<br>(weighted 25% of target award) | Payout           | Number of<br>Performance<br>RSUs Awarded          |
|---|--|--|------------------|---|
| <i>Percentage Points Below Index:</i>   |  |  |                  |   |
| 10 Percentage Points  |  |  |                  | zero  |
| <b>9 Percentage Points</b>  |  |  | <i>Threshold</i> | <b>5,000</b>                                      |
| 8 Percentage Points   |  |  |                  | 10,000  |
| 7 Percentage Points   |  |  |                  | 15,000  |
| 6 Percentage Points   |  |  |                  | 20,000  |
| 5 Percentage Points   |  |  |                  | 25,000  |
| 4 Percentage Points   |  |  |                  | 30,000  |
| 3 Percentage Points   |  |  |                  | 35,000  |
| 2 Percentage Points   |  |  |                  | 40,000  |
| 1 Percentage Point  |  |  |                  | 45,000  |
| <b>Equal to S&amp;P 500 Index TSR</b>   |  |  | <i>Target</i>    | <b>50,000<sup>(1)</sup></b>                       |
| <i>Percentage Points Above Index:</i>   |  |  |                  |   |
| 1 Percentage Point  |  |  |                  | 55,000  |
| 2 Percentage Points   |  |  |                  | 60,000  |
| 3 Percentage Points   |  |  |                  | 65,000  |
| 4 Percentage Points   |  |  |                  | 70,000  |
| 5 Percentage Points   |  |  |                  | 75,000  |
| 6 Percentage Points   |  |  |                  | 80,000  |
| 7 Percentage Points   |  |  |                  | 85,000  |
| 8 Percentage Points   |  |  |                  | 90,000  |
| 9 Percentage Points   |  |  |                  | 95,000  |
| <b>10 Percentage Points</b>   |  |  | <i>Maximum</i>   | <b>100,000</b>                                    |
| <b>ROI, SG&amp;A and GP Portions of Award<br/>(each weighted 25% of target award)</b> |  |  |                  |   |
| <b>Performance Level<br/>Compared to<br/>Peer Group</b>                               |  |  | <b>Payout</b>    | <b>Number of<br/>Performance<br/>RSUs Awarded</b> |

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|                              |                  |                              |
|------------------------------|------------------|------------------------------|
| 11 <sup>th</sup> Place       |                  | zero                         |
| <b>10<sup>th</sup> Place</b> | <i>Threshold</i> | <b>25,000</b>                |
| 9 <sup>th</sup> Place        |                  | 50,000                       |
| 8 <sup>th</sup> Place        |                  | 75,000                       |
| 7 <sup>th</sup> Place        |                  | 100,000                      |
| 6 <sup>th</sup> Place        |                  | 125,000                      |
| <b>5<sup>th</sup> Place</b>  | <i>Target</i>    | <b>150,000<sup>(2)</sup></b> |
| 4 <sup>th</sup> Place        |                  | 187,500                      |
| 3 <sup>rd</sup> Place        |                  | 225,000                      |
| 2 <sup>nd</sup> Place        |                  | 262,500                      |
| <b>1<sup>st</sup> Place</b>  | <i>Maximum</i>   | <b>300,000</b>               |

- (1) Target number listed is 25% of the total target number of 200,000 and other numbers are 25% of the other possible performance adjustments from the target.
- (2) Target number listed is 75% of the total target number of 200,000 and other numbers are 75% of the other possible performance adjustments from the target.

**Table of Contents****2017 Performance RSUs****Potential Performance Adjustments as a Percentage of Target****David V. Auld**

| <b>Company TSR<br/>Relative to<br/>S&amp;P 500 Index TSR</b>                          |               | <b>TSR Portion of Award<br/>(weighted 25% of target award)</b> | <b>Payout</b> | <b>Number of<br/>Performance<br/>RSUs Awarded</b> |
|---|---------------|--|---------------|---|
| <i>Percentage Points Below Index:</i>   |               |  |               |   |
| 10 Percentage Points  |               |  |               | zero  |
| <b>9 Percentage Points</b>  |               |  |               | <b>1,500</b>                                      |
| 8 Percentage Points   |               |  |               | 3,000   |
| 7 Percentage Points   |               |  |               | 4,500   |
| 6 Percentage Points   |               |  |               | 6,000   |
| 5 Percentage Points   |               |  |               | 7,500   |
| 4 Percentage Points   |               |  |               | 9,000   |
| 3 Percentage Points   |               |  |               | 10,500  |
| 2 Percentage Points   |               |  |               | 12,000  |
| 1 Percentage Point  |               |  |               | 13,500  |
| <b>Equal to S&amp;P 500 Index TSR</b>   |               |  |               | <b>15,000<sup>(1)</sup></b>                       |
| <i>Percentage Points Above Index:</i>   |               |  |               |   |
| 1 Percentage Point  |               |  |               | 16,500  |
| 2 Percentage Points   |               |  |               | 18,000  |
| 3 Percentage Points   |               |  |               | 19,500  |
| 4 Percentage Points   |               |  |               | 21,000  |
| 5 Percentage Points   |               |  |               | 22,500  |
| 6 Percentage Points   |               |  |               | 24,000  |
| 7 Percentage Points   |               |  |               | 25,500  |
| 8 Percentage Points   |               |  |               | 27,000  |
| 9 Percentage Points   |               |  |               | 28,500  |
| <b>10 Percentage Points</b>   |               |  |               | <b>30,000</b>                                     |
| <b>ROI, SG&amp;A and GP Portions of Award<br/>(each weighted 25% of target award)</b> |               |  |               |   |
| <b>Performance Level<br/>Compared to<br/>Peer Group</b>                               | <b>Payout</b> | <b>Number of<br/>Performance<br/>RSUs Awarded</b>              |               |   |
| 11 <sup>th</sup> Place  |               |  |               | zero  |
| <b>10<sup>th</sup> Place</b>  |               |  |               | <b>7,500</b>                                      |
| 9 <sup>th</sup> Place   |               |  |               | 15,000  |
| 8 <sup>th</sup> Place   |               |  |               | 22,500  |
| 7 <sup>th</sup> Place   |               |  |               | 30,000  |
| 6 <sup>th</sup> Place   |               |  |               | 37,500  |
| <b>5<sup>th</sup> Place</b>   |               |  |               | <b>45,000<sup>(2)</sup></b>                       |
| 4 <sup>th</sup> Place   |               |  |               | 56,250  |
| 3 <sup>rd</sup> Place   |               |  |               | 67,500  |
| 2 <sup>nd</sup> Place   |               |  |               | 78,750  |
| <b>1<sup>st</sup> Place</b>   |               |  |               | <b>90,000</b>                                     |

(1) Target number listed is 25% of the total target number of 60,000 and other numbers are 25% of the other possible performance adjustments from the target.

(2) Target number listed is 75% of the total target number of 60,000 and other numbers are 75% of the other possible performance adjustments from the target.



**Table of Contents****2017 Performance RSUs****Potential Performance Adjustments as a Percentage of Target****Michael J. Murray**

| <b>Company TSR<br/>Relative to<br/>S&amp;P 500 Index TSR</b>                          |  | <b>TSR Portion of Award<br/>(weighted 25% of target award)</b> | <b>Payout</b>                                     | <b>Number of<br/>Performance<br/>RSUs Awarded</b> |
|---|--|--|---|---|
| <i>Percentage Points Below Index:</i>   |  |  |   |   |
| 10 Percentage Points  |  |  |   | zero  |
| <b>9 Percentage Points</b>  |  |  |   | <b>750</b>  |
| 8 Percentage Points   |  |  |   | 1,500   |
| 7 Percentage Points   |  |  |   | 2,250   |
| 6 Percentage Points   |  |  |   | 3,000   |
| 5 Percentage Points   |  |  |   | 3,750   |
| 4 Percentage Points   |  |  |   | 4,500   |
| 3 Percentage Points   |  |  |   | 5,250   |
| 2 Percentage Points   |  |  |   | 6,000   |
| 1 Percentage Point  |  |  |   | 6,750   |
| <b>Equal to S&amp;P 500 Index TSR</b>   |  |  |   | <b>7,500<sup>(1)</sup></b>                        |
| <i>Percentage Points Above Index:</i>   |  |  |   |   |
| 1 Percentage Point  |  |  |   | 8,250   |
| 2 Percentage Points   |  |  |   | 9,000   |
| 3 Percentage Points   |  |  |   | 9,750   |
| 4 Percentage Points   |  |  |   | 10,500  |
| 5 Percentage Points   |  |  |   | 11,250  |
| 6 Percentage Points   |  |  |   | 12,000  |
| 7 Percentage Points   |  |  |   | 12,750  |
| 8 Percentage Points   |  |  |   | 13,500  |
| 9 Percentage Points   |  |  |   | 14,250  |
| <b>10 Percentage Points</b>   |  |  |   | <b>15,000</b>                                     |
| <b>ROI, SG&amp;A and GP Portions of Award<br/>(each weighted 25% of target award)</b> |  |  |   |   |
| <b>Performance Level<br/>Compared to<br/>Peer Group</b>                               |  | <b>Payout</b>  | <b>Number of<br/>Performance<br/>RSUs Awarded</b> |   |
| 11 <sup>th</sup> Place  |  |  |   | zero  |
| <b>10<sup>th</sup> Place</b>  |  |  |   | <b>3,750</b>                                      |
| 9 <sup>th</sup> Place   |  |  |   | 7,500   |
| 8 <sup>th</sup> Place   |  |  |   | 11,250  |
| 7 <sup>th</sup> Place   |  |  |   | 15,000  |
| 6 <sup>th</sup> Place   |  |  |   | 18,750  |
| <b>5<sup>th</sup> Place</b>   |  |  |   | <b>22,500<sup>(2)</sup></b>                       |
| 4 <sup>th</sup> Place   |  |  |   | 28,125  |
| 3 <sup>rd</sup> Place   |  |  |   | 33,750  |
| 2 <sup>nd</sup> Place   |  |  |   | 39,375  |
| <b>1<sup>st</sup> Place</b>   |  |  |   | <b>45,000</b>                                     |

(1) Target number listed is 25% of the total target number of 30,000 and other numbers are 25% of the other possible performance adjustments from the target.

(2) Target number listed is 75% of the total target number of 30,000 and other numbers are 75% of the other possible performance adjustments from the target.



As set forth in the rankings tables above, the target number of 2017 Performance RSUs could have been increased to a maximum of 400,000 for Mr. Horton, 120,000 for Mr. Auld and 60,000 for Mr. Murray upon maximum achievement of each of the four Performance Goals and decreased to a minimum of zero for Mr. Horton, Mr. Auld and Mr. Murray in the event of below threshold achievement of each of the four Performance Goals. For the 2017 Performance RSUs, the Company's peer group consisted of the following publicly-traded homebuilding companies: Beazer Homes USA, Hovnanian Enterprises, KB Home, Lennar, M.D.C. Holdings, Meritage Homes, NVR, PulteGroup, and Toll Brothers. Each 2017 Performance RSU represented the contingent right to receive one share of common stock if vesting was satisfied. The 2017 Performance RSUs had no rights to dividends or voting prior to vesting and payout in common stock.

Vesting of the 2017 Performance RSUs with respect to the TSR Performance Goal was determined after the 2017 Performance Period based on a comparison of the Company's TSR to the S&P 500 Index's TSR as computed by Standard and Poor's using their TSR methodology. Vesting of the 2017 Performance RSUs with respect to the ROI, SG&A and GP Performance Goals was determined after the 2017 Performance Period based on the relative ranking of the Company's performance on each Performance Goal to each peer group company's performance on each Performance Goal.

The hurdle or threshold for earning or vesting in 2017 Performance RSUs with respect to the TSR goal was to perform better than ten percentage points below the S&P 500 Index. The hurdle or threshold for earning or vesting in the 2017 Performance RSUs with respect to the ROI, SG&A and GP Performance Goals was to perform no worse than tenth place because in that event no bonus on that specific goal would be earned.

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The following tables set forth the final peer group rankings based on TSR, ROI, SG&A and GP for the peer group and the Company with respect to the 2017 Performance RSUs:

**2017 Performance RSUs****Final Peer Group Rankings**

| Company / Index Name | Relative Total Shareholder Return |           |
|----------------------|-----------------------------------|-----------|
|                      | 9/30/2014                         | 9/30/2017 |
| D.R. Horton, Inc.    | 100                               | 200.98*   |
| S&P 500 Index        | 100                               | 136.07    |

\* Final performance goal ranking attained by the Company on the TSR performance goal was 64.91 points above the S&P 500 Index at September 30, 2017, as reflected in the table above.

| Performance Goal | ROI, SG&A and GP Rankings |                       |                       |                       |                       |                       |                       |                       |                       |                       |
|------------------|---------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                  | 10 <sup>th</sup> Place    | 9 <sup>th</sup> Place | 8 <sup>th</sup> Place | 7 <sup>th</sup> Place | 6 <sup>th</sup> Place | 5 <sup>th</sup> Place | 4 <sup>th</sup> Place | 3 <sup>rd</sup> Place | 2 <sup>nd</sup> Place | 1 <sup>st</sup> Place |
| Relative ROI     | (1.76)%                   | 3.34%                 | 9.35%                 | 18.58%                | 20.12%                | 23.32%                | 24.92%                | 27.39%                | <b>36.21%*</b>        | 76.36%                |
| Relative SG&A    | 20.41%                    | 13.59%                | 13.23%                | 12.46%                | 11.63%                | 11.44%                | 10.89%                | <b>10.73%*</b>        | 10.71%                | 7.83%                 |
| Relative GP      | 13.38%                    | 15.39%                | 16.14%                | 16.37%                | 18.14%                | 18.37%                | <b>19.58%*</b>        | 20.83%                | 23.19%                | 24.30%                |

\* Final performance goal ranking attained by the Company: 2<sup>nd</sup> place on ROI, 3<sup>rd</sup> place on SG&A and 4<sup>th</sup> place on GP.

**2017 Performance RSUs****Final Results Earned and Paid**

The final payout was based on the three-year performance period ended September 30, 2017.

| Final Company Performance Rankings | Donald R. Horton              |                       | David V. Auld                 |                       | Michael J. Murray             |                       |
|------------------------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|-----------------------|
|                                    | Target Number of RSUs Awarded | Number of RSUs Earned | Target Number of RSUs Awarded | Number of RSUs Earned | Target Number of RSUs Awarded | Number of RSUs Earned |
| TSR = 64.91 Points Above           | 50,000 Units                  | 100,000 Units         | 15,000 Units                  | 30,000 Units          | 7,500 Units                   | 15,000 Units          |
| ROI = 2 <sup>nd</sup> Place        | 50,000 Units                  | 87,500 Units          | 15,000 Units                  | 26,250 Units          | 7,500 Units                   | 13,125 Units          |
| SG&A = 3 <sup>rd</sup> Place       | 50,000 Units                  | 75,000 Units          | 15,000 Units                  | 22,500 Units          | 7,500 Units                   | 11,250 Units          |
| GP = 4 <sup>th</sup> Place         | 50,000 Units                  | 62,500 Units          | 15,000 Units                  | 18,750 Units          | 7,500 Units                   | 9,375 Units           |
|                                    | <b>200,000 Units</b>          | <b>325,000 Units</b>  | <b>60,000 Units</b>           | <b>97,500 Units</b>   | <b>30,000 Units</b>           | <b>48,750 Units</b>   |

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A normalization adjustment was made to the final peer group rankings to include the results of discontinued operations for one peer group member in calculating ROI, SG&A and GP so that all peer group members and the Company were treated consistently. The normalization adjustment did not change the Company's final ranking on the ROI, SG&A or GP goals.

After reviewing the above final performance goal rankings for the 2017 Performance RSUs, on November 2, 2017 the Compensation Committee approved the issuance of 325,000, 97,500 and 48,750 shares of common stock to Mr. Horton, Mr. Auld and Mr. Murray, respectively. On the last day of the performance period, September 30, 2017, the Company's closing stock price was \$39.93.

### ***2017 Fiscal Year Award of 2019 Performance Restricted Stock Units Potential Vesting at September 30, 2019 and Award of Restricted Stock Units Time-Based Vesting***

***Chairman, Chief Executive Officer and Chief Operating Officer.*** Under our long-term incentive program, our Chairman, CEO and COO have the opportunity to earn incentive awards based on performance over a period

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longer than one year. By awarding a portion of compensation over a longer time period, the interests of these executives are aligned with the interests of our stockholders.

In the first quarter of fiscal 2017, the Compensation Committee awarded performance restricted stock units (*the 2019 Performance RSUs*) to Mr. Horton, Mr. Auld and Mr. Murray as follows:

| Name              | Target Number of<br>2019<br>Performance RSUs |
|-------------------|--|
| Donald R. Horton  | 200,000                                      |
| David V. Auld     | 100,000                                      |
| Michael J. Murray | 30,000                                       |

The 2019 Performance RSUs, based on four performance goals of TSR, ROI, SG&A and GP, will vest, if at all, based on the final performance rankings after the completion of the performance period, which is the three-year period of October 1, 2016 through September 30, 2019 (*the 2019 Performance Period*). The four performance goals and weightings for each award are similar to those set forth on page 29 and are discussed below in the tables and discussion on pages 35, 36 and 37.

The Compensation Committee chose the TSR performance goal because TSR takes into account changes in our stock price plus dividends paid compared to the S&P 500 Index. By comparing our TSR to the S&P 500 Index, we have a goal that incents our executives to achieve a return to our stockholders that is better than the return achieved by a broad-based index of companies. We believe the three performance goals of ROI, SG&A and GP are important internal operating metrics. ROI incents our executives to achieve operating profitability relative to our total assets, which measures our efficiency at using our assets to generate pre-tax income. SG&A incents our executives to control selling, general and administrative expenses. GP incents our executives to maximize our sales prices and control sales incentives and costs of sales, which are composed of the costs of land, labor, materials and products used in building our homes.

In fiscal 2017, when determining the target number of 2019 Performance RSUs, the Compensation Committee reviewed the Company's performance and the estimated annual compensation expense for these awards in relation to the Company's estimated annual financial metrics, such as revenue and pre-tax income. The Compensation Committee chose to further incent these executive officers by potentially increasing the target up to the maximum, as set forth in the tables on pages 35, 36 and 37, in the event that maximum performance is achieved on the four Performance Goals. The Compensation Committee subjectively chose the maximum of two times the target amount if maximum performance was achieved. When the 2019 Performance RSUs were granted, the target and maximum amounts were subjective determinations and not based on any formulaic method or benchmark.

