



FORESTAR

Forestar Group Inc. Standards of Business Conduct and Ethics

It Is Never OK To Act Illegally or Unethically at Forestar.

At Forestar, we conduct business in a manner that complies with both the letter and the spirit of the law and with our Standards of Business Conduct and Ethics. Illegal and unethical behavior can severely damage our reputation and may lead to civil and criminal penalties for the company and/or our employees.

Every director, officer and employee of Forestar is responsible for maintaining these standards and is expected to:

1. Ask for help when they have a compliance or ethics question; and
2. Report any behavior of others that is illegal or unethical, or that violates our Standards of Business Conduct and Ethics.

Some common examples of behavior that needs to be reported:

- Use or sale of illegal drugs
- Theft
- Vandalism or sabotage
- Harassment or mistreatment
- Discrimination
- Kickbacks or favors
- Conflicts of interest
- Antitrust violations
- Falsifying payroll/company records
- Creating safety/environmental hazards
- Workers' compensation fraud
- Waste of company assets
- Unauthorized or improper computer access or use
- Questionable accounting or auditing practices

If you have questions, or need to report suspicious behavior, you should contact your supervisor, Human Resources, Forestar's Corporate Counsel, or the Compliance and Ethics Helpline at 1.512.433.5220. Calls to the Helpline can be made anonymously.

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Forestar Group Inc.

Standards of Business Conduct and Ethics

I. Forestar's Commitment to Legal and Ethical Behavior

Our directors, officers and employees share a common set of values and benefit from upholding those values. Our core values include the commitment to operate in accordance with the highest standards. Acting with integrity and honesty benefits Forestar, you, our customers and our shareholders.

II. Forestar's Standards of Business Conduct and Ethics

A. What They Are

These Standards of Business Conduct and Ethics apply to all Forestar activities in every market and affect every constituent we serve. They provide guidance to help us recognize and deal with some common ethical issues, provide mechanisms to report conduct that may not comply with these Standards, and help foster a culture of honesty and accountability.

B. Who Must Comply

Every Forestar director, officer and employee must perform his or her work with honesty, truthfulness and integrity in full compliance with these Standards.

C. Why They Are Important

To create significant value for shareholders, customers, partners and employees, we must operate ethically and with integrity and in compliance with all applicable laws, rules and regulations. Failure to act in accordance with these Standards can result in the loss of trust of customers and employees, the loss of shareholder value and, sometimes, civil or criminal penalties against Forestar, the individuals involved or both. Violations of these Standards will also result in appropriate disciplinary action up to and including termination of employment.

III. We Will Avoid Conflicts of Interest

As directors, officers and employees of Forestar, we should remember that we are working for the best interests of Forestar and our shareholders. Our actions should avoid situations where our personal interests may conflict, or appear to conflict, with that goal.

Our core values include the commitment to operate in accordance with the highest standards.

A conflict of interest arises when an individual's actions are, or may even appear to be, incompatible with the interests of Forestar. You should not knowingly place yourself in a position that would conflict with or have the appearance of being in conflict with the interests of Forestar. In the event you become aware of a potential conflict of interest, you must immediately report the circumstances to your supervisor for a determination of whether the conflict must be eliminated or may be waived. A director or executive officer must disclose any potential conflict to the Board of Directors and to the Audit Committee.

Some examples of potential conflicts and our related guidelines are:

A. Accepting Gifts and Entertainment

Our shareholders expect us to make business decisions for business reasons and not because we have somehow received a personal benefit. You should not accept any gifts, personal services or favors from any person or business doing business with Forestar if your acceptance could create the appearance of impropriety. Accepting any gift of more than nominal value or entertainment unconnected with a business purpose or having excessive value can appear to be an attempt to influence the recipient into improperly favoring a particular person, entity or business relationship and should be avoided.

Generally, “nominal” value is any merchandise, product, personal service or favor having a value of less than \$75. This dollar limit is intended to serve as a guideline, and you should consult with your supervisor before accepting any gifts of more than nominal value. You should never solicit any gift or favor from any party. Gifts of cash or securities may never be accepted.

Normal business entertainment, such as meals, sporting or media events, is appropriate if of a reasonable nature and value and in the course of a meeting or another occasion, the purpose of which is to hold bona fide business discussions or to foster better business relations.