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The number of the 2019 Performance RSUs actually settled may be increased or decreased based on relative performance over the 2019 Performance Period as set forth in the following tables.

**2019 Performance RSUs****Potential Performance Adjustments as a Percentage of Target****Donald R. Horton**

|  | Company TSR<br>Relative to<br>S&P 500 Index TSR | TSR Portion of Award<br>(weighted 25% of target award) | Payout           | Number of<br>Performance<br>RSUs Awarded |
|--|---|--|------------------|--|
| <i>Percentage Points Below Index:</i>  |   |  |                  |  |
| 10 Percentage Points   |   |  |                  | zero                                     |
| <b>9 Percentage Points</b>   |   |  | <i>Threshold</i> | <b>5,000</b>                             |
| 8 Percentage Points  |   |  |                  | 10,000                                   |
| 7 Percentage Points  |   |  |                  | 15,000                                   |
| 6 Percentage Points  |   |  |                  | 20,000                                   |
| 5 Percentage Points  |   |  |                  | 25,000                                   |
| 4 Percentage Points  |   |  |                  | 30,000                                   |
| 3 Percentage Points  |   |  |                  | 35,000                                   |
| 2 Percentage Points  |   |  |                  | 40,000                                   |
| 1 Percentage Point   |   |  |                  | 45,000                                   |
| <b>Equal to S&amp;P 500 Index TSR</b>  |   |  | <i>Target</i>    | <b>50,000<sup>(1)</sup></b>              |
| <i>Percentage Points Above Index:</i>  |   |  |                  |  |
| 1 Percentage Point   |   |  |                  | 55,000                                   |
| 2 Percentage Points  |   |  |                  | 60,000                                   |
| 3 Percentage Points  |   |  |                  | 65,000                                   |
| 4 Percentage Points  |   |  |                  | 70,000                                   |
| 5 Percentage Points  |   |  |                  | 75,000                                   |
| 6 Percentage Points  |   |  |                  | 80,000                                   |
| 7 Percentage Points  |   |  |                  | 85,000                                   |
| 8 Percentage Points  |   |  |                  | 90,000                                   |
| 9 Percentage Points  |   |  |                  | 95,000                                   |
| <b>10 Percentage Points</b>  |   |  | <i>Maximum</i>   | <b>100,000</b>                           |
| <b>ROI, SG&amp;A and GP Portions of Award</b><br>(each weighted 25% of target award) |   |  |                  |  |
|  | Performance Level<br>Compared to<br>Peer Group  |  | Payout           | Number of<br>Performance<br>RSUs Awarded |
| 11 <sup>th</sup> Place   |   |  |                  | zero                                     |
| <b>10<sup>th</sup> Place</b>   |   |  | <i>Threshold</i> | <b>25,000</b>                            |
| 9 <sup>th</sup> Place  |   |  |                  | 50,000                                   |
| 8 <sup>th</sup> Place  |   |  |                  | 75,000                                   |
| 7 <sup>th</sup> Place  |   |  |                  | 100,000                                  |
| 6 <sup>th</sup> Place  |   |  |                  | 125,000                                  |
| <b>5<sup>th</sup> Place</b>  |   |  | <i>Target</i>    | <b>150,000<sup>(2)</sup></b>             |
| 4 <sup>th</sup> Place  |   |  |                  | 187,500                                  |
| 3 <sup>rd</sup> Place  |   |  |                  | 225,000                                  |
| 2 <sup>nd</sup> Place  |   |  |                  | 262,500                                  |
| <b>1<sup>st</sup> Place</b>  |   |  | <i>Maximum</i>   | <b>300,000</b>                           |

(1) Target number listed is 25% of the total target number of 200,000 and other numbers are 25% of the other possible performance adjustments from the target.

(2) Target number listed is 75% of the total target number of 200,000 and other numbers are 75% of the other possible performance adjustments from the target.



**Table of Contents****2019 Performance RSUs****Potential Performance Adjustments as a Percentage of Target****David V. Auld**

| <b>Company TSR<br/>Relative to<br/>S&amp;P 500 Index TSR</b>                          |               | <b>TSR Portion of Award<br/>(weighted 25% of target award)</b> | <b>Payout</b> | <b>Number of<br/>Performance<br/>RSUs Awarded</b> |
|---|---------------|--|---------------|---|
| <i>Percentage Points Below Index:</i>   |               |  |               |   |
| 10 Percentage Points  |               |  |               | zero  |
| <b>9 Percentage Points</b>  |               |  |               | <b>2,500</b>                                      |
| 8 Percentage Points   |               |  |               | 5,000   |
| 7 Percentage Points   |               |  |               | 7,500   |
| 6 Percentage Points   |               |  |               | 10,000  |
| 5 Percentage Points   |               |  |               | 12,500  |
| 4 Percentage Points   |               |  |               | 15,000  |
| 3 Percentage Points   |               |  |               | 17,500  |
| 2 Percentage Points   |               |  |               | 20,000  |
| 1 Percentage Point  |               |  |               | 22,500  |
| <b>Equal to S&amp;P 500 Index TSR</b>   |               |  |               | <b>25,000<sup>(1)</sup></b>                       |
| <i>Percentage Points Above Index:</i>   |               |  |               |   |
| 1 Percentage Point  |               |  |               | 27,500  |
| 2 Percentage Points   |               |  |               | 30,000  |
| 3 Percentage Points   |               |  |               | 32,500  |
| 4 Percentage Points   |               |  |               | 35,000  |
| 5 Percentage Points   |               |  |               | 37,500  |
| 6 Percentage Points   |               |  |               | 40,000  |
| 7 Percentage Points   |               |  |               | 42,500  |
| 8 Percentage Points   |               |  |               | 45,000  |
| 9 Percentage Points   |               |  |               | 47,500  |
| <b>10 Percentage Points</b>   |               |  |               | <b>50,000</b>                                     |
| <b>ROI, SG&amp;A and GP Portions of Award<br/>(each weighted 25% of target award)</b> |               |  |               |   |
| <b>Performance Level<br/>Compared to<br/>Peer Group</b>                               | <b>Payout</b> | <b>Number of<br/>Performance<br/>RSUs Awarded</b>              |               |   |
| 11 <sup>th</sup> Place  |               |  |               | zero  |
| <b>10<sup>th</sup> Place</b>  |               |  |               | <b>12,500</b>                                     |
| 9 <sup>th</sup> Place   |               |  |               | 25,000  |
| 8 <sup>th</sup> Place   |               |  |               | 37,500  |
| 7 <sup>th</sup> Place   |               |  |               | 50,000  |
| 6 <sup>th</sup> Place   |               |  |               | 62,500  |
| <b>5<sup>th</sup> Place</b>   |               |  |               | <b>75,000</b>                                     |
| 4 <sup>th</sup> Place   |               |  |               | 93,750  |
| 3 <sup>rd</sup> Place   |               |  |               | 112,500   |
| 2 <sup>nd</sup> Place   |               |  |               | 131,250   |
| <b>1<sup>st</sup> Place</b>   |               |  |               | <b>150,000</b>                                    |

(1) Target number listed is 25% of the total target number of 100,000 and other numbers are 25% of the other possible performance adjustments from the target.

(2) Target number listed is 75% of the total target number of 100,000 and other numbers are 75% of the other possible performance adjustments from the target.





**Table of Contents****2019 Performance RSUs****Potential Performance Adjustments as a Percentage of Target****Michael J. Murray**

|  | Company TSR<br>Relative to<br>S&P 500 Index TSR | TSR Portion of Award<br>(weighted 25% of target award) | Payout           | Number of<br>Performance<br>RSUs Awarded |
|--|---|--|------------------|--|
| <i>Percentage Points Below Index:</i>  |   |  |                  |  |
| 10 Percentage Points   |   |  |                  | zero                                     |
| <b>9 Percentage Points</b>   |   |  | <i>Threshold</i> | <b>750</b>                               |
| 8 Percentage Points  |   |  |                  | 1,500                                    |
| 7 Percentage Points  |   |  |                  | 2,250                                    |
| 6 Percentage Points  |   |  |                  | 3,000                                    |
| 5 Percentage Points  |   |  |                  | 3,750                                    |
| 4 Percentage Points  |   |  |                  | 4,500                                    |
| 3 Percentage Points  |   |  |                  | 5,250                                    |
| 2 Percentage Points  |   |  |                  | 6,000                                    |
| 1 Percentage Point   |   |  |                  | 6,750                                    |
| <b>Equal to S&amp;P 500 Index TSR</b>  |   |  | <i>Target</i>    | <b>7,500<sup>(1)</sup></b>               |
| <i>Percentage Points Above Index:</i>  |   |  |                  |  |
| 1 Percentage Point   |   |  |                  | 8,250                                    |
| 2 Percentage Points  |   |  |                  | 9,000                                    |
| 3 Percentage Points  |   |  |                  | 9,750                                    |
| 4 Percentage Points  |   |  |                  | 10,500                                   |
| 5 Percentage Points  |   |  |                  | 11,250                                   |
| 6 Percentage Points  |   |  |                  | 12,000                                   |
| 7 Percentage Points  |   |  |                  | 12,750                                   |
| 8 Percentage Points  |   |  |                  | 13,500                                   |
| 9 Percentage Points  |   |  |                  | 14,250                                   |
| <b>10 Percentage Points</b>  |   |  | <i>Maximum</i>   | <b>15,000</b>                            |
| <b>ROI, SG&amp;A and GP Portions of Award</b><br>(each weighted 25% of target award) |   |  |                  |  |
|  | Performance Level<br>Compared to<br>Peer Group  |  | Payout           | Number of<br>Performance<br>RSUs Awarded |
| 11 <sup>th</sup> Place   |   |  |                  | zero                                     |
| <b>10<sup>th</sup> Place</b>   |   |  | <i>Threshold</i> | <b>3,750</b>                             |
| 9 <sup>th</sup> Place  |   |  |                  | 7,500                                    |
| 8 <sup>th</sup> Place  |   |  |                  | 11,250                                   |
| 7 <sup>th</sup> Place  |   |  |                  | 15,000                                   |
| 6 <sup>th</sup> Place  |   |  |                  | 18,750                                   |
| <b>5<sup>th</sup> Place</b>  |   |  | <i>Target</i>    | <b>22,500<sup>(2)</sup></b>              |
| 4 <sup>th</sup> Place  |   |  |                  | 28,125                                   |
| 3 <sup>rd</sup> Place  |   |  |                  | 33,750                                   |
| 2 <sup>nd</sup> Place  |   |  |                  | 39,375                                   |
| <b>1<sup>st</sup> Place</b>  |   |  | <i>Maximum</i>   | <b>45,000</b>                            |

(1) Target number listed is 25% of the total target number of 30,000 and other numbers are 25% of the other possible performance adjustments from the target.

(2) Target number listed is 75% of the total target number of 30,000 and other numbers are 75% of the other possible performance adjustments from the target.

As set forth in the tables above, the target number of 2019 Performance RSUs may be increased to a maximum of 400,000 for Mr. Horton, 200,000 for Mr. Auld and 60,000 for Mr. Murray upon maximum achievement of each of the four Performance Goals and decreased to a minimum of zero for Mr. Horton, Mr. Auld and Mr. Murray in the event of below-threshold achievement of each of the four Performance Goals. Performance and percentages that fall between the maximum and the minimum will be ranked using pro-rata linear interpolation between the points set forth in the tables above. For the 2019 Performance RSUs, the Company's peer group consists of the following publicly-traded homebuilding companies: CalAtlantic Group, KB Home, Lennar, M.D.C. Holdings, Meritage Homes, NVR, PulteGroup, Taylor Morrison, Toll Brothers and TRI Pointe Group. Each 2019 Performance RSU represents the contingent right to receive one share of common stock if vesting is satisfied. The 2019 Performance RSUs have no rights to dividends or voting.

Vesting of the 2019 Performance RSUs with respect to the TSR Performance Goal will be determined after the 2019 Performance Period based on a comparison of the Company's TSR to the S&P 500 Index's TSR as computed by Standard and Poor's using their TSR methodology. Vesting of the 2019 Performance RSUs with respect to the ROI, SG&A and GP Performance Goals will be determined after the 2019 Performance Period based on the relative ranking of the Company's performance on each Performance Goal compared to each peer group company's performance on each Performance Goal. Any portion of the Performance RSUs that does not vest due to performance below the threshold will be forfeited.

The hurdle or threshold for earning 2019 Performance RSUs with respect to the TSR goal is to perform better than ten percentage points below the S&P 500 Index. The hurdle or threshold for earning 2019 Performance RSUs with respect to the ROI, SG&A and GP Performance Goals is to perform no worse than tenth

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place because in that event no bonus on that specific goal would be earned. Additional information on the grant date fair value of the 2019 Performance RSUs is set forth in the *Summary Compensation Table* on page 44 and the *Grants of Plan-Based Awards* table on page 46.

At the time of grant, the Compensation Committee made the subjective determination to set the target and maximum number of 2019 Performance RSUs equal to the 2018 Performance RSUs, based on consideration that if the target or maximum amount were paid and the Company's stock price is at its current level, total compensation to our executive officers would remain within the range of estimated total compensation paid to similar executives in the Company's peer group. However, we cannot guarantee this result as it involves future compensation practices of our peer group. The Compensation Committee further believed in the importance of setting a maximum that is significantly higher than the target to incentivize performance. If the maximum level for the performance goals was achieved, the Company would be in a stronger competitive position than its peers and could create more value for our stockholders.

**Chief Financial Officer.** Although Mr. Wheat is not awarded Performance RSUs like our Chairman, CEO and COO, typically, he is awarded time-vesting RSUs at the same time as their grant. We believe this type of award incentivizes him appropriately in his role as CFO. During the first quarter of fiscal 2017, the Compensation Committee approved and awarded the 2019 Restricted Stock Units ( *2019 Time-Vesting RSUs* ) to Mr. Wheat as follows:

| Name          | Number of<br>2019 Time-Vesting RSUs |
|---------------|-------------------------------------|
| Bill W. Wheat | 30,000                              |

The 2019 Time-Vesting RSUs relate to a three-year period beginning on November 2, 2016 and ending on November 2, 2019. Ten thousand of the 2019 Time-Vesting RSUs will vest each year on November 2 in 2017, 2018 and 2019, subject to continued employment on each such date.

**2017 Fiscal Year Award of Restricted Stock Units Time-Based Vesting**

**Chairman and Chief Executive Officer.** Mr. Horton and Mr. Auld were awarded 84,600 and 33,850 restricted stock units, respectively, on February 14, 2017 by the Compensation Committee. These restricted stock units vest in equal installments over three years on each grant date anniversary of February 14, subject to continued employment on each such date. In determining the number of restricted stock units to award, the Compensation Committee made a subjective determination based on each of the factors listed on page 40 under the heading *2006 Stock Incentive Plan*. In addition to those factors, the Compensation Committee also reviewed the Company's stock price, total compensation of the officers, the expected compensation expense related to the grant and the number of restricted stock units and stock options outstanding for both Mr. Horton and Mr. Auld as a result of the new restricted stock units granted, without giving any formulaic effect to such factors. In addition, the Compensation Committee set the vesting term at three years based on certain factors which included the tenure and role of each executive with the Company, the age of each executive, the retention value and the lack of an employment agreement between each executive and the Company. The terms of the restricted stock unit agreements provide that if the recipient reaches the age of 65 and retires from the Company, all unvested restricted stock units become vested. Additional information on the annual compensation expense and grant date fair value of these restricted stock units is set forth in the *Summary Compensation Table* on page 44 and the *Grants of Plan-Based Awards* table on page 46 of this Proxy Statement.

**Chief Operating Officer and Chief Financial Officer.** Mr. Murray and Mr. Wheat were each awarded 29,650 restricted stock units on February 14, 2017 by the Compensation Committee. These restricted stock units vest in equal installments over five years from the grant date anniversary of February 14, subject to continued employment on each such date. In determining the number of restricted stock units to award, the Compensation Committee made a subjective determination based on the factors listed on page 40 under the heading *2006 Stock Incentive Plan*. In addition to those factors, the Compensation Committee also reviewed the Company's stock price, total compensation of the officers, the expected compensation expense related to the grant and the

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number of restricted stock units and stock options outstanding for both Mr. Murray and Mr. Wheat as a result of the new restricted stock units granted, without giving any formulaic effect to such factors. In addition, the Compensation Committee set the vesting term at five years based on certain factors which include the tenure and role of each executive with the Company, the retention value of restricted stock units based on a five-year vesting schedule and the lack of an employment agreement between each executive and the Company. Additional information on the annual compensation expense and grant date fair value of these restricted stock units is set forth in the *Summary Compensation Table* on page 44 and the *Grants of Plan-Based Awards* table on page 46 of this Proxy Statement.

**2018 Fiscal Year Annual Incentive Bonus**

**Chairman, Chief Executive Officer, Chief Operating Officer and Chief Financial Officer.** The Compensation Committee has decided to continue the annual incentive bonus opportunity based on pre-tax income for Mr. Horton, Mr. Auld and Mr. Murray in fiscal 2018 and the discretionary bonus opportunity for Mr. Wheat. Based on the Company's current performance and performance by Mr. Auld and Mr. Murray, the Compensation Committee believed it was appropriate to increase their fiscal 2018 maximum bonus potential to 0.4% and 0.15% from 0.35% and 0.1% in fiscal 2017, respectively.

| Name              | Fiscal 2018 Performance Goal | Maximum Bonus Potential |                        |
|-------------------|------------------------------|-------------------------|------------------------|
|                   |                              | 1st Semi-Annual Period  | 2nd Semi-Annual Period |
| Donald R. Horton  | Pre-Tax Income               | 0.6%                    | 0.6%                   |
| David V. Auld     | Pre-Tax Income               | 0.4%                    | 0.4%                   |
| Michael J. Murray | Pre-Tax Income               | 0.15%                   | 0.15%                  |

Mr. Wheat's annual incentive bonus will be discretionary in nature and based on the performance of his duties described under the heading *2017 Fiscal Year Annual Discretionary Bonus* beginning on page 29.

**2018 Fiscal Year Award of 2020 Performance Restricted Stock Units Potential Vesting at September 30, 2020 and Award of Restricted Stock Units Time-Based Vesting**

**Chairman, Chief Executive Officer and Chief Operating Officer.** During the first quarter of fiscal 2018, the Compensation Committee approved and awarded the 2020 Performance Restricted Stock Units ( *2020 Performance RSUs* ) to Mr. Horton, Mr. Auld and Mr. Murray as follows:

| Name              | Target Number of 2020 Performance RSUs |
|-------------------|--|
| Donald R. Horton  | 200,000                                |
| David V. Auld     | 100,000                                |
| Michael J. Murray | 30,000                                 |

The 2020 Performance RSUs may vest based on the Company's final performance rankings after the completion of the three-year performance period of October 1, 2017 through September 30, 2020. The 2020 Performance RSUs operate in a similar manner as the 2019 Performance RSUs awarded, as discussed in the section *2017 Fiscal Year Award of 2019 Performance Restricted Stock Units Potential Vesting at September 30, 2019 and Award of Restricted Stock Units Time-Based Vesting* on page 33.

**Chief Financial Officer.** During the first quarter of fiscal 2018, the Compensation Committee approved and awarded the 2020 Restricted Stock Units ( *2020 Time-Vesting RSUs* ) to Mr. Wheat as follows:

| Name          | Number of 2020 Time-Vesting RSUs |
|---------------|----------------------------------|
| Bill W. Wheat | 40,000                           |



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Based on the Company's current performance and Mr. Wheat's performance, the Compensation Committee believed it was appropriate to increase his RSU grant to 40,000 from the 30,000 RSUs that were awarded in the prior year.

The 2020 Time-Vesting RSUs relate to a three-year period beginning on November 2, 2017 and ending on November 2, 2020. One-third of the 2020 Time-Vesting RSUs will vest each year on November 2 in 2018, 2019 and 2020, subject to continued employment on each such date.

***Incentive Bonus Plans Approved by Stockholders***

We believe that performance-based bonuses should continue to represent a significant portion of the compensation of our Chairman, CEO and COO. We seek to structure our performance-based awards in a manner that may permit such awards to be tax deductible under Section 162(m) of the Code to the extent reasonably feasible and to the extent that such structure is in line with our operational and financial objectives. The Compensation Committee believes that a balanced executive compensation program is best served by providing compensation plans that allow for balanced short and long-term compensation components, including (i) a short-term or annual bonus performance plan, (ii) a long-term (more than one year) bonus performance plan, and (iii) a short-term and long-term equity plan. In furtherance of this objective, the Compensation Committee and our stockholders have previously approved the following incentive plans:

**D.R. Horton 2017 Incentive Bonus Plan (formerly the D.R. Horton 2000 Incentive Bonus Plan )** our primary short-term or annual bonus plan.

**D.R. Horton 2006 Stock Incentive Plan** our primary short and long-term equity plan.

The amended and restated 2000 Incentive Bonus Plan and the amended and restated 2006 Stock Incentive Plan were approved by our stockholders most recently on January 24, 2013 and January 22, 2015, respectively. We are seeking re-approval of the material terms of the performance criteria under the 2017 Incentive Bonus Plan, an amendment and restatement of the 2000 Incentive Bonus Plan, in Proposal Four. The Compensation Committee will continue to evaluate the most effective way to use these two plans.

**2017 Incentive Bonus Plan.** The 2017 Incentive Bonus Plan is the primary plan under which our Chairman, CEO and COO are awarded short-term annual incentive cash bonuses. We generally intend for awards issued to covered employees under the 2017 Incentive Bonus Plan to qualify for the performance-based compensation deduction allowed by Section 162(m). However, there can be no assurance that these awards will satisfy the requirements for deductibility under Section 162(m), and the Company and the Compensation Committee reserve the right to pay bonuses that are not tax deductible under Section 162(m) (*see Proposal Four on page 59*).

**2006 Stock Incentive Plan.** We use our Amended and Restated 2006 Stock Incentive Plan to issue restricted stock units, stock options and other equity based awards. From 2000 to 2017, the Compensation Committee awarded stock options or restricted stock units to its executive officers and key employees as a group in twelve to thirty month intervals. Since 2013, the Compensation Committee has awarded either stock options or restricted stock units annually. Consistent with this practice, the executive officers and key employees as a group were last granted stock options in March 2014 and March 2013 and awarded time-based restricted stock units in February 2017, February 2016 and March 2015. The Compensation Committee's decision to award restricted stock units in recent years was based on providing a mix of equity awards (stock options and restricted stock units), reducing the number of common shares issued each year and the strong employee retention value of restricted stock units.

The Compensation Committee will continue to evaluate when to make equity awards to its executives and key employees based on the total compensation of individuals and other factors. Generally, when the Compensation Committee decides to grant equity awards to executive officers, in determining the number and material terms of equity awards to grant the Committee makes a subjective evaluation of:

the overall performance of the Company in comparison to its peer group;

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an analysis of recent compensation of senior executive officers in the Company's peer group;

recommendations of the Chairman, other than for himself;

contributions the executive officer made and is anticipated to make to the Company's success;

level of experience and responsibility of the executive officer; and

number of equity awards previously granted to executive officers and other employees.

There is no relationship between the timing of the granting of equity-based awards and our release of material non-public information.

We will continue to evaluate the types of equity awards to be granted to our executives and other employees in the future. Restricted stock, restricted stock units, stock options and stock appreciation rights are among the types of equity awards that may be considered in the future which may be awarded under our 2006 Stock Incentive Plan. When considering whether to issue restricted stock (including restricted stock units) or stock options (including stock appreciation rights), the Compensation Committee will review the following factors (in addition to the previously listed factors):

difference in compensation expense of issuing restricted stock units versus issuing stock options;

retention achieved by issuing restricted stock units versus issuing stock options; and

value to employee of receiving restricted stock units versus stock options.

The Compensation Committee believes that restricted stock, restricted stock units and stock options should be available alternatives when considering equity awards. Restricted stock units provide strong retentive value by providing an award that upon vesting has immediate value at the current stock price, and results in lower dilution of our outstanding common shares because fewer shares are issued compared to stock options. Stock options have unique and valuable features to our employees because of the potential for strong returns if the stock price increases and the ability of the recipient to defer paying the exercise price and related taxes until the stock options are exercised. The Compensation Committee has not made definitive decisions regarding the awarding of equity awards in fiscal 2018, other than those discussed on page 39, but it will continue to evaluate making such equity awards during the current fiscal year.

### ***Compliance with Internal Revenue Code Section 162(m)***

When reviewing and setting compensation awards to our executives, we consider the tax deductibility of their compensation under Section 162(m). Section 162(m) generally does not allow a tax deduction to publicly-held companies for compensation over \$1 million paid in any fiscal year to the company's named executive officers (other than the chief financial officer). However, Section 162(m) currently exempts qualified performance-based compensation from this \$1 million limit if certain requirements are met. We generally intend for awards to our executive officers under the 2017 Incentive Bonus Plan and the amended and restated 2006 Stock Incentive Plan to qualify for the performance-based compensation exemption under Section 162(m). However, there can be no assurance that these awards will satisfy the requirements for deductibility under Section 162(m). The rules under Section 162(m) are complex and subject to change, potentially with retroactive effect. Further, we exercise judgment and may award compensation that does not qualify for tax deductibility under Section 162(m) to meet corporate objectives or to adapt to changing circumstances.

### ***Retirement Benefits***

Our executive officers do not participate in any qualified defined benefit plans, but they do participate in the retirement plans below. We believe that it is important to offer these retirement plans to our executive officers as part of a competitive long-term compensation program that

encourages saving for retirement and that promotes long-term retention.

***Profit Sharing Plus Plan ( 401(k) plan )***. Our executive officers participate in our Company-wide 401(k) plan. Under this plan, executive officers, like all other eligible employees, may contribute 1% to 75% of their



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earnings, on a pre-tax basis, into the 401(k) plan. For 2017, the maximum amount that could be contributed was \$18,000 (\$24,000 for participants 50 years or older). The Company makes a matching contribution to the participant's account in an amount of \$0.50 for each \$1.00 contributed by the participant up to 6% of his or her salary. The matching contributions made by the Company on behalf of the executive officers are included in the *All Other Compensation* column in the *Summary Compensation Table* on page 44.

***Deferred Compensation Plan.*** The Company established the Deferred Compensation Plan effective as of June 15, 2002 and amended and restated it on December 10, 2008 (*the Deferred Compensation Plan*). The Deferred Compensation Plan is a nonqualified deferred compensation plan maintained primarily to provide deferred compensation benefits for a select group of management or highly compensated employees as defined by the Employee Retirement Income Security Act of 1974, as amended. The Deferred Compensation Plan, as amended and restated, was adopted and approved by the Compensation Committee and ratified by the Board of Directors.

***SERP 2.*** The Supplemental Executive Retirement Plan 2 (*SERP 2*), as amended and restated December 10, 2008, a nonqualified plan, was originally adopted by the Company in 1994 to permit eligible participants, which include our executive officers, region presidents, division presidents and other key employees, to accrue supplemental Company benefits payable upon retirement, separation of service, death or disability. The SERP 2 provides that if the executive is employed by the Company on the last day of the fiscal year, the Company will establish a liability to such executive equal to 10% of his or her annual base salary as of the first day of such fiscal year. This liability will accrue earnings in future years at a rate established by the administrative committee for the SERP 2. Amounts payable under the SERP 2 are not secured or held in trust and the plan participants' rights to enforce payment are the same as a general unsecured creditor.

In connection with our risk oversight related to the retention and compensation of our named executive officers, the Compensation Committee has determined that an appropriate compensation package should include a reasonable amount of fixed compensation for both salary and retirement compensation. The Compensation Committee believes that a fixed component of compensation helps mitigate inappropriate risk taking because the executive can count on a certain level of fixed compensation. In this regard, in fiscal 2017, the Compensation Committee reviewed the amounts listed in the column titled *Change in Pension Value and Nonqualified Deferred Compensation Earnings* in the *Summary Compensation Table* on page 44. For the Company, these amounts represent the above-market portion of earnings on outstanding SERP 2 balances for the named executive officers. As part of this analysis, we reviewed the data related to the dollar amounts disclosed in the same column titled *Change in Pension Value and Nonqualified Deferred Compensation Earnings* in the *Summary Compensation Tables* for each of the CEOs or principal executive officers of each company in our peer group from their most recently filed proxy statements. The dollar amounts listed under this heading ranged from zero to \$501,063. For fiscal 2017, the amount for our Chairman was \$255,991 and the amount for our CEO was \$115,176. We believe the amounts accrued for above-market earnings on SERP 2 balances are reasonable when compared to our peer group and reasonable when considered in relation to the total compensation packages offered to our named executive officers. Also, we considered other factors such as the Company does not provide our named executive officers with employment agreements or severance agreements or other forms of guaranteed retirement benefits other than the 401(k) matching contribution discussed above. As a result, our SERP 2 program continues to serve as a useful and reasonable fixed compensation component of our overall compensation package.

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**Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this Proxy Statement. Based on our review and discussions with management, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference in the Annual Report on Form 10-K of D.R. Horton, Inc. for the fiscal year ended September 30, 2017 filed with the Securities and Exchange Commission.

*COMPENSATION COMMITTEE:*

*Brad S. Anderson, Committee Chairman*

*Barbara K. Allen*

*Michael R. Buchanan*

*Michael W. Hewatt*

The Compensation Committee Report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any other company filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the company specifically incorporates the Compensation Committee Report by reference therein.

**Table of Contents****Executive Compensation Tables**

The following tables show, with respect to our Chairman, Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, the compensation awarded, earned or paid for all services rendered in all capacities to D.R. Horton during our fiscal years ended September 30, 2017, 2016 and 2015.

**Summary Compensation Table**

| Name and<br>Principal Position   | Year | Salary       | Bonus <sup>(1)</sup> | Stock<br>Awards <sup>(2)</sup> | Non-Equity<br>Incentive<br>Plan<br>Compen-<br>sation <sup>(3)</sup> | Change in<br>Pension<br>Value and<br>Non-<br>Qualified<br>Deferred<br>Compen-<br>sation <sup>(4)</sup> | All<br>Other<br>Compen-<br>sation <sup>(5)</sup> | Total         |
|--|------|--------------|----------------------|--------------------------------|---|--|--|---------------|
|  |      |              |                      |                                |   |  |  |               |
| Donald R. Horton<br><i>Chairman of the Board</i>                                 | 2017 | \$ 1,000,000 |                      | \$ 8,302,706                   | \$ 9,612,519  | \$ 255,991   | \$ 111,413                                       | \$ 19,282,629 |
|  | 2016 | \$ 1,000,000 |                      | \$ 8,360,660                   | \$ 8,120,730  | \$ 204,524   | \$ 111,263                                       | \$ 17,797,177 |
|  | 2015 | \$ 1,000,000 |                      | \$ 7,204,660                   | \$ 6,740,552  | \$ 169,627   | \$ 110,207                                       | \$ 15,225,046 |
| David V. Auld<br><i>President and Chief Executive Officer</i>                    | 2017 | \$ 700,000   |                      | \$ 3,905,374                   | \$ 5,607,303  | \$ 115,176   | \$ 78,100  | \$ 10,405,953 |
|  | 2016 | \$ 700,000   |                      | \$ 3,960,464                   | \$ 4,737,092  | \$ 90,361  | \$ 77,950  | \$ 9,565,867  |
|  | 2015 | \$ 700,000   |                      | \$ 2,409,464                   | \$ 3,931,989  | \$ 73,317  | \$ 77,950  | \$ 7,192,720  |
| Michael J. Murray<br><i>Executive Vice President and Chief Operating Officer</i> | 2017 | \$ 500,000   |                      | \$ 1,724,583                   | \$ 1,602,087  | \$ 39,549  | \$ 58,100  | \$ 3,924,319  |
|  | 2016 | \$ 500,000   |                      | \$ 1,680,013                   | \$ 1,353,455  | \$ 29,306  | \$ 57,950  | \$ 3,620,724  |
|  | 2015 | \$ 500,000   |                      | \$ 1,566,303                   | \$ 1,123,425  | \$ 22,059  | \$ 57,950  | \$ 3,269,737  |
| Bill W. Wheat<br><i>Executive Vice President and Chief Financial Officer</i>     | 2017 | \$ 500,000   | \$ 1,300,000         | \$ 1,676,883                   |   | \$ 64,161  | \$ 58,100  | \$ 3,599,144  |
|  | 2016 | \$ 500,000   | \$ 1,100,000         | \$ 1,625,113                   |   | \$ 49,607  | \$ 57,950  | \$ 3,332,670  |
|  | 2015 | \$ 500,000   | \$ 950,000           | \$ 1,514,103                   |   | \$ 39,522  | \$ 57,950  | \$ 3,061,575  |

(1) The amounts listed represent discretionary cash bonuses paid to Mr. Wheat.

For Mr. Wheat, \$100,000 of the fiscal 2016 and 2015 amounts was paid in common stock. Mr. Wheat was issued 3,495 and 3,355 shares of common stock and the value of that stock was based on the Company's stock price at September 30, 2016 and 2015, respectively.

(2) For fiscal 2017, the amounts for Mr. Horton, Mr. Auld and Mr. Murray represent the grant date fair value, determined in accordance with accounting guidance for share-based payments, of the fiscal 2017 time-vesting RSUs and the grant date fair value of the target number of 2019 Performance RSUs. If the maximum number of 2019 Performance RSUs that potentially could be earned were used rather than the target number, the total grant date fair value of the award would be \$11,680,000 for Mr. Horton, \$5,840,000 for Mr. Auld and \$1,752,000 for Mr. Murray. The amount for Mr. Wheat represents the grant date fair value of the fiscal 2017 awards of time-vesting RSUs. Additional information on the time-vesting and performance RSUs and the grant date fair value is set forth in footnote 2 to the *Grants of Plan-Based Awards* table on page 46.

For fiscal 2016, the amounts for Mr. Horton, Mr. Auld and Mr. Murray represent the grant date fair value, determined in accordance with accounting guidance for share-based payments, of the fiscal 2016 time-vesting RSUs and the grant date fair value of the target number of 2018 Performance RSUs. If the maximum number of 2018 Performance RSUs that potentially could be earned were used rather than the target number, the total grant date fair value of the award would be \$12,324,000 for Mr. Horton, \$6,162,000 for Mr. Auld and \$1,848,600 for Mr. Murray. The amount for Mr. Wheat represents the grant date fair value of the fiscal 2016 time-vesting RSUs.

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For fiscal 2015, the amounts for Mr. Horton, Mr. Auld and Mr. Murray represent the grant date fair value, determined in accordance with accounting guidance for share-based payments, of the fiscal 2015 time-vesting RSUs and the grant date fair value of the target number of 2017 Performance RSUs. If the maximum number of 2017 Performance RSUs that potentially could be earned were used rather than the target

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number, the total grant date fair value of the award would be \$9,448,000 for Mr. Horton, \$2,834,400 for Mr. Auld and \$1,417,200 for Mr. Murray. The amount for Mr. Wheat represents the grant date fair value of the fiscal 2015 time-vesting RSUs.

- (3) Amounts represent the performance bonuses under the Company's Annual Incentive Bonus Plan. Additional information on the annual incentive bonus is discussed under the heading *2017 Fiscal Year Annual Incentive Bonus Results and Payout* on page 28.
- (4) Amounts represent the above-market portion of earnings on each executive officer's outstanding balance under the SERP 2. This amount is further discussed under the heading *SERP 2* on page 42.
- (5) For fiscal 2017, the amounts under *All Other Compensation* include the following components:
  - (a) Credits made by the Company of \$100,000, \$70,000, \$50,000 and \$50,000 to the respective accounts of Mr. Horton, Mr. Auld, Mr. Murray and Mr. Wheat under the SERP 2 plan.
  - (b) Matching contributions of \$8,100 to the respective accounts of Mr. Horton, Mr. Auld, Mr. Murray and Mr. Wheat under the D.R. Horton 401(k) plan.
  - (c) The participant's portion of group health plan premiums of \$3,313 paid by the Company for the benefit of Mr. Horton.