All gifts, favors or services worth more than \$75 must be reported in accordance with applicable Forestar procedures.

B. Outside Jobs and Business Activities

You may not have an outside employment or business activity that will materially detract from the time or attention you should devote to your duties, adversely affect the quality of work performed, compete with Forestar’s activities, imply sponsorship or support by Forestar of the outside employment or organization, or adversely affect Forestar’s good name. You must report any outside employment in which you participate to your supervisor, Human Resources, or Forestar’s Corporate Counsel for a determination regarding potential conflicts of interest.

C. Outside Financial Interests and Investments

You may not have a direct or indirect financial or ownership interest in an entity that is a Forestar competitor, customer, partner or supplier if the financial or ownership interest would create a conflict of interest. Interests meeting the following requirements are deemed not to create a conflict of interest:

- the other entity is a public company (i.e., its securities are listed on a public securities exchange) and your interest is no more than five percent of the stock of the other entity; or
- investments in mutual funds or similar investments in which you do not have direct control over the particular companies included in the fund.

You may own more than five percent of the stock of a public company or an interest in a private company that is a Forestar competitor, customer, partner or supplier, only with a written determination by Forestar’s Corporate Counsel that such financial interest or ownership does not present an inappropriate conflict of interest.

Prohibited financial interests may include receiving loans or guarantees of other obligations from a competitor, customer, partner or supplier, other than third-party, arm’s length transactions in the ordinary course of business.

D. Corporate Opportunities

You may not take for yourself personally opportunities that are discovered through the use of or access to our property, information or position; use corporate property, information or position for personal gain; or compete with Forestar. You have a duty to advance the interests of Forestar and to act on its behalf with regard to such property, information or position when the opportunity arises.

E. Family and Friends

The rules against conflicts of interest apply not only to the activities of the directors, officers and employees of Forestar, but also to their families and friends. For instance, a gift received by your spouse, significant other or other family member from a supplier or customer can create the same conflict of interest as if you personally received the gift. You must ensure that no such conflicts arise and, if they do, you must report them to your supervisor, Human Resources, or Forestar's Corporate Counsel immediately.

IV. We Will Protect Forestar's Assets and Information

You are responsible for the proper use of Forestar's physical resources and property, as well as its proprietary and other confidential information.

A. Forestar's Assets and Facilities

You should be a good steward of Forestar's assets, equipment, resources and facilities and treat them with the utmost care. Forestar's assets should be used only for legitimate and legal business purposes. You should report any misappropriation, waste or misuse of Forestar's property to your supervisor, Human Resources, or Forestar's Corporate Counsel.

B. Confidential Information

You may have access to confidential and sensitive information about Forestar, our employees, operations, suppliers or customers. Confidential information includes all non-public information that might be of use to competitors, or harmful to Forestar and our customers if disclosed, including information concerning pricing, products and services that are being developed, and other trade secrets. You must not disclose this information to anyone other than persons or entities who have a valid business reason to access it. Do not use this information in any way other than as required in performing your duties. All files, records and reports you acquire or create in the course of your employment are the property of Forestar.

C. Information Technology

Every employee should be familiar with our policies regarding the use of electronic mail, the Internet and other forms of electronic information technology and communications. You must use these technologies properly, in accordance with our policies and for appropriate purposes only. Any questions about these policies should be addressed to your supervisor, Human Resources, or Forestar's Corporate Counsel.

Forestar requires that you use passwords, encryption and other information security methods, to protect your computers, handheld devices, and other computing equipment. You must use all reasonable methods to prevent unauthorized access to Forestar's information databases. Do not use unauthorized equipment to do Forestar business. All e-mail, voicemail and personal files stored on Forestar computers are company property. You should, therefore, have no expectation of personal privacy in connection with this information.

All files, records and reports you acquire or create in the course of your employment are the property of Forestar.

D. Document Retention and Preservation

All documents should be prepared accurately and, to the best of your knowledge and ability, without containing any false or misleading statements. You must retain, protect, maintain and dispose of documents, regardless of the format or media, strictly in accordance with Forestar's policies. You should not make electronic or paper copies of any Forestar document for personal use. You should not use electronic copying devices (e.g. CD or DVD burners, disks or external drives) unless you have been authorized to do so. Never destroy or dispose of any documents required in connection with a lawsuit or government investigation or internal inquiry. You should consult with your supervisor or the Legal Department if you are unsure about the need to keep or discard particular documents.