**Table of Contents****Grants of Plan-Based Awards**

| Name              | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup> |              |         | Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)</sup> |         |         | All Other Stock Awards: Number of Securities Underlying Stock Awards (3) | Grant Date Fair Value of Stock and Option Awards (\$)(2)(3) |
|-------------------|------------|--|--------------|---------|--|---------|---------|--|---|
|                   |            | Threshold  | Target       | Maximum | Threshold  | Target  | Maximum |  |   |
| Donald R. Horton  | 11/2/2016  |  | \$ 9,612,519 |         |  |         |         |  |   |
|                   | 11/2/2016  |  |              |         | 30,000   | 200,000 | 400,000 |  | \$ 5,840,000  |
|                   | 2/14/2017  |  |              |         |  |         |         | 84,600   | \$ 2,462,706  |
| David V. Auld     | 11/2/2016  |  | \$ 5,607,303 |         |  |         |         |  |   |
|                   | 11/2/2016  |  |              |         | 15,000   | 100,000 | 200,000 |  | \$ 2,920,000  |
|                   | 2/14/2017  |  |              |         |  |         |         | 33,850   | \$ 985,374  |
| Michael J. Murray | 11/2/2016  |  | \$ 1,602,087 |         |  |         |         |  |   |
|                   | 11/2/2016  |  |              |         | 4,500  | 30,000  | 60,000  |  | \$ 876,000  |
|                   | 2/14/2017  |  |              |         |  |         |         | 29,650   | \$ 848,583  |
| Bill W. Wheat     | 11/2/2016  |  |              |         |  |         |         | 30,000   | \$ 828,300  |
|                   | 2/14/2017  |  |              |         |  |         |         | 29,650   | \$ 848,583  |

(1) Represents the performance bonuses paid under the Company's 2017 Annual Incentive Bonus Plan. Additional information related to the award is discussed under the heading *2017 Fiscal Year Annual Incentive Bonus Results and Payout* on page 28.

(2) Mr. Horton, Mr. Auld and Mr. Murray were awarded a target amount of 200,000, 100,000 and 30,000 2019 Performance RSUs, respectively. The threshold, target and maximum amounts reflect the number of 2019 Performance RSUs each executive could earn based on the level of performance attained on four performance goals ranked against our peer group and the S&P 500 Index at the end of the three-year performance period.

The grant date fair value of the 2019 Performance RSUs is \$29.20 per unit and was determined in accordance with accounting guidance for share-based payments. These 2019 Performance RSUs are discussed under the heading *2017 Fiscal Year Award of 2019 Performance Restricted Stock Units Potential Vesting at September 30, 2019 and Award of Restricted Stock Units Time-Based Vesting* on page 33 and the related grant date fair value of \$5,840,000 for Mr. Horton, \$2,920,000 for Mr. Auld and \$876,000 for Mr. Murray is reflected in the *Stock Awards* column in the *Summary Compensation Table* on page 44.

(3) On November 2, 2016, Mr. Wheat was awarded 30,000 time-vesting RSUs under the 2006 Stock Incentive Plan, as amended and restated. The RSUs vest in three equal annual installments on each successive anniversary date beginning November 2, 2017.

The grant date fair value of the November 2, 2016 RSUs is \$27.61 per unit and was determined in accordance with accounting guidance for share-based payments. The related grant date fair value of \$828,300 for Mr. Wheat is reflected in the *Stock Awards* column in the *Summary Compensation Table* on page 44.

On February 14, 2017, Mr. Horton, Mr. Auld, Mr. Murray and Mr. Wheat were awarded 84,600, 33,850, 29,650 and 29,650 time-vesting RSUs, respectively, under the 2006 Stock Incentive Plan, as amended and restated. The RSUs for Mr. Horton and Mr. Auld vest in three equal annual installments on each successive anniversary date beginning February 14, 2018. The RSUs for Mr. Murray and Mr. Wheat vest annually in five equal installments on each successive anniversary date beginning February 14, 2018.

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The grant date fair value of the February 14, 2017 RSUs vesting in three years is \$29.11 per unit and for the RSUs vesting in five years is \$28.62 per unit. The grant date fair values were determined in accordance with accounting guidance for share-based payments. The related grant date fair value of \$2,462,706 for Mr. Horton, \$985,374 for Mr. Auld, \$848,583 for Mr. Murray and \$848,583 for Mr. Wheat is reflected in the *Stock Awards* column in the *Summary Compensation Table* on page 44.

**Table of Contents****Outstanding Equity Awards at Fiscal Year-End**

The following table shows information about outstanding equity awards at September 30, 2017.

| Name                             | Grant Date | Option Awards   |   |                       |                        | Stock Awards  |   |   |
|----------------------------------|------------|---|---|-----------------------|------------------------|---|---|---|
|                                  |            | Number of Securities Underlying Unexercised Options Exercisable | Number of Securities Underlying Unexercised Options | Option Exercise Price | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested | Equity Awards: Market or Payout Value of Unearned Shares, Units or Other Shares of Stock That Have Not Vested |
| Donald R. Horton <sup>(1)</sup>  | 2/14/2017  |   |   |                       |                        | 84,600 <sup>(3)</sup>                                   |   | \$ 3,378,078 <sup>(3)</sup>   |
|                                  | 11/2/2016  |   |   |                       |                        |   | 400,000 <sup>(4)</sup>  | \$ 15,972,000 <sup>(5)</sup>  |
|                                  | 2/12/2016  |   |   |                       |                        | 59,008 <sup>(3)</sup>                                   |   | \$ 2,356,189 <sup>(3)</sup>   |
|                                  | 11/4/2015  |   |   |                       |                        |   | 400,000 <sup>(6)</sup>  | \$ 15,972,000 <sup>(7)</sup>  |
|                                  | 3/5/2015   |   |   |                       |                        | 27,675 <sup>(3)</sup>                                   |   | \$ 1,105,063 <sup>(3)</sup>   |
|                                  | 3/6/2014   | 150,000   |   | \$ 23.86              | 3/6/2024               |   |   |   |
|                                  | 3/5/2013   | 150,000   |   | \$ 23.80              | 3/5/2023               |   |   |   |
|                                  | 9/2/2011   | 300,000   |   | \$ 9.97               | 9/2/2021               |   |   |   |
|                                  | 2/9/2009   | 300,000   |   | \$ 9.03               | 2/9/2019               |   |   |   |
| 2/11/2008                        | 300,000    |   | \$ 14.50  | 2/11/2018             |                        |   |   |   |
| David V. Auld <sup>(2)</sup>     | 2/14/2017  |   |   |                       |                        | 33,850 <sup>(3)</sup>                                   |   | \$ 1,351,631 <sup>(3)</sup>   |
|                                  | 11/2/2016  |   |   |                       |                        |   | 200,000 <sup>(4)</sup>  | \$ 7,986,000 <sup>(5)</sup>   |
|                                  | 2/12/2016  |   |   |                       |                        | 25,066 <sup>(3)</sup>                                   |   | \$ 1,000,885 <sup>(3)</sup>   |
|                                  | 11/4/2015  |   |   |                       |                        |   | 200,000 <sup>(6)</sup>  | \$ 7,986,000 <sup>(7)</sup>   |
|                                  | 3/5/2015   |   |   |                       |                        | 12,533 <sup>(3)</sup>                                   |   | \$ 500,443 <sup>(3)</sup>   |
|                                  | 3/6/2014   | 36,000  | 24,000  | \$ 23.86              | 3/6/2024               |   |   |   |
|                                  | 3/5/2013   | 48,000  | 12,000  | \$ 23.80              | 3/5/2023               |   |   |   |
|                                  | 9/2/2011   | 72,000  |   | \$ 9.97               | 9/2/2021               |   |   |   |
|                                  | 2/9/2009   | 36,000  | 24,000  | \$ 9.03               | 2/9/2019               |   |   |   |
| 2/11/2008                        | 36,000     | 12,000  | \$ 14.50  | 2/11/2018             |                        |   |   |   |
| Michael J. Murray <sup>(2)</sup> | 2/14/2017  |   |   |                       |                        | 29,650 <sup>(3)</sup>                                   |   | \$ 1,183,925 <sup>(3)</sup>   |
|                                  | 11/2/2016  |   |   |                       |                        |   | 60,000 <sup>(4)</sup>   | \$ 2,395,800 <sup>(5)</sup>   |
|                                  | 2/12/2016  |   |   |                       |                        | 26,320 <sup>(3)</sup>                                   |   | \$ 1,050,958 <sup>(3)</sup>   |
|                                  | 11/4/2015  |   |   |                       |                        |   | 60,000 <sup>(6)</sup>   | \$ 2,395,800 <sup>(7)</sup>   |
|                                  | 3/5/2015   |   |   |                       |                        | 19,740 <sup>(3)</sup>                                   |   | \$ 788,218 <sup>(3)</sup>   |
|                                  | 3/6/2014   | 36,000  | 24,000  | \$ 23.86              | 3/6/2024               |   |   |   |
|                                  | 3/5/2013   | 48,000  | 12,000  | \$ 23.80              | 3/5/2023               |   |   |   |
|                                  | 9/2/2011   | 69,000  |   | \$ 9.97               | 9/2/2021               |   |   |   |
|                                  | 2/9/2009   | 16,000  | 16,000  | \$ 9.03               | 2/9/2019               |   |   |   |
| 2/11/2008                        |            | 8,000   | \$ 14.50  | 2/11/2018             |                        |   |   |   |
| Bill W. Wheat <sup>(2)</sup>     | 2/14/2017  |   |   |                       |                        | 29,650 <sup>(3)</sup>                                   |   | \$ 1,183,925 <sup>(3)</sup>   |
|                                  | 11/2/2016  |   |   |                       |                        | 30,000 <sup>(3)</sup>                                   |   | \$ 1,197,900 <sup>(3)</sup>   |
|                                  | 2/12/2016  |   |   |                       |                        | 26,320 <sup>(3)</sup>                                   |   | \$ 1,050,958 <sup>(3)</sup>   |
|                                  | 11/4/2015  |   |   |                       |                        | 20,000 <sup>(3)</sup>                                   |   | \$ 798,600 <sup>(3)</sup>   |



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|           |        |        |          |           |                       |                           |
|-----------|--------|--------|----------|-----------|-----------------------|---------------------------|
| 3/5/2015  |        |        |          |           | 19,740 <sup>(3)</sup> | \$ 788,218 <sup>(3)</sup> |
| 11/5/2014 |        |        |          |           | 10,000 <sup>(3)</sup> | \$ 399,300 <sup>(3)</sup> |
| 3/6/2014  | 36,000 | 24,000 | \$ 23.86 | 3/6/2024  |                       |                           |
| 3/5/2013  | 48,000 | 12,000 | \$ 23.80 | 3/5/2023  |                       |                           |
| 9/2/2011  | 88,000 |        | \$ 9.97  | 9/2/2021  |                       |                           |
| 2/9/2009  | 24,000 | 24,000 | \$ 9.03  | 2/9/2019  |                       |                           |
| 2/11/2008 |        | 12,000 | \$ 14.50 | 2/11/2018 |                       |                           |

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- (1) All stock option awards granted to Mr. Horton prior to September 2011 vest annually in five equal installments. Stock option awards granted in September 2011 and thereafter vest annually in three equal installments. All stock options have a ten-year term.
- (2) All stock option awards granted to Mr. Auld, Mr. Murray and Mr. Wheat prior to September 2011 vest in ten equal annual installments on each successive anniversary of the grant date commencing on the first anniversary date for nine years with the final installment vesting on the date that is 9.75 years following the grant date. Stock option awards granted in September 2011 and thereafter vest annually in five equal installments. All stock options have a ten-year term.
- (3) Represents the time-vesting RSUs granted to Mr. Horton, Mr. Auld, Mr. Murray and Mr. Wheat. The value of the time-vesting RSUs is based on the closing price of our common stock on September 30, 2017 of \$39.93.
- (4) Represents the potential maximum number of 2019 Performance RSUs awarded. The target number of 2019 Performance RSUs that can be earned is 200,000 for Mr. Horton, 100,000 for Mr. Auld and 30,000 for Mr. Murray upon target achievement of the performance goals. These 2019 Performance RSUs are described under *2017 Fiscal Year Award of 2019 Performance Restricted Stock Units Potential Vesting at September 30, 2019 and Award of Restricted Stock Units Time-Based Vesting* on page 33.
- (5) The value of the 2019 Performance RSUs is based on the closing price of our common stock on September 30, 2017 of \$39.93.
- (6) Represents the potential maximum number of 2018 Performance RSUs awarded. The target number of 2018 Performance RSUs that can be earned is 200,000 for Mr. Horton, 100,000 for Mr. Auld and 30,000 for Mr. Murray upon target achievement of the performance goals.
- (7) The value of the 2018 Performance RSUs is based on the closing price of our common stock on September 30, 2017 of \$39.93.

**Option Exercises and Stock Vested**

The following table shows information about option exercises and stock vested during our fiscal year ended September 30, 2017.

| Name              | Option Awards                         |   | Stock Awards  |  |
|-------------------|---------------------------------------|---|---|--|
|                   | Number of Shares Acquired on Exercise | Value Realized on Exercise <sup>(1)</sup> | Number of Shares Acquired on Vesting <sup>(2)</sup> | Value Realized on Vesting <sup>(3)</sup> |
| Donald R. Horton  |                                       |   | 391,325   | \$ 15,062,753                            |
| David V. Auld     |                                       |   | 122,567   | \$ 4,687,422                             |
| Michael J. Murray | 16,000                                | \$ 304,065                                | 61,910  | \$ 2,363,563                             |
| Bill W. Wheat     | 36,000                                | \$ 695,192                                | 33,160  | \$ 991,975                               |

- (1) Amounts represent the difference in the aggregate market value and the aggregate exercise price of the shares at the time of exercise.

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(2) For Mr. Horton, the aggregate amount represents the 325,000 units related to the final number of 2017 Performance RSUs vested on September 30, 2017, 3,658 units of time-based RSUs vested on December 1, 2016 for payment of certain withholding taxes, 31,334 units of time-based RSUs vested on February 12, 2017 and 31,333 units of time-based RSUs vested on March 5, 2017. The 2017 Performance RSUs were granted in November 2014 and the time-based RSUs were granted in February 2016 and March 2015.

For Mr. Auld the aggregate amount represents the 97,500 units related to the final number of 2017 Performance RSUs vested on September 30, 2017, 12,534 units of time-based RSUs vested on February 12, 2017 and 12,533 units of time-based RSUs vested on March 5, 2017. The 2017 Performance RSUs were granted in November 2014 and the time-based RSUs were granted in February 2016 and March 2015.

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For Mr. Murray the aggregate amount represents the 48,750 units related to the final number of 2017 Performance RSUs vested on September 30, 2017, 6,580 units of time-based RSUs vested on February 12, 2017 and 6,580 units of time-based RSUs vested on March 5, 2017. The 2017 Performance RSUs were granted in November 2014 and the time-based RSUs were granted in February 2016 and March 2015.

For Mr. Wheat, the aggregate amount represents the 20,000 units of time-based RSUs vested in November 2016, 6,580 units of time-based RSUs vested on February 12, 2017 and 6,580 units of time-based RSUs vested on March 5, 2017. The time-based RSUs were granted in November 2014, November 2015, February 2016 and March 2015. Of the 20,000 time-based RSUs vested in November 2016, Mr. Wheat deferred the settlement of 10,000 RSUs until November 2018 and 10,000 RSUs until November 2019.

(3) For Mr. Horton, the amount represents the number of 2017 Performance RSUs vested multiplied by the closing stock price on September 30, 2017 of \$39.93 per share, the number of time-based RSUs vested in December 2016 multiplied by the closing stock price on December 1, 2016 of \$27.31 per share, the number of time-based RSUs vested in February 2017 multiplied by the closing stock price on February 10, 2017 of \$30.82 per share, and the number of time-based RSUs vested in March 2017 multiplied by the closing stock price on March 3, 2017 of \$32.55 per share.

For Mr. Auld and Mr. Murray, the amounts represent the number of 2017 Performance RSUs vested multiplied by the closing stock price on September 30, 2017 of \$39.93 per share, the number of time-based RSUs vested in February 2017 multiplied by the closing stock price on February 10, 2017 of \$30.82 per share, and the number of time-based RSUs vested in March 2017 multiplied by the closing stock price on March 3, 2017 of \$32.55 per share.

For Mr. Wheat, the amount represents the number of time-based RSUs vested in November 2016 multiplied by the closing stock price on November 4, 2017 of \$28.75 per share, the number of time-based RSUs vested in February 2017 multiplied by the closing stock price on February 10, 2017 of \$30.82 per share, and the number of time-based RSUs vested in March 2017 multiplied by the closing stock price on March 3, 2017 of \$32.55 per share.

**Nonqualified Deferred Compensation Plans**

D.R. Horton has established the following nonqualified deferred compensation plans:

***Deferred Compensation Plan.*** The Deferred Compensation Plan permits participants, including D.R. Horton’s executive officers and directors, to voluntarily defer receipt of up to 100% of bonus or director fee compensation from D.R. Horton and up to 90% of base salary from D.R. Horton. The participants earn a rate of return on their deferred amounts based on their selection from a variety of independently managed funds. The Company does not provide a guaranteed rate of return on these deferred amounts. The rate of return realized depends on the participant’s fund selections and market performance of these funds. Upon his or her annual election, a participant’s Deferred Compensation Plan benefit will be paid, or commence to be paid, upon separation from service or on a fixed date. Specified employees, as defined in Code Section 409A, generally cannot be paid until six months after separation from service (or, if earlier, upon a change in control). Payment may also be made upon death, disability or an unforeseeable emergency. Payments are made in a lump sum unless installments are elected. Amounts payable under the plan are not secured or held in trust, and the plan participants’ rights to enforce payment are the same as a general unsecured creditor. However, upon a change in control (as defined in the Deferred Compensation Plan), all plan benefits will be fully funded through an irrevocable grantor trust (also known as a Rabbi trust). The participants, at their election, may choose to have the deferred amounts paid out through scheduled in-service distributions (in a lump sum or annual installments of between two and five years) or following the later of termination of employment, director service or attaining the age of 62. The Deferred Compensation Plan was adopted and approved by the Compensation Committee and ratified by the Board of Directors.

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**SERP 2.** Unlike the Deferred Compensation Plan, these are not elective deferrals, but rather the Company credits an amount to each participant's account. Participation in the SERP 2 is considered by the Compensation Committee annually at the beginning of the fiscal year. Pursuant to the SERP 2, if the executive is employed by the Company on the last day of a fiscal year, then the Company will establish a liability to such executive equal to 10% of his or her annual base salary as of the first day of such fiscal year. This liability will accrue earnings in future years at a rate established by the administrative committee for the SERP 2. Amounts payable under the SERP 2 are not secured or held in trust, and the plan participants' rights to enforce payment are the same as a general unsecured creditor. Amounts deferred under the SERP 2 are payable within 60 days following the retirement or termination of employment of the participant, the death or disability of the participant or a change in control of the Company. Provided however, specified employees, as defined in Code Section 409A, generally cannot be paid until six months after separation from service (or, if earlier, upon a change in control). The definition of change in control is described in *Potential Payments Upon Termination or Change in Control* on page 51. The form of distribution may be in a lump sum, or in quarterly installments over a period not to exceed five years, as elected by the participant.

The following table shows, for each named executive officer, aggregate contributions, earnings and withdrawals/distributions during fiscal 2017 and outstanding balances as of September 30, 2017 under all of our nonqualified deferred compensation plans.

**Nonqualified Deferred Compensation**

| Name              | Company<br>Contributions in<br>Fiscal 2017 |                     | Aggregate Earnings<br>in Fiscal 2017         |                     | Aggregate Balance at<br>September 30, 2017   |                     |
|-------------------|--|---------------------|--|---------------------|--|---------------------|
|                   | Deferred Cash<br>Compensation              | SERP <sup>(1)</sup> | Deferred Cash<br>Compensation <sup>(2)</sup> | SERP <sup>(3)</sup> | Deferred Cash<br>Compensation <sup>(4)</sup> | SERP <sup>(5)</sup> |
| Donald R. Horton  |  | \$ 100,000          | \$ 724,170                                   | \$ 330,495          | \$ 9,121,170                                 | \$ 3,614,059        |
| David V. Auld     |  | \$ 70,000           |  | \$ 148,696          |  | \$ 1,651,046        |
| Michael J. Murray |  | \$ 50,000           | \$ 10,578                                    | \$ 51,059           | \$ 60,859                                    | \$ 592,900          |
| Bill W. Wheat     |  | \$ 50,000           |  | \$ 82,834           |  | \$ 930,751          |

- (1) Represents the amount of unfunded, unsecured liabilities credited by the Company on behalf of each participant in fiscal 2017 under the SERP 2. Such amount is also included in the *All Other Compensation* column of the *Summary Compensation Table* on page 44.
- (2) Represents the net amount of earnings on the balance of the participant's account that is the result of the performance of a variety of independently managed funds available to and selected by each participant under the Deferred Compensation Plan. The Company does not provide a guaranteed or fixed rate of return on these funds. The rate of return on these funds depends on the participant's investment selections and on the market performance of these funds. These amounts are not included in the *Summary Compensation Table* on page 44 because such amount was not preferential or above-market.
- (3) Represents the amount of earnings on the balance of the participant's account at a rate determined by the SERP 2 plan administrative committee, typically 10% per annum. The portion of earnings considered above-market are included in the *Change in Pension Value and Nonqualified Deferred Compensation Earnings* column of the *Summary Compensation Table* on page 44. The above-market portion of earnings for each of the above individuals for fiscal 2017 is: Mr. Horton: \$255,991; Mr. Auld: \$115,176; Mr. Murray: \$39,549; and Mr. Wheat: \$64,161.
- (4) These balances of deferred compensation represent compensation earned in prior years and were included in the Summary Compensation Table in prior year proxy statements in the year earned, to the extent applicable.

- (5) Includes amounts of unfunded, unsecured liabilities and the related earnings accrued by the Company on behalf of each participant with respect to the current and prior fiscal years under the SERP 2.

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**Potential Payments Upon Termination or Change in Control**

None of our named executive officers has employment or change in control agreements with us specifically providing for payments upon involuntary termination of their employment. However, certain of our benefit and incentive plans contain various provisions regarding termination of employment or change in control. Any additional severance payments would be at the discretion of the Compensation Committee and determined at the time of termination. The following is a summary of the treatment of benefits under our benefit plans for various reasons for termination, including upon a change in control.

Generally, our benefit plans define *cause* as a violation of the standards of employee conduct set forth in our employee manual and *change in control* as the occurrence of any of the following events:

(i) Our merger, consolidation or reorganization into another entity if our stockholders immediately before such transaction do not, immediately after such transaction, own more than 50% of the combined voting power of the outstanding voting securities resulting from such transaction and in substantially the same proportion as their stock ownership prior to the transaction;

(ii) We sell all or substantially all of our assets to another entity or we completely liquidate or dissolve;

(iii) A person (as defined by Section 13(d)(3) or Section 14(d)(2) of the Exchange Act) becomes the beneficial owner (as the term *beneficial owner* is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 20% or more of the combined voting power of the then outstanding voting securities (the threshold for amounts deposited under our SERP 2 plan on or after January 1, 2005 is 50% or 35% acquired in a single transaction or series of transactions in any 12-month period); and

(iv) During any two-year period, a majority of the members of the Board serving at the date of the most recent approval of our benefit plan by stockholders is replaced by members of the Board who are not nominated and approved by the Board.

For purposes of calculating beneficial ownership pursuant to this paragraph, no voting securities held by our Chairman, Donald R. Horton, as of the date of the adoption of the plan in question or received in any merger transaction shall be included in the calculation.

***2006 Stock Incentive Plan***

Our D.R. Horton 2006 Stock Incentive Plan allows or provides for accelerated vesting of all outstanding unvested restricted stock units and options granted under the plan in the event of a change in control or in the event of a participant's death, disability or retirement at the retirement age specified in the plan and the participant or his or her beneficiary, as applicable, will be entitled to exercise such options for a period of one year in the event of retirement or two years in the event of death or disability. In the event the participant's employment is terminated by the Company without cause or by the participant voluntarily, the participant will be entitled to exercise any options vested as of the date of termination for a period of three months following such termination. If the participant is terminated by the Company for cause, all options will immediately terminate and the participant will forfeit all vested options.

***Amended and Restated Supplemental Executive Retirement Plan No. 2 (SERP 2)***

Under the SERP 2, all amounts deferred shall be paid (either in lump sum or in quarterly installments as elected by the participant) within 60 days following the date of the participant's retirement or termination of employment, disability, death or change in control of the Company; provided, however, specified employees, as such term is defined in Section 409A of the Internal Revenue Code, must wait six months following termination of employment before payments accrued on or after January 1, 2005 can be made. In the event the Company terminates a participant for cause, all benefits under the SERP 2 will be forfeited and no payments will be made to the participant. In the event of a change in control, all amounts deferred shall be paid (in accordance with the participant's election) within 60 days following the date of the change in control.

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Notwithstanding the foregoing, a participant's election as to form of payment (lump sum or installment) must have been made at least 12 months prior to distribution. If a termination event occurs and no election has been made, the distributions of pre-2005 accruals will be made on the first day of the 13th month following the date of election, and the distribution of post-2004 accruals will be made in a lump sum upon termination of employment (or six months later for specified employees).

***Table Potential Payments Upon Termination or Change in Control***

The following table reflects amounts of compensation to be paid to each of the named executive officers in the event of termination of employment or change in control. Because neither the Company nor any of its plans provides for additional benefits related to a change in control termination, if such a termination is triggered, the payments would be as set forth under the applicable column under *Termination of Employment*.

The amounts in the table assume a termination date of September 30, 2017, the last day of our fiscal year, and, if applicable, are based on the closing price of our common stock of \$39.93 on September 30, 2017. Because only Mr. Horton was at the normal retirement age (65 years old) on September 30, 2017, we only included amounts payable upon retirement for him. These amounts are estimates of payments to executives upon termination of employment or a change in control. Actual amounts can only be determined at the time of such executive's actual separation from the Company or change in control. Factors that could affect these amounts include the timing during the year of any such event, the company's stock price and the executive's age. Amounts to be provided to an executive under arrangements that do not discriminate in scope, terms or operation in favor of our executive officers and are available to all salaried employees are not included in the following table in accordance with SEC regulations.

In addition to the amounts set forth below, each of the named executive officers would be entitled to receive, upon certain termination events or a change in control, a distribution of his or her outstanding balance of compensation earned in prior years and deferred, at the executive officer's option, under our Deferred Compensation Plan. The balances of such accounts are set forth and explained in the *Nonqualified Deferred Compensation* table on page 50.



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The table reflects compensation to be paid based on the listed events if such events occurred on September 30, 2017.

**Potential Payments Upon Termination or Change in Control**

| Name                     | Payments and Benefits                              | Termination of Employment |                           |                    |                 |                          | Change in Control (\$) |
|--------------------------|--|---------------------------|---------------------------|--------------------|-----------------|--------------------------|------------------------|
|                          |  | Voluntary (\$)            | Normal Retirement (\$)(4) | Without Cause (\$) | With Cause (\$) | Death or Disability (\$) |                        |
| <b>Donald R. Horton</b>  | Severance Pay:                                     |                           |                           |                    |                 |                          |                        |
|                          | Cash   |                           |                           |                    |                 |                          |                        |
|                          | Equity   |                           |                           |                    |                 |                          |                        |
|                          | 2018 Restricted Stock Units <sup>(1)</sup>         | 5,323,987                 | 5,323,987                 | 5,323,987          |                 | 5,323,987                | 5,323,987              |
|                          | 2019 Restricted Stock Units <sup>(2)</sup>         | 2,661,973                 | 2,661,973                 | 2,661,973          |                 | 2,661,973                | 2,661,973              |
|                          | Vesting of Equity Awards:                          |                           |                           |                    |                 |                          |                        |
|                          | Stock Options                                      |                           |                           |                    |                 |                          |                        |
|                          | Time-Vesting Restricted Stock Units <sup>(3)</sup> |                           | 6,839,330                 |                    |                 | 6,839,330                | 6,839,330              |
|                          | Payments of SERP 2 Contributions                   | 3,614,059                 | 3,614,059                 | 3,614,059          |                 | 3,614,059                | 3,614,059              |
|                          | <b>Total</b>                                       | <b>11,600,019</b>         | <b>18,439,349</b>         | <b>11,600,019</b>  |                 | <b>18,439,349</b>        | <b>18,439,349</b>      |
| <b>David V. Auld</b>     | Severance Pay:                                     |                           |                           |                    |                 |                          |                        |
|                          | Cash   |                           |                           |                    |                 |                          |                        |
|                          | Equity   |                           |                           |                    |                 |                          |                        |
|                          | 2018 Restricted Stock Units <sup>(1)</sup>         | 2,662,013                 |                           | 2,662,013          |                 | 2,662,013                | 2,662,013              |
|                          | 2019 Restricted Stock Units <sup>(2)</sup>         | 1,330,987                 |                           | 1,330,987          |                 | 1,330,987                | 1,330,987              |
|                          | Vesting of Equity Awards:                          |                           |                           |                    |                 |                          |                        |
|                          | Stock Options                                      |                           |                           |                    |                 | 1,626,000                | 1,626,000              |
|                          | Time-Vesting Restricted Stock Units <sup>(3)</sup> |                           |                           |                    |                 | 2,852,959                | 2,852,959              |
|                          | Payments of SERP 2 Contributions                   | 1,651,046                 |                           | 1,651,046          |                 | 1,651,046                | 1,651,046              |
|                          | <b>Total</b>                                       | <b>5,644,046</b>          |                           | <b>5,644,046</b>   |                 | <b>10,123,005</b>        | <b>10,123,005</b>      |
| <b>Michael J. Murray</b> | Severance Pay:                                     |                           |                           |                    |                 |                          |                        |
|                          | Cash   |                           |                           |                    |                 |                          |                        |
|                          | Equity   |                           |                           |                    |                 |                          |                        |
|                          | 2018 Restricted Stock Units <sup>(1)</sup>         | 798,600                   |                           | 798,600            |                 | 798,600                  | 798,600                |
|                          | 2019 Restricted Stock Units <sup>(2)</sup>         | 399,300                   |                           | 399,300            |                 | 399,300                  | 399,300                |
|                          | Vesting of Equity Awards:                          |                           |                           |                    |                 |                          |                        |
|                          | Stock Options                                      |                           |                           |                    |                 | 1,277,080                | 1,277,080              |
|                          | Time-Vesting Restricted Stock Units <sup>(3)</sup> |                           |                           |                    |                 | 3,023,100                | 3,023,100              |
|                          | Payments of SERP 2 Contributions                   | 592,900                   |                           | 592,900            |                 | 592,900                  | 592,900                |
|                          | <b>Total</b>                                       | <b>1,790,800</b>          |                           | <b>1,790,800</b>   |                 | <b>6,090,980</b>         | <b>6,090,980</b>       |
| <b>Bill W. Wheat</b>     | Severance Pay:                                     |                           |                           |                    |                 |                          |                        |
|                          | Cash   |                           |                           |                    |                 |                          |                        |
|                          | Equity   |                           |                           |                    |                 |                          |                        |
|                          | Vesting of Equity Awards:                          |                           |                           |                    |                 |                          |                        |
|                          | Stock Options                                      |                           |                           |                    |                 | 1,626,000                | 1,626,000              |
|                          | Time-Vesting Restricted Stock Units <sup>(3)</sup> | 1,197,900                 |                           | 1,197,900          |                 | 5,418,900                | 5,418,900              |
|                          | Payments of SERP 2 Contributions                   | 930,751                   |                           | 930,751            |                 | 930,751                  | 930,751                |

|              |                  |                  |                  |                  |
|--------------|------------------|------------------|------------------|------------------|
| <b>Total</b> | <b>2,128,651</b> | <b>2,128,651</b> | <b>7,975,651</b> | <b>7,975,651</b> |
|--------------|------------------|------------------|------------------|------------------|

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- (1) Under the 2006 Stock Incentive Plan, as amended and restated, Mr. Horton, Mr. Auld and Mr. Murray were awarded a target number of 200,000, 100,000 and 30,000 2018 Performance RSUs, respectively, for the performance period of October 1, 2015 through September 30, 2018. Pro-rata vesting may occur based on the number of months served from October 1, 2015 in the event of voluntary termination, normal retirement or without cause termination after completion of the performance period. With respect to death or disability, the 2018 Performance RSUs vest pro-rata based on time passed. Upon a change in control, the Committee may accelerate vesting of part or all of the 2018 Performance RSUs. With respect to an event of voluntary termination, normal retirement, without cause termination, death, disability or a change in control, the 2018 Performance RSUs are valued at \$39.93 per unit, the closing price of our stock on September 30, 2017. The value in the table reflects pro-rata vesting (two of three years completed) based on time passed as if an event of voluntary termination, normal retirement, without cause termination, death, disability or a change in control had occurred on September 30, 2017.
- (2) Under the 2006 Stock Incentive Plan, as amended and restated, Mr. Horton, Mr. Auld and Mr. Murray were awarded a target number of 200,000, 100,000 and 30,000 2019 Performance RSUs, respectively, for the performance period of October 1, 2016 through September 30, 2019. Pro-rata vesting may occur based on the number of months served from October 1, 2016 in the event of voluntary termination, normal retirement or without cause termination after completion of the performance period. With respect to death or disability, the 2019 Performance RSUs vest pro-rata based on time passed. Upon a change in control, the Committee may accelerate vesting of part or all of the 2019 Performance RSUs. With respect to an event of voluntary termination, normal retirement, without cause termination, death, disability or a change in control, the 2019 Performance RSUs are valued at \$39.93 per unit, the closing price of our stock on September 30, 2017. The value in the table reflects pro-rata vesting (one of three years completed) based on time passed as if an event of voluntary termination, normal retirement, without cause termination, death, disability or a change in control had occurred on September 30, 2017. The 2019 Performance RSUs are discussed in more detail under the heading *2017 Fiscal Year Award of 2019 Performance Restricted Stock Units Potential Vesting at September 30, 2019 and Award of Restricted Stock Units Time-Based Vesting* on page 33.
- (3) Under the 2006 Stock Incentive Plan, as amended and restated, in November 2014 Mr. Wheat was awarded 30,000 time-vesting RSUs, in March 2015 Mr. Horton, Mr. Auld, Mr. Murray and Mr. Wheat were awarded 94,000, 37,600, 32,900 and 32,900 time-vesting RSUs, respectively, in November 2015 Mr. Wheat was awarded 30,000 time-vesting RSUs, in February 2016 Mr. Horton, Mr. Auld, Mr. Murray and Mr. Wheat were awarded 94,000, 37,600, 32,900 and 32,900 time-vesting RSUs, respectively, in November 2016 Mr. Wheat was awarded 30,000 time-vesting RSUs and in February 2017 Mr. Horton, Mr. Auld, Mr. Murray and Mr. Wheat were awarded 84,600, 33,850, 29,650 and 29,650 time-vesting RSUs, respectively. The time-vesting RSUs are valued at \$39.93 per unit, the closing price of our stock on September 30, 2017. The value in the table reflects accelerated vesting if an event of voluntary termination, normal retirement, termination without cause, death or disability, or change in control had occurred on September 30, 2017. Additional information on the time-vesting RSUs is set forth in footnote 3 to the *Grants of Plan-Based Awards* table on page 46.
- (4) Because only one of our named executive officers has reached the normal retirement age (65 years old) under our applicable plans on September 30, 2017, we only included amounts under the *Normal Retirement* column for that one officer.

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**CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS**

We have a written Corporate Code of Business Conduct and Ethics. It requires that all directors and employees are expected to avoid relationships that present a potential or actual conflict between his or her personal interest and the interest of the Company. We generally review related-party transactions regarding our directors and executive officers in a similar manner as we review relationships that may give rise to a conflict of interest, provided there may be certain related-party transactions that may be approved, ratified, or in compliance with Company programs we make available to our directors, officers and employees. Generally, a *conflict of interest* exists whenever an individual's personal or private interests interfere or conflict with the interests of the Company. A conflict situation can arise when a director or employee takes action or has personal interests that may make it difficult to perform Company work or make Company decisions objectively or effectively. Conflicts of interest may also arise when a director or employee, or member of his or her immediate family receives improper personal benefits as a result of his or her position with the Company, whether received from the Company or a third party.

To avoid conflicts of interest, or improper related-party transactions, each director or executive officer must disclose to the Company's Chief Legal Officer or Corporate Compliance Officer any transaction or relationship that reasonably could be expected to give rise to a conflict of interest or related-party transaction. The Chief Legal Officer or Corporate Compliance Officer then reviews the transaction, and if necessary, reports the transaction to a committee of the Board of Directors composed of independent directors. Related-party transactions that comply with Company programs or are determined to be on similar terms as transactions of the same nature with unrelated parties and, that in either case, do not present an improper conflict of interest, do not require independent committee approval or ratification, provided the transaction is reviewed by our Chief Legal Officer or Corporate Compliance Officer and one of them determined the transaction to be in compliance.

In December 2016, Michael J. Murray, the Company's Chief Operating Officer, entered into a contract with the Company to build a home for his personal residence on a lot owned by him. The current value of construction is expected to be approximately \$3,100,000. The home is currently under construction and is expected to be completed in early 2018. This transaction was reviewed by the Corporate Compliance Officer and determined to be in compliance with the Company's program that is available to all employees and directors.

In December 2016, Ryan Horton, the son of Donald R. Horton, the Company's Chairman, closed on the purchase of a home constructed by the Company on a lot owned by him. The value of the construction was \$1,508,000. This transaction was reviewed by the Corporate Compliance Officer and determined to be on similar terms as transactions of the same nature.

In May 2017, the Company entered into a contract to purchase approximately 192 acres of land in Josephine, Texas from Double R Land Company, L.L.C. ( *Double R* ) for \$4,800,000. Double R is owned by Ryan Horton and Reagan Horton, the adult sons of Donald R. Horton. In August 2017, the Company closed on the purchase of approximately 43 of these acres for \$143,500. This transaction was reviewed by the Corporate Compliance Officer and determined to be on similar terms as transactions of the same nature with unrelated parties.

In June 2017, the Company entered into a contract with Double R to purchase approximately 354 acres of land in Caddo Mills, Texas for \$6,189,750. The Company has paid \$25,000 into an escrow account as earnest money for the contract. This transaction was reviewed by the Corporate Compliance Officer and determined to be on similar terms as transactions of the same nature with unrelated parties.

John Auld, the son of David V. Auld, the Company's Chief Executive Officer, is employed by the Company at the Orlando Division. For fiscal 2017, John Auld earned cash compensation of \$167,416 and equity compensation valued at \$28,620. His compensation is consistent with the total compensation provided to other employees of the same level with similar responsibilities.

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**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During our fiscal year ended September 30, 2017, D.R. Horton's Compensation Committee was composed of Barbara K. Allen, Brad S. Anderson, Michael R. Buchanan and Michael W. Hewatt, with Mr. Anderson serving as its Chairman. None of the members of the Compensation Committee has served the Company in any capacity other than as a member of our board or a member of a committee thereof. In addition, none of our executive officers served as a director of any other entity one of whose executive officers served as a director of D.R. Horton.

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**PROPOSAL TWO**

**ADVISORY VOTE ON THE APPROVAL OF EXECUTIVE COMPENSATION**

Our stockholders are being asked to approve a non-binding advisory resolution on the compensation of our named executive officers, as disclosed in this Proxy Statement. Although this say-on-pay resolution is non-binding, our Board of Directors and Compensation Committee welcome your opinion and will consider the result of the vote when making future compensation decisions.

At our Annual Meeting of Stockholders held on January 19, 2017, our stockholders voted in favor of a resolution to approve, on an advisory basis, the compensation of the Company's named executive officers disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables, notes and narrative in our Proxy Statement for the Company's 2017 Annual Meeting of Stockholders. Approximately 94.16% of votes cast voted in favor of the advisory resolution on executive compensation.

At our Annual Meeting of Stockholders held on January 26, 2012, our stockholders elected to have an advisory vote on executive compensation every year. We have included advisory resolution in this Proxy Statement to obtain our stockholders' input on whether to have an advisory vote on executive compensation every year, every second year or every third year in the future (*see Proposal Three on page 58*).

We encourage you to read the Compensation Discussion and Analysis beginning on page 22 of this Proxy Statement, which describes in detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table and other related compensation tables, notes and narrative, appearing on pages 44 through 54, which provide detailed information on the compensation of our named executive officers.

We believe that our current executive compensation program achieves an appropriate balance of short-term and long-term compensation incentives, reinforces the link between executive pay and the Company's long-term performance and stock value, and thereby aligns the interests of our named executive officers with those of stockholders.

In accordance with Section 14A of the Exchange Act, and as a matter of good corporate governance, we are asking stockholders to approve the following advisory resolution at the 2018 Annual Meeting:

**RESOLVED**, that the stockholders of D.R. Horton, Inc. (*the Company*) approve, on an advisory basis, the compensation of the Company's named executive officers disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables, notes and narrative in the Proxy Statement for the Company's 2018 Annual Meeting of Stockholders.

**The Board of Directors Unanimously Recommends that Stockholders Vote FOR**

**Approval of the Advisory Resolution on Executive Compensation.**

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**PROPOSAL THREE**

**ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES**

**ON EXECUTIVE COMPENSATION**

Pursuant to Section 14A of the Exchange Act, we are asking stockholders to vote an advisory resolution regarding whether future advisory votes on executive compensation like Proposal Two should occur every year, every two years or every three years. This vote is not binding on the Board of Directors. After consideration, the Board has determined that continuing to hold an advisory vote on executive compensation every year is appropriate for the Company at this time, and recommends that stockholders vote to hold such future advisory votes each year.

This non-binding say-on-frequency vote is required at least once every six years. At our 2012 Annual Meeting, over 88% of votes cast supported holding future advisory votes on executive compensation every year.

While our Company's executive compensation program is designed to reinforce the link between executive pay and our long-term performance and stock value, the Board recognizes that executive compensation disclosures are made annually. An advisory vote on an annual basis is also consistent with our practice of annual elections for all directors and annual ratification of our independent registered public accounting firm.

In the event the Board decides to make changes to our executive compensation program following a stockholder advisory vote, you should note that because the advisory vote occurs well after the beginning of the compensation year, and because the different elements of our executive compensation program are designed to operate in an integrated manner and to complement one another, in many cases it may not be appropriate or feasible to implement such changes by the time of the following year's annual meeting of stockholders.

We understand that our stockholders may have different views as to what is an appropriate frequency for advisory votes on executive compensation. Although this advisory vote is not binding on the Board, we will carefully review the voting results on this proposal. Notwithstanding the Board's recommendation and the outcome of the stockholder vote, the Board may in the future decide to conduct advisory votes on a more or less frequent basis and may vary its practice based on factors such as discussions with stockholders and the adoption of material changes to compensation programs.

You may specify one of four choices for this proposal on the proxy card: one year, two years, three years or abstain. You are not voting to approve or disapprove the Board's recommendation.

**The Board of Directors Unanimously Recommends that Stockholders Vote to Conduct Future**

**Advisory Votes on Executive Compensation EACH YEAR.**

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**PROPOSAL FOUR**  
**APPROVAL OF THE MATERIAL TERMS OF THE**  
**PERFORMANCE CRITERIA UNDER OUR**  
**2017 INCENTIVE BONUS PLAN**

D.R. Horton's stockholders most recently approved the performance criteria under the D.R. Horton, Inc. Amended and Restated 2000 Incentive Bonus Plan ( *2000 Plan* ) at the Company's Annual Meeting of Stockholders on January 24, 2013. On December 11, 2017, our Board of Directors amended and restated the 2000 Plan, approving certain changes to the 2000 Plan, including changing the name of the 2000 Plan to the D.R. Horton, Inc. 2017 Incentive Bonus Plan (the *2017 Incentive Plan* ). The 2017 Incentive Plan is in substance and purpose the same as the 2000 Plan. The only changes made to the 2000 Plan are underlined in the 2017 Incentive Plan attached to this Proxy Statement as *Appendix A*.

The Company is hereby submitting the material terms of the performance criteria or performance goals under our 2017 Incentive Plan to our stockholders for approval to satisfy the requirements under Section 162(m) of the Internal Revenue Code ( *Code* ). We are not asking stockholders to approve any specific amendment to the 2017 Incentive Plan or to approve the 2017 Incentive Plan itself.

The 2017 Incentive Plan provides the Company with an incentive bonus plan that allows it to remain competitive in attracting and retaining highly skilled executive talent, and continuing to financially motivate its senior managers to achieve its goals. We believe it is in the best interest of the Company and its stockholders for bonuses awarded under the 2017 Incentive Plan to be fully deductible for federal income tax purposes as a business expense. The 2017 Incentive Plan is intended to allow the Company to grant bonuses that satisfy the requirements of Section 162(m) of the Code based on the law as of the date of this Proxy Statement.

Section 162(m) of the Code generally disallows a tax deduction for compensation in excess of \$1,000,000 paid in any one year to a company's chief executive officer or any of the company's three other most highly compensated executive officers (other than the company's chief financial officer), currently with exceptions for qualified performance-based compensation. One of the requirements of performance-based compensation for purposes of Section 162(m) is that the material terms of the performance goals under which compensation may be paid be disclosed to and approved by the company's stockholders at least once every five years. For purposes of Section 162(m), the material terms include (i) the employees eligible to receive compensation, (ii) the maximum amount of compensation that can be paid to an employee if the performance goal is attained and (iii) a description of the business criteria on which the performance goal is based.

Although it is the Company's intention that amounts paid under the 2017 Incentive Plan qualify as performance-based compensation, because of ambiguities and uncertainties as to the application and interpretation of Section 162(m) and related regulations and because the tax laws may change, potentially with retroactive effect, there can be no guarantee that amounts payable under the 2017 Incentive Plan will qualify as tax-deductible performance-based compensation under Section 162(m), and the Company reserves the right to pay bonuses that are not tax deductible under Section 162(m).

The material terms of the performance goals under the 2017 Incentive Plan are discussed below. Stockholder approval of this Proposal Four will be deemed to constitute approval of each of the material terms of the performance criteria under the 2017 Incentive Plan for purposes of the approval requirements of Section 162(m) of the Code.

The following is a summary of the 2017 Incentive Plan and is qualified in its entirety by the full text of the 2017 Incentive Plan, a copy of which is attached to this Proxy Statement as *Appendix A*.



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### **Description of 2017 Incentive Plan**

#### ***Eligible Participants***

Executive officers of the Company, or any other officer of the Company or any of its affiliates serving as a region or division president or manager or in another senior management position ( *Senior Executives* ), are eligible to participate in the 2017 Incentive Plan. Membership on the Board of Directors of the Company does not make a Senior Executive ineligible for an award under the 2017 Incentive Plan.

Approximately 72 employees are currently eligible to participate in the 2017 Incentive Plan. The Compensation Committee (or an authorized designee) determines which Senior Executives will participate in the 2017 Incentive Plan.

#### ***Maximum Amount Payable under the 2017 Incentive Plan***

Under the 2017 Incentive Plan, performance periods may be based on one or more months, quarters or years, and the following maximums apply. If an award is payable based on one or more monthly or quarterly performance periods, the maximum award payable to any one Covered Employee (as defined in the 2017 Incentive Plan) with respect to any such performance period shall not exceed the sum of (i) 2% of Adjusted Pre-Tax Income for such performance period (but not below \$0) and (ii) \$8 million, provided that no Covered Employee may receive both monthly target awards and a quarterly target award with respect to the same quarter under prong (i) and the maximum payout for all monthly, quarterly, or annual performance periods in a fiscal year under prong (ii) shall not exceed \$8 million. Notwithstanding the prior sentence, if the performance period is the month of December, the maximum award payable to any one Covered Employee shall not exceed the sum of (i) 6% of Adjusted Pre-Tax Income for such performance period (but not below \$0) and (ii) \$8 million, provided that no other award under prong (i) of the prior sentence shall be paid for the quarter (or months therein) that includes December and the maximum payout for all monthly, quarterly, or annual performance periods in a fiscal year under prong (ii) shall not exceed \$8 million. Furthermore, if an award is payable based on a fiscal year, the maximum award payable to any one Covered Employee with respect to the fiscal year performance period shall not exceed the sum of (i) 2% of Adjusted Pre-Tax Income for such fiscal year (but not below \$0) and (ii) \$8 million, provided that any amounts paid under prong (i) of the above-referenced monthly or quarterly performance period maximums during the same fiscal year shall reduce, dollar for dollar, the maximum amount payable under prong (i) of the maximum annual performance period award, and provided further that the maximum payout for all monthly, quarterly, and annual performance periods in a fiscal year under prong (ii) of the above formulas shall not exceed \$8 million.

In addition, the maximum amount payable over any performance period under a long-term award (covering two or more fiscal years) pursuant to the 2017 Incentive Plan shall not exceed the sum of 2% of Adjusted Pre-Tax Income for such long-term performance period (but not less than \$0) and \$8 million.

Moreover, the amount payable under any short-term award (covering a monthly, quarterly, or annual performance period) covering the same or an overlapping time period as a long-term award shall reduce, dollar for dollar, the maximum amount payable to any Covered Employee for such long-term performance period, such that the maximum award a Covered Employee may receive under an overlapping short-term and long-term performance period is the sum of (i) the greater of 2% of Adjusted Pre-Tax Income for such short-term performance period or 2% of Adjusted Pre-Tax Income for such long-term performance period, plus (ii) \$8 million.

*Adjusted Pre-Tax Income* under the 2017 Incentive Plan refers to income before income taxes, excluding inventory impairments and land option cost write-offs and goodwill impairments, as publicly reported by the Company in its consolidated financial statements prepared in accordance with generally accepted accounting principles.

Prior to the payment of any compensation intended to qualify as performance-based compensation under Section 162(m) of the Code, the Compensation Committee must certify in writing the attainment of the performance criteria for the performance period.

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***Awards and Performance Criteria under the 2017 Incentive Plan***

The Compensation Committee establishes target award levels and performance criteria for each performance period in which awards are made under the 2017 Incentive Plan. The Compensation Committee must base the performance criteria for a performance period on any one or more of the following measures, applied to either the Company as a whole or to any business unit, region, division, or subsidiary, either individually, alternatively, or in any combination, and measured either monthly, quarterly, annually, or cumulatively over a period of years, on an absolute basis or relative to (including ranking to) a pre-established target, to previous years' results, or to a designated comparison group, in each case as specified by the Compensation Committee.

The following measures are the performance criteria or goals under the 2017 Incentive Plan:

|  |   |   |
|--|---|---|
| cash flow (before or after dividends)  | market capitalization   | gross margin, gross profit, operating margin or profit margin |
| earnings per share (including, without limitation, earnings before interest, taxes, depreciation and amortization) | debt leverage (debt to capital) or access to capital          | return on operating revenue or return on operating assets     |
| stock price  | gross or net revenue  | cost of sales   |
| return on equity   | sales, net sales or closings                                  | cash from operations  |
| equity improvement   | backlog   | operating ratio   |
| stockholder return or total stockholder return   | inventory, land or lot improvement or reduction               | operating revenue or return on revenue                        |
| return on capital (including, without limitation, return on total capital or return on invested capital)           | asset turnover  | market share improvement                                      |
| return on investment   | income, pre-tax income, adjusted pre-tax income or net income | sales cancellations   |
| return on inventory  | operating income or pre-tax profit                            | dividend or dividend yield                                    |

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return on assets or net assets

operating profit, operating profit before  
non-cash charges and asset valuation, net  
operating profit or economic profit

general, selling and administrative expenses  
improvement or containment

customer service

economic value added

The 2017 Incentive Plan further provides that the Compensation Committee may appropriately adjust any evaluation of performance under a performance measure to exclude any of the following events that occurs during a performance period: (i) litigation, claims, judgments or settlements; (ii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; (iii) non-cash charges related to impairments, write-offs or asset valuation; (iv) corporate overhead charges; (v) accruals for reorganization and restructuring programs; (vi) adjustments related to deferred tax assets; and (vii) other material items that are treated as unusual in nature or infrequently occurring (A) under generally accepted accounting principles, (B) as described in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report to stockholders for the applicable year or years, or (C) publicly announced by the Company in a press release or conference call relating to the Company's results of operations or financial condition for a completed quarterly, annual, or multi-year fiscal period. The Compensation Committee also may take into account normalization related adjustments to the performance criteria if necessary to provide a relevant and consistent comparison to the performance criteria of the Company's peer group or other comparison.

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In general, awards earned under the 2017 Incentive Plan will be paid in cash; provided, however, that the Compensation Committee, in its sole discretion, may elect to satisfy payment in whole or in part by the delivery of a number of shares of our common stock or restricted stock units with a fair market value equal to the dollar amount of the award earned. Any shares or restricted stock units delivered in settlement of an award under the 2017 Incentive Plan will be granted under the Company's 2006 Stock Incentive Plan, as amended from time to time, and will reduce the number of shares available for issuance under the 2006 Stock Incentive Plan, as amended from time to time, in accordance with the terms thereof.

The Company generally pays awards as soon as practicable after a performance period, but in any event no later than the 15<sup>th</sup> day of the third month following the end of the year in which the award is earned, except to the extent awards are timely deferred by participants under arrangements with the Company. Unless otherwise provided by the Compensation Committee, awards will be prorated for persons ceasing to be Senior Executives (other than by dismissal) and for termination of a Senior Executive due to death, disability, retirement, leave of absence, or resignation, during a performance period as well as for persons disabled for more than three months of the applicable performance period.

The Compensation Committee can adjust awards, upward or downward (subject to the maximums discussed above), for participants based on individual performance, change in status, and on the basis of such quantitative and qualitative performance measures and evaluations, as it deems appropriate. The Compensation Committee, however, may not adjust awards intended to qualify as performance-based compensation payable to Section 162(m) Covered Employees in a manner that would increase the value of the award.

## **Change in Control**

Within fifteen business days following a change in control of the Company, as defined in the 2017 Incentive Plan, each participant who has been granted an award under the 2017 Incentive Plan for the performance period in which the change in control occurs will be paid a pro rata bonus equal to the award the participant would have earned for that performance period, assuming continued achievement of the performance criteria at the rate achieved as of the latest month-end before the date of the change in control, pro-rated for the number of days worked in the period up to the date of the change in control.

## **Other Provisions**

The Compensation Committee has the full power and discretion to administer and interpret the 2017 Incentive Plan and to establish rules for the administration of the 2017 Incentive Plan. Each of the members of the Compensation Committee must qualify as an outside director under Section 162(m) of the Code. Except with respect to Covered Employees, the Compensation Committee can delegate all or any of its responsibilities and powers to any one or more of its members, or to any person or committee selected by it.

The Board of Directors, or a committee of the Board of Directors, may modify or terminate the 2017 Incentive Plan at any time, provided that no modification or termination may, in the absence of written consent of the affected participant, adversely affect the rights of the participant in respect of any target award established prior to the date of the modification or termination.

Nothing contained in the 2017 Incentive Plan prevents the Compensation Committee from adopting other or additional compensation arrangements that provide for bonuses or other forms of compensation for the Company's Senior Executives or other employees regardless of stockholder approval of the material terms of performance criteria under our 2017 Incentive Plan. Such other arrangements may or may not qualify for deductibility under Section 162(m) of the Code and may be either applicable only for specific executives, directors or employees or may be generally applicable.

Awards paid under the 2017 Incentive Plan may be subject to clawback in accordance with any recoupment policy that the Company adopts or is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable law.

**Table of Contents****New Plan Benefits & Existing Plan Benefits**

Future benefits under the 2017 Incentive Plan are not currently determinable. For informational purposes, the table below sets forth the awards payable under the 2000 Plan for the year ended September 30, 2017 to each of our named executive officers, all current executive officers as a group, and all employees, including all current officers who are not executive officers, as a group. Non-employee directors are not eligible to participate in the 2000 Plan.

| Name                           | Dollar Amount               |
|--------------------------------|-----------------------------|
| Donald R. Horton               | \$ 9,612,519 <sup>(1)</sup> |
| David V. Auld                  | \$ 5,607,303 <sup>(1)</sup> |
| Michael J. Murray              | \$ 1,602,087 <sup>(1)</sup> |
| Bill W. Wheat <sup>(2)</sup>   |                             |
| Executive officers as a group  | \$ 16,821,909               |
| All current eligible employees | \$ 16,821,909               |

(1) Amount includes the 2017 annual incentive bonus paid for the year ended September 30, 2017 (see the heading *2017 Fiscal Year Annual Incentive Bonus Results and Payout* on page 28).

(2) Mr. Wheat is not compensated under the 2000 Plan. See the heading *2017 Fiscal Year Annual Discretionary Bonus* on page 29 for more information on Mr. Wheat's compensation.

**The Board of Directors Unanimously Recommends that Stockholders Vote FQR Approval of the**

**Material Terms of the Performance Criteria under our 2017 Incentive Plan.**

**Table of Contents****INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS**

PricewaterhouseCoopers LLP, D.R. Horton's independent auditor for the fiscal year ended September 30, 2017, has been engaged by the Audit Committee to continue to serve through our fiscal year ending September 30, 2018. A representative of PricewaterhouseCoopers LLP is expected to be present at the 2018 Annual Meeting and will have an opportunity to make a statement and to respond to appropriate questions from stockholders.

**Audit Fees and All Other Fees**

The following table shows the fees paid or accrued by the Company for the audit and other services provided by PricewaterhouseCoopers LLP for fiscal years 2016 and 2017.

| Fees                 | Fiscal Year Ended September 30, |              |
|----------------------|---------------------------------|--------------|
|                      | 2016 <sup>(2)</sup>             | 2017         |
| Audit fees           | \$ 1,938,959                    | \$ 1,683,000 |
| Audit-related fees   | 900                             | 15,400       |
| Tax fees             |                                 |              |
| All other fees       |                                 |              |
| Total <sup>(1)</sup> | \$ 1,939,859                    | \$ 1,698,400 |

(1) All of the fees listed above were approved by the Audit Committee, and therefore, none were approved based on waiver of pre-approval under Rule 2-01(c)(7)(i)(C) of Regulation S-X.

(2) The amounts shown for fiscal 2016 have been revised to reflect additional fees paid for audit services.

**Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services**

The Audit Committee has responsibility for appointing, setting compensation for and overseeing the work of the independent auditor. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve audit and permissible non-audit services provided by the independent auditor.

In connection with the engagement of the independent auditor for fiscal 2018, the Audit Committee pre-approved the services listed below by category of service, including the pre-approval of fee limits. The Audit Committee's pre-approval process by category of service also includes a review of specific services to be performed and fees expected to be incurred within each category of service. The term of any pre-approval is 12 months from the date of the pre-approval, unless the Audit Committee specifically provides for a different period. During fiscal 2018, circumstances may arise when it may become necessary to engage the independent auditor for additional services not contemplated in the original pre-approval. In those instances, the Audit Committee requires separate pre-approval before engaging the independent auditor.

The services pre-approved by the Audit Committee, which may be performed by the independent auditor during fiscal 2018, include the following:

*Audit Services* include audit work performed related to the Company's financial statements (including quarterly reviews), as well as work that generally only the independent auditor can reasonably be expected to provide, including comfort letters, statutory audits, and attest services and consultation regarding financial accounting and/or reporting standards.

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*Audit-Related Services* are for assurance and related services that are traditionally performed by the independent auditor, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.

*Tax Services* include all services performed by the independent auditor's tax personnel except those services specifically related to the audit of the financial statements, and include fees in the areas of tax compliance, tax planning, and tax advice. The Audit Committee has not yet pre-approved any fee limits or specific Tax Services for fiscal 2018.

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*All Other Fees* are those associated with permitted services not included in the other categories. The Company generally does not request such services from the independent auditor.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee may not otherwise delegate its responsibilities to pre-approve services performed by the independent auditor to management.

## **Audit Committee Report**

The Audit Committee has reviewed and discussed with management D.R. Horton's audited consolidated financial statements for the fiscal year ended September 30, 2017. Further, the Audit Committee has discussed with D.R. Horton's independent auditor the matters required to be discussed by applicable standards of the Public Company Accounting Oversight Board, including D.R. Horton's audited consolidated financial statements for the fiscal year ended September 30, 2017, the auditor's responsibility under generally accepted auditing standards, significant accounting policies, management's judgments and accounting estimates, any audit adjustments, other information in documents containing audited financial statements and other matters. Finally, the Audit Committee has received and reviewed the written disclosures and the letter from the independent auditor required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Audit Committee concerning independence, and has discussed the auditor's independence with the auditor.

Based on its review and discussion described above, the Audit Committee has recommended to the Board of Directors that the audited consolidated financial statements for fiscal 2017 be included in D.R. Horton's Annual Report on Form 10-K for the fiscal year ended September 30, 2017. Further, the Audit Committee approved the engagement of PricewaterhouseCoopers LLP as D.R. Horton's independent auditor for the fiscal year ending September 30, 2018.

*AUDIT COMMITTEE:*

*Michael W. Hewatt, Committee Chairman*

*Barbara K. Allen*

*Brad S. Anderson*

*Michael R. Buchanan*



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**PROPOSAL FIVE**

**RATIFICATION OF APPOINTMENT OF INDEPENDENT**

**REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed PricewaterhouseCoopers LLP as our independent registered public accounting firm to audit our consolidated financial statements for our fiscal year ending September 30, 2018. During fiscal 2017, PricewaterhouseCoopers LLP served as our independent registered public accounting firm and also provided certain other audit-related services, as further discussed above under the heading *Audit Fees and All Other Fees* on page 64. A representative of PricewaterhouseCoopers LLP is expected to attend the 2018 Annual Meeting, be available to respond to appropriate questions and, if he or she desires, make a statement.

Although we are not required to do so, we are seeking stockholder ratification of PricewaterhouseCoopers LLP's appointment as our independent registered public accounting firm. If PricewaterhouseCoopers LLP's appointment is not ratified, the Audit Committee will reconsider whether to retain PricewaterhouseCoopers LLP, but still may retain them. Even if the appointment of PricewaterhouseCoopers LLP is ratified, the Audit Committee, in its discretion, may change the appointment at any time during the year if it determines that such a change would be in our and our stockholders' best interests.

**Vote Required**

Approval of the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for our fiscal year ending September 30, 2018 requires the affirmative vote of the majority of shares of common stock present or represented, and entitled to vote thereon, at the 2018 Annual Meeting.

**The Board of Directors Unanimously Recommends that Stockholders Vote FOR the Ratification  
of the Appointment of PricewaterhouseCoopers LLP as our Independent Registered Public  
Accounting Firm for our Fiscal Year Ending September 30, 2018.**

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**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act, requires D.R. Horton's directors, certain of its officers, and persons who own more than 10% of a registered class of D.R. Horton's equity securities to file reports of ownership and changes in ownership with the SEC. Such officers, directors and greater than 10% stockholders are required by SEC regulations to furnish D.R. Horton with copies of all forms they file pursuant to Section 16(a). Based solely on its review of the copies of such forms received by it and on written representations from certain reporting persons that no Form 5 reports were required for those persons, D.R. Horton believes that all filing requirements applicable to its officers, directors and greater than 10% beneficial owners were complied with during the year ended September 30, 2017 on a timely basis.

**STOCKHOLDER PROPOSALS FOR 2019 ANNUAL MEETING**

Any stockholder who intends to present a proposal for action at D.R. Horton's 2019 Annual Meeting of Stockholders and to have D.R. Horton include such proposal in its proxy soliciting materials pursuant to Rule 14a-8 under the Exchange Act must deliver a copy of the proposal to the Corporate Secretary of D.R. Horton at 1341 Horton Circle, Arlington, Texas 76011 not later than the close of business on August 17, 2018. Further, all proposals submitted for inclusion in D.R. Horton's proxy soliciting materials relating to the 2019 Annual Meeting must comply with all of the requirements of Rule 14a-8 of the Exchange Act.

In addition, apart from the Rule 14a-8 process and director nominations made pursuant to the proxy access process, the Bylaws of D.R. Horton provide that any stockholder intending to propose any business at our 2019 Annual Meeting must submit written notice of that proposal in a timely manner to Corporate Secretary of D.R. Horton for such proposal to be acted upon at the meeting of stockholders. To be timely, a stockholder's notice for our 2019 Annual Meeting must be delivered to the principal executive offices of D.R. Horton not later than the close of business on October 26, 2018 and not earlier than the close of business on September 26, 2018. In the event that the date of the 2019 Annual Meeting is changed by more than 30 calendar days from the anniversary date of the 2018 Annual Meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th calendar day prior to such meeting and not later than the close of business on the later of the 90th calendar day prior to such meeting or the 10th calendar day following the day on which public disclosure of the date of such meeting is made. In no event shall public disclosure of an adjournment, recess or postponement of an annual meeting commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above. The notice must include the information specified in our Bylaws, including information concerning the nominee or the proposal, and the stockholder and the beneficial owner, as the case may be. We will not entertain any such proposals at the annual meeting that do not meet the requirements set forth in our Bylaws.

Pursuant to the proxy access provision in our Bylaws, in order for a stockholder or group of stockholders to nominate a director candidate to be included in the Company's proxy statement for the 2019 Annual Meeting, proper written notice of the nomination must be delivered to the Corporate Secretary of D.R. Horton not later than the close of business on August 17, 2018 and not earlier than the close of business on July 18, 2018, and the nomination must otherwise comply with our Bylaws. In the event that the date of the 2019 Annual Meeting is changed by more than 30 calendar days from the anniversary date of the 2018 Annual Meeting, notice by the stockholder(s) to be timely must be so delivered not earlier than the close of business on the 150th calendar day prior to such meeting and not later than the close of business on the later of the 120th calendar day prior to such meeting or the 10th calendar day following the day on which public disclosure of the date of such meeting is made.

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**REQUESTING DOCUMENTS FROM THE COMPANY**

On our website, at [www.drhorton.com](http://www.drhorton.com), under the Investor Relations and Corporate Governance links, you will find the following: (i) Corporate Governance Principles, (ii) Audit Committee Charter, (iii) Compensation Committee Charter, (iv) Nominating and Governance Committee Charter, (v) Code of Ethical Conduct for the CEO, CFO, and Senior Financial Officers, (vi) Complaint Procedures for Accounting, Internal Control, Auditing and Financial Matters and Complaint Procedures for Employee Matters, and (vii) Corporate Code of Business Conduct and Ethics for Employees and Directors. **You may obtain a copy of any of these documents at no charge through our website or by contacting us for a printed set. In addition, a copy of our Annual Report on Form 10-K for the fiscal year ended September 30, 2017, including the financial statements and the financial statement schedules included therein, is available without charge. The exhibits of the Annual Report on Form 10-K are available upon payment of charges that approximate our cost of reproduction.** You may contact us for these purposes at: Attention: Thomas B. Montano, Vice President, Corporate Compliance Officer and Secretary, D.R. Horton, Inc., 1341 Horton Circle, Arlington, Texas 76011, (817) 390-8200 or e-mail: [tmontano@drhorton.com](mailto:tmontano@drhorton.com).

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**OTHER MATTERS**

Management knows of no other matters to be voted upon at the 2018 Annual Meeting. If any other matter is properly brought before the 2018 Annual Meeting, it is the intention of the persons named as proxies in the form of proxy to vote in their discretion upon such matters in accordance with their judgment. The persons named as proxies are Donald R. Horton, Chairman, and David V. Auld, President and Chief Executive Officer.

You are urged to sign, date and return the enclosed proxy in the envelope provided. No postage is required if the envelope is mailed from within the United States. If you subsequently decide to attend the 2018 Annual Meeting and wish to vote your shares in person, you may do so. Your cooperation in giving this matter your prompt attention is appreciated.

By Order of the Board of Directors

THOMAS B. MONTANO  
*Vice President and Secretary*

Arlington, Texas

December 15, 2017

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**Appendix A**

**D.R. HORTON, INC.**

**2017 INCENTIVE BONUS PLAN**

**(as of December 11, 2017)**

1. (a) SUCCESSOR PLAN. The D.R. Horton, Inc. 2017 Incentive Bonus Plan (the "2017 Incentive Plan" or the "Plan") is the successor incentive bonus plan to the D.R. Horton, Inc. Amended and Restated 2000 Incentive Bonus Plan dated as of December 12, 2012 (the "Prior Plan"). The Prior Plan was amended and restated by the 2017 Incentive Plan on December 11, 2017.

(b) PURPOSE. The 2017 Incentive Plan is similar in substance and purpose to the Prior Plan. The purpose of the 2017 Incentive Plan is to provide senior management employees of D.R. Horton, Inc., a Delaware corporation (the "Company"), and its Affiliates with incentive compensation based upon the level of achievement of financial and other performance criteria. The Plan will enhance the ability of the Company and its Affiliates to attract and retain individuals of exceptional managerial talent upon whom, in large measure, the sustained progress, growth and profitability of the Company depends.

2. DEFINITIONS. As used in the Plan, the following terms shall have the meanings set forth below:

(a) Adjusted Pre-Tax Income shall mean income before income taxes, excluding inventory impairments and land option cost write-offs and goodwill impairments, as publicly reported by the Company in its financial statements in accordance with generally accepted accounting principles.

(b) Affiliate shall mean (i) any Person that directly, or through one or more intermediaries, controls, is controlled by, or is under common control with, the Company or (ii) any entity in which the Company has a significant equity interest, as determined by the Committee.

(c) Award shall mean a right to a payment under the terms of the Plan.

(d) Board shall mean the Board of Directors of the Company.

(e) Change in Control shall mean the occurrence of any of the following events:

(i) The consummation of a merger, consolidation or reorganization of the Company into or with another corporation or other legal person if the stockholders of the Company, immediately before such merger, consolidation or reorganization, do not, immediately following such merger, consolidation or reorganization, then own directly or indirectly, more than 50% of the combined voting power of the then-outstanding voting securities of the corporation or other legal person resulting from such merger, consolidation or reorganization in substantially the same proportion as their ownership of Voting Securities (as hereinafter defined) immediately prior to such merger, consolidation or reorganization;

(ii) The Company sells all or substantially all of its assets to another corporation or other legal person, or there is a complete liquidation or dissolution of the Company;

(iii) Any person (as the term "person" is used in Section 13(d)(3) or Section 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) has become the beneficial owner (as the term "beneficial owner" is defined under Rule 13d-3 or any successor rule or regulation promulgated under the Exchange Act) of securities representing 20% or more of the combined voting power of the then-outstanding voting securities of the Company ("Voting Securities") (computed in accordance with the standards for the computation of total percentage ownership for the purposes of Schedule 13D or Schedule 14D-I or any successor schedule, form or report); excluding, however, the following: any acquisition by the Company, any subsidiary or an employee benefit plan or related trust of the Company or any subsidiary; or

(iv) During any two (2) year period, a majority of the members of the Board serving at the date of approval of this 2017 Incentive Plan by the Board is replaced by members of the Board who are not nominated and approved by the Board.

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- (f) Code shall mean the Internal Revenue Code of 1986, as amended.
- (g) Committee shall mean the Compensation Committee of the Board, which shall consist of two or more Outside Directors.
- (h) Covered Employee(s) shall mean a Participant who is a covered employee within the meaning of Code Section 162(m) and the Treasury regulations promulgated thereunder with respect to any Performance Period.
- (i) Outside Directors shall mean outside directors within the meaning of Code Section 162(m) and the Treasury regulations promulgated thereunder.
- (j) Participant shall mean any Senior Executive who is selected by the Committee (or in the case of Senior Executives who are not Covered Employees, any Person or committee empowered by the Committee to make such selection) to participate in the Plan for a Performance Period.
- (k) Performance-Based Compensation shall mean amounts satisfying the applicable requirements imposed by Code Section 162(m) and the Treasury regulations promulgated thereunder with respect to that term.
- (l) Performance Period shall mean one or more months, quarters or one or more fiscal years of the Company, including multiple year periods, or any other period selected by the Committee, as to which an Award may be earned.
- (m) Person shall mean any individual, corporation, partnership, limited liability company, association, joint-stock company, trust, unincorporated organization, or government or political subdivision thereof.
- (n) Senior Executive shall mean any executive officer of the Company or any other officer of the Company or any of its Affiliates serving as a region or division president or manager or in another senior management position.
- (o) Share shall mean a share of the Company's common stock, par value \$0.01.
- (p) Stock Incentive Plan shall mean the Company's 2006 Stock Incentive Plan, as amended from time to time.
- (q) Target Award shall mean one or more Award levels for a Performance Period that will be paid in accordance herewith if certain performance criteria are achieved in such Performance Period.

3. AWARDS.

(a) The Committee (or its designee in the case of Senior Executives who are not Covered Employees) may determine and designate Senior Executives who shall be Participants for any Performance Period. With respect to each such designated Participant, if any, the Committee (or its designee in the case of Target Awards for Participants who are not Covered Employees) shall establish: (i) a Target Award for the Performance Period; (ii) the performance criteria for the Performance Period with respect to the Target Award; and (iii) whether the Award is intended to satisfy the requirements for Performance-Based Compensation. For any Performance Period, determinations required for Awards intended to qualify as Performance-Based Compensation shall be made within the time necessary to comply with such requirements. Designation as a Participant for any Performance Period shall not entitle any Senior Executive to the right to be designated as a Participant for any other Performance Period.

(b) The performance criteria to be established with respect to any Target Awards shall be based upon any one or more of the following measures, applied to either the Company as a whole or to any business unit, region, division, or subsidiary, either individually, alternatively, or in any combination (including any ratio or percentage), and measured either monthly, quarterly, annually, or cumulatively over a period of years, on an absolute basis or relative to (including ranking to) a pre-established target, to previous years' results, or to a designated comparison group, in each case as specified by the Committee: (i) cash flow (before or after dividends), (ii) earnings per share (including, without limitation, earnings before interest, taxes, depreciation and amortization), (iii) stock price, (iv) return on equity, (v) equity improvement, (vi) stockholder return or total

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stockholder return, (vii) return on capital (including, without limitation, return on total capital or return on invested capital), (viii) return on investment, (ix) return on inventory, (x) return on assets or net assets, (xi) market capitalization, (xii) economic value added, (xiii) debt leverage (debt to capital) or access to capital, (xiv) gross or net revenue, (xv) sales, net sales or closings, (xvi) backlog, (xvii) inventory, land or lot improvement or reduction, (xviii) asset turnover, (xix) income, pre-tax income, adjusted pre-tax income or net income, (xx) operating income or pre-tax profit, (xxi) operating profit, operating profit before non-cash charges and asset valuation, net operating profit or economic profit, (xxii) gross margin, gross profit, operating margin or profit margin, (xxiii) return on operating revenue or return on operating assets, (xxiv) cost of sales, (xxv) cash from operations, (xxvi) operating ratio, (xxvii) operating revenue or return on revenue, (xxviii) market share improvement, (xxix) sales cancellations, (xxx) dividend or dividend yield, (xxxi) general, selling and administrative expenses improvement or containment, or (xxxii) customer service. Such goals may be particular to a line of business, region, division, or other unit or may be based on the Company generally or any Affiliate.

To the extent consistent with Code Section 162(m) (or, alternatively, to the extent that Code Section 162(m) is not intended to apply to a particular Award), the Committee may appropriately adjust any evaluation of performance under the above performance criteria to exclude any of the following events that occur during a Performance Period: (i) litigation, claims, judgments or settlements; (ii) the effect of changes in tax law, accounting principles or other such laws or provisions affecting reported results; (iii) non-cash charges related to impairments, write-offs or asset valuation; (iv) corporate overhead charges, (v) accruals for reorganization and restructuring programs; (vi) adjustments related to deferred tax assets; and (vii) other material items that are treated as unusual in nature or infrequently occurring (A) under generally accepted accounting principles, (B) as described in management's discussion and analysis of financial condition and results of operations appearing in the Company's Annual Report to stockholders for the applicable year or years, or (C) publicly announced by the Company in a press release or conference call relating to the Company's results of operations or financial condition for a completed quarterly, annual, or multi-year fiscal period. The Committee also may take into account normalization related adjustments to the performance criteria if necessary to provide a relevant and consistent comparison to the performance criteria of the Company's peer group or other comparison group or metric.

(c) Notwithstanding the establishment of any Target Award and related performance criteria pursuant to Section 3(a), but subject to Section 6, in the sole discretion of the Committee, the Award payable to a Participant in respect of such Target Award may be adjusted, at any time prior to payment of the related Award, either to increase or decrease the value of such Award, as follows:

(i) the Committee may adjust an Award for individual performance on the basis of such quantitative and qualitative performance measures and evaluations as it deems appropriate;

(ii) the Committee may make such adjustments as it deems appropriate in the case of any Participant whose position with the Company has changed during the applicable Performance Period; and

(iii) the Committee shall have the discretion to adjust performance criteria and the methodology used to measure the determination of the degree of attainment of such criteria;

provided, that to the extent required to qualify as Performance-Based Compensation, any Award designated as Performance-Based Compensation may not be adjusted under this Section 3(c) or otherwise in a manner that increases the value of such Award. Subject to Section 6, the Committee shall retain the discretion to adjust such Awards in a manner that does not increase the value of such Awards, at any time prior to the payment thereof.

(d) To the extent that a Target Award is intended to be Performance-Based Compensation, prior to any payment thereof, the Committee shall certify the extent to which the performance criteria have been satisfied and the amount payable as a result thereof.

(e) In general, Awards earned under the Plan shall be payable in cash; provided, however, that the Committee, in its sole discretion, may elect to satisfy payment of any Award earned under the Plan in whole or in part by the delivery of a number of Shares or units denominated in Shares ( Share Units ) with a fair market value equal to the dollar value of the Award so earned. Any Shares or Share Units delivered in settlement of an

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Award under the Plan shall be granted as fully vested Restricted Stock or Restricted Stock Units pursuant to Section 8 of the Stock Incentive Plan, shall not be subject to the minimum vesting period set forth in Section 8(c) of the Stock Incentive Plan as permitted by the terms thereof regarding the payment of earned compensation, shall be subject to all other applicable terms and conditions of the Stock Incentive Plan, and shall reduce the number of Shares available for issuance under the Stock Incentive Plan in accordance with Section 5 thereof.

(f) Subject to the above, Awards shall be paid as soon as practicable after the Performance Period, and in all events by the 15th day of the 3rd month following the end of the year in which the Participant becomes entitled to such Award payment, except to the extent that a Participant has made a timely election to defer the receipt of such Award pursuant to a deferral arrangement with the Company or any of its Affiliates. Any deferral election shall comply with the requirements of Code Section 409A so as to avoid the imposition of any taxes or penalties thereunder. For Awards that do not constitute Performance-Based Compensation, the Compensation Committee may establish rules and procedures for advance payment of all or a portion of such Awards, or such other payment arrangements as it deems desirable or appropriate.

4. AWARD LIMITATIONS TO COVERED EMPLOYEES. Notwithstanding any other provision of the Plan to the contrary, if an award is payable based on one or more monthly or quarterly periods, the maximum Award payable to any one Covered Employee with respect to any such Performance Period shall not exceed the sum of (i) 2% of Adjusted Pre-Tax Income for such Performance Period (but not below \$0) and (ii) \$8 million, provided that no Covered Employee may receive both monthly Target Awards and a quarterly Target Award with respect to the same quarter under prong (i) and the maximum payout for all monthly, quarterly, or annual Performance Periods in a fiscal year under prong (ii) shall not exceed \$8 million. Notwithstanding the prior sentence, if the Performance Period is the month of December, the maximum Award payable to any one Covered Employee shall not exceed the sum of (i) 6% of Adjusted Pre-Tax Income for such Performance Period (but not below \$0) and (ii) \$8 million, provided that no other award under prong (i) of the prior sentence shall be paid for the quarter (or months therein) that includes December and the maximum payout for all monthly, quarterly, or annual Performance Periods in a fiscal year under prong (ii) shall not exceed \$8 million. If an Award is payable based on a fiscal year, the maximum Award payable to any one Covered Employee with respect to the fiscal year Performance Period shall not exceed the sum of (i) 2% of Adjusted Pre-Tax Income for such fiscal year (but not below \$0) and (ii) \$8 million, provided that any amounts paid under prong (i) of the above-referenced monthly or quarterly Performance Period maximums during the same fiscal year shall reduce, dollar for dollar, the maximum amount payable under prong (i) of the maximum annual Performance Period Award, and provided further that the maximum payout for all monthly, quarterly, and annual Performance Periods in a fiscal year under prong (ii) of the above formulas shall not exceed \$8 million.

If a Covered Employee is entitled to both a short-term (monthly, quarterly or annual) and a long-term (covering two or more fiscal years) Target Award covering the same or an overlapping time period hereunder, then (a) the maximum long-term Award shall not exceed the sum of (i) 2% of Adjusted Pre-Tax Income for such long-term Performance Period (but not below \$0) and (ii) \$8 million, and (b) the amount paid under the short-term Award shall reduce, dollar for dollar, the maximum payable under the long-term Award, such that the total amount that a Covered Employee may receive for the combined short-term and long-term Awards covering the same or an overlapping time period shall not exceed the sum of (i) the greater of 2% of Adjusted Pre-Tax Income for such short-term Performance Period (but not below \$0) and 2% of Adjusted Pre-Tax Income for such long-term Performance Period (but not below \$0), and (ii) \$8 million.

Prior to payment with respect to any Award intended to satisfy the requirements for Performance-Based Compensation, the Committee shall certify in writing the attainment of the performance criteria and any other material terms. Unless an Award Agreement expressly provides otherwise, Awards and payouts hereunder shall not affect any awards or payouts under other compensation or benefit plans, and participants may receive awards under more than one plan for a performance period.

**5. ELIGIBILITY; PRORATIONS.**

(a) Persons employed by the Company or any of its Affiliates as Senior Executives in a Performance Period prior to the establishment by the Committee of the Target Award for such Performance Period are eligible



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to be Participants under the Plan for such Performance Period (subject to (b) below, whether or not so employed or living at the date an Award is paid). A Senior Executive is not rendered ineligible to be a Participant by reason of being a member of the Board.

(b) Unless otherwise provided by the Committee, the Award applicable to a Participant under the Plan for a Performance Period shall be prorated over the Performance Period or the Participant shall be ineligible for an Award, as the case may be, in the following events:

- |   |  |
|---|--|
| (i) ceasing to be a Senior Executive, otherwise than by dismissal, during the Performance Period, including ceasing to be such due to death, retirement, resignation, or leave of absence | payment is based upon actual performance <u>through the end of the Performance Period with the payment amount</u> prorated as of the date of ceasing to be a Senior Executive, to the nearest half month |
| (ii) disability for more than three months in a Performance Period  | payment is based upon actual performance <u>through the end of the Performance Period with the payment amount</u> prorated as of the last day of the third month of disability                           |
| (iii) disability for three months or less in a Performance Period   | payment is based upon actual performance <u>through the end of the Performance Period</u> with no reduction in the applicable Award  |
| (iv) dismissal, with or without cause, <u>by the Company or any Affiliate</u> during or after a Performance Period but prior to payment of the Award                                      | no Award <u>shall be paid</u>  |

If a Change in Control occurs during any Performance Period, the foregoing provisions of this Section 5(b) shall not apply to any such event occurring on or after the Change in Control.

6. CHANGE IN CONTROL. Within fifteen (15) business days following a Change in Control, each Participant under the Plan during the Performance Period in which the Change in Control occurs who is in the employ of the Company or an Affiliate at the time of the Change in Control shall be paid an amount equal to (i) the Award the Participant would have earned for such Performance Period, assuming continued achievement of the relevant performance goals at the rate achieved as of the end of the calendar month immediately prior to the calendar month in which the Change in Control occurs, multiplied by (ii) a fraction, the numerator of which is the number of days in the Performance Period which have elapsed as of the Change in Control, and the denominator of which is the number of days in the Performance Period. The Committee, or a successor compensation committee of the surviving or acquiring corporation that meets the requirements of Code Section 162(m) and the Treasury regulations promulgated thereunder, shall make the certification described in Section 4 prior to any payment pursuant to this Section 6. Amounts payable pursuant to this Section 6 shall not be subject to downward adjustment by the Committee (or any successor committee), notwithstanding the provisions of Section 3(c).

7. OTHER CONDITIONS.

(a) No Person shall have any right to be selected as a Participant for any Performance Period or, except as provided in Section 10, to receive an Award under the Plan. There is no obligation for uniformity of treatment of Participants under the Plan. Awards under the Plan may not be assigned or alienated.

(b) Neither the Plan nor any action taken hereunder shall be construed as giving to any Participant the right to be retained in the employ of the Company or any Affiliate.

(c) The Company or any Affiliate shall have the right to deduct from any Award to be paid under the Plan any federal, state or local taxes required by law to be withheld with respect to such payment.

(d) No segregation of any moneys or the creation of any trust or the making of any special deposit shall be required in connection with any Awards made or to be made under the Plan.

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(e) This Plan is not intended to and shall not preclude the Board from adopting, continuing, amending or terminating such additional compensation arrangements as it deems desirable for Participants under this Plan, including any thrift, savings, investments, stock purchase, stock option, profit-sharing, pension, retirement, insurance, bonus or other incentive plan.

8. DESIGNATION OF BENEFICIARIES. A Participant may designate one or more beneficiaries to receive all or part of the Award which may be made to the Participant, or may be payable, after such Participant's death. A designation of beneficiary may be replaced by a new designation or may be revoked by the Participant at any time. A designation or revocation shall be on a form to be provided for this purpose and shall be signed by the Participant and delivered to the Company or Affiliate employing the Participant prior to the Participant's death. In case of the Participant's death, an Award with respect to which a designation of beneficiary has been made (to the extent it is valid and enforceable under applicable law) shall be paid to the designated beneficiaries at the time such Award would have been paid to Participant, if Participant were still alive. Any Award granted or payable to a Participant who is deceased and not subject to such a designation shall be distributed to the Participant's estate at the time such Award would have been paid to Participant, if Participant were still alive. If there shall be any question as to the legal right of any beneficiary to receive an Award under the Plan, the amount in question may be paid to the estate of the Participant, in which event the Company or its employing Affiliate shall have no further liability to anyone with respect to such amount.

9. PLAN ADMINISTRATION.

(a) The Committee shall have full power and discretion to administer and interpret the Plan and to establish rules for its administration. In making any determinations under or referred to in the Plan, the Committee shall be entitled to rely on opinions, reports or statements of officers or employees of the Company and its Affiliates, and of counsel, public accountants and other professional or expert Persons.

(b) Except to the extent prohibited by applicable law, the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any Person or committee selected by it; provided, however, that the Committee may not allocate or delegate any portion of its responsibilities in connection with or relating to Covered Employees or Performance-Based Compensation. Any such allocation or delegation may be revoked by the Committee at any time.

(c) The Plan shall be governed by the laws of the State of Delaware and applicable Federal law.

10. MODIFICATION OR TERMINATION OF PLAN. The Board, or a committee of the Board, may modify or terminate the Plan at any time, effective at such date as the Board may determine; provided that no modification or termination may, in the absence of written consent to the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary), adversely affect the rights of any Participant or beneficiary in respect of any Target Award established prior to the date such amendment is adopted by the Board.

11. SHAREHOLDER APPROVAL. No Target Award may be paid hereunder to any Covered Employee until the material terms of the Plan are disclosed to and approved by the shareholders of the Company. Such approval must be in a separate vote by the holders of a majority of the shares of the Company present, or represented by proxy, and entitled to vote, at a duly constituted meeting of the Company's stockholders in accordance with the laws of the State of Delaware.

12. RECOUPMENT. Awards paid under this Plan may be subject to recoupment in accordance with any recoupment policy that the Company adopts or is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable law. No recovery of payments under this Section 12 will be an event giving rise to a right to resign for good reason or constructive termination (or similar term) under any Company plan or agreement with the Company.

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1341 Horton Circle  
Arlington, Texas 76011  
(817) 390-8200  
[www.drhorton.com](http://www.drhorton.com)

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***AMERICAN STOCK TRANSFER & TRUST  
COMPANY***

***6201 15TH AVENUE***

***BROOKLYN, NY 11219***

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

E34942-P99873

KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**D.R. HORTON,  
INC.**

**Vote on Directors**

**The Board of Directors recommends a vote FOR  
each Nominee for Director.**

1. Proposal One:  
Election of  
directors.

**Nominees:                      For    Against    Abstain**

|                         |  |   |
|-------------------------|--|---|
| 1a. Donald<br>R. Horton | <b>The Board of Directors<br/>recommends a vote of<br/><u>ONE YEAR</u> for Proposal<br/>Three as proposed below.</b> | <b>1 Year   2 Years   3 Years   Abstain</b> |
|-------------------------|--|---|

|                         |   |
|-------------------------|---|
| 1b. Barbara K.<br>Allen | 3. Proposal Three:<br>Approval of the advisory<br>vote as to the frequency<br>of future advisory votes<br>on executive<br>compensation. |
|-------------------------|---|

|                         |   |                                  |
|-------------------------|---|----------------------------------|
| 1c. Brad S.<br>Anderson | <b>The Board of Directors<br/>recommends a vote <u>FOR</u><br/>Proposals Four and Five as<br/>proposed below.</b> | <b>For    Against    Abstain</b> |
|-------------------------|---|----------------------------------|

|                            |  |
|----------------------------|--|
| 1d. Michael R.<br>Buchanan | 4. Proposal Four: Approval<br>of the material terms of<br>the performance criteria<br>under our 2017 Incentive<br>Bonus Plan for Section<br>162(m) purposes. |
|----------------------------|--|

|  |                                  |  |
|--|----------------------------------|--|
| <b><u>Vote on Other<br/>Proposals</u><br/>The Board of<br/>Directors</b> | <b>For    Against    Abstain</b> | 5. Proposal Five: Ratify the<br>appointment of |
|--|----------------------------------|--|

**recommends a vote  
FOR Proposal Two as  
proposed below.**

PricewaterhouseCoopers  
LLP as our independent  
registered public  
accounting firm.

2. Proposal Two:  
Approval of the  
advisory resolution  
on executive  
compensation.

**PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY,  
USING THE ENCLOSED ENVELOPE.**

**Note:** Please sign exactly as name(s) appear(s) herein. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee, or guardian, please give full titles as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by an authorized person.

Signature [PLEASE SIGN WITHIN BOX]

Signature (Joint Owners)

Date

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**Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting**

**to be held January 24, 2018:**

The Notice, Proxy Statement, Telephone/Internet insert (Company supplied) and Annual Report on Form 10-K are available at [www.proxyvote.com](http://www.proxyvote.com).

E34943-P99873

**D.R. HORTON, INC.  
2018 ANNUAL MEETING OF STOCKHOLDERS**

**1341 Horton Circle, Arlington, Texas 76011**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned hereby nominates, constitutes and appoints Donald R. Horton and David V. Auld, and each of them, attorneys, agents and proxies of the undersigned, with full power of substitution to each and hereby authorizes them to represent and to vote, as designated on the reverse side of this card, all shares of Common Stock of D.R. Horton, Inc. (the Company ) held of record by the undersigned at the close of business on November 27, 2017, at the 2018 Annual Meeting of Stockholders to be held on January 24, 2018 at 10:00 a.m. central time, or any adjournment thereof.

The Board of Directors recommends a vote **FOR** Proposals One, Two, Four and Five, and a vote of **ONE YEAR** on Proposal Three. This proxy when properly executed will be voted in the manner directed herein by the undersigned stockholder. **If no direction is made, this proxy will be voted as recommended by the Board of Directors in this paragraph.** The proxy holders are authorized to vote, in accordance with their discretion, on all matters incident to the conduct of the meeting and upon other matters as may properly come before the meeting or any adjournment or postponement thereof, subject to compliance with Rule 14a-4(c) of the Securities Act of 1934, as amended.

The undersigned hereby ratifies and confirms all that said attorneys and proxies, or any of them, or their

substitutes, shall lawfully do or cause to be done by virtue hereof and hereby revokes any and all proxies heretofore given by the undersigned to vote at said meeting. The undersigned acknowledges receipt of the notice of said annual meeting and the proxy statement accompanying said notice.

**PLEASE SIGN AND DATE ON THE REVERSE SIDE.**