E. Intellectual Property

Intellectual properties, such as patented or unpatented inventions of methods or processes, trademarks and service marks, are important business tools and valuable assets. You must preserve their value by protecting their confidential aspects and by using them only in appropriate circumstances with proper approval, whether during or after your employment with Forestar. We also respect the copyright, patent and trademark rights of others, and you are not permitted to use any intellectual property protected by such rights without prior approval of the Legal Department.

V. We Will Obey Applicable Laws and Regulations

Forestar is committed to operating in compliance with applicable laws, rules and regulations. No director, officer or employee may violate, or direct another employee or any other person to violate, any law or regulation on behalf of Forestar.

A. Insider Trading

In the course of your employment, you may become aware of information about Forestar or other companies that has not been made public. The use of such nonpublic or "inside" information about Forestar or another company for your financial or other benefit not only is unethical, but also may be a violation of law. United States law makes it unlawful for any person who has "material" nonpublic information about a company to trade the stock or other securities of the company or to disclose such information to others who may trade (often referred to as "tipping"). Violation of "insider trading" and "tipping" laws may result in civil and criminal penalties, including fines and jail sentences. We will not tolerate the improper use of inside information.

Material nonpublic information is information that is not available to the general public and that could influence a reasonable investor to buy, sell or hold stock or securities. While it is not possible to identify in advance all information that could be viewed as material nonpublic information, some examples might include nonpublic information about: Forestar's financial performance, including earnings and dividend actions; acquisitions or other business combinations; divestitures; major new product announcements; significant advances in research; and other significant activities affecting Forestar.

You cannot evade these guidelines by acting through anyone else or by giving inside information to others for their use even if you will not financially benefit from it. If you have any doubt about what you can or cannot do in this area, you should consult with the Legal Department.

B. Financial Disclosure

As a public company, it is of critical importance that Forestar comply with all securities laws and regulations and communicate with its investors through full, fair, accurate, timely and understandable disclosure in reports and documents. Depending on your position, you may be called upon to provide information to assure that Forestar's financial reports are accurate and meet all legal, regulatory and accounting requirements.

We expect all of our personnel to take these responsibilities very seriously and to provide prompt and accurate information related to disclosure requirements. All employees with supervisory duties should maintain appropriate internal accounting controls over all areas of their responsibility to safeguard Forestar's assets and the accuracy of its financial records and reports. We expect all employees to adhere to Forestar's procedures and practices for maintaining controls over financial matters in accordance with internal needs and the requirements of applicable laws and regulations. Certain officers of Forestar are also bound by our Code of Ethics for Senior Financial Officers.

No director, officer or employee shall take any action, directly or indirectly, to fraudulently influence, coerce, manipulate or mislead Forestar's independent, external auditors or internal auditors for the purpose of rendering misleading the financial statements or evaluations of the internal controls over financial reporting. Violation of these provisions may subject the violator to substantial civil and criminal liability.

C. Antitrust

We are committed to compliance with all aspects of federal and state antitrust laws and with the antitrust laws of any foreign country in which we do business. Every Forestar director, officer and employee is expected to be familiar with the antitrust laws and regulations applicable to his or her duties and to adhere strictly to their provisions. Compliance requires that you avoid any practices that would restrict competition including, for example, any agreement to restrain or fix prices, to boycott customers or suppliers, to allocate products, territories or markets, or to limit or reduce production.

Violations of the antitrust laws can be criminal violations that result in felony convictions of both corporations and individuals. Strict compliance with antitrust and competition laws around the world is essential, and these laws are very complex. Employees who have questions regarding the application of antitrust laws or who are involved in or observe an activity that could raise an antitrust issue should consult with the Legal Department.

As a public company, it is of critical importance that Forestar comply with all securities laws and regulations and communicate with its investors through full, fair, accurate, timely and understandable disclosure in reports and documents.

D. Environmental

We are committed to full compliance with federal, state and local environmental laws and regulations. Our environmental obligations include obtaining and maintaining environmental permits and approvals required for the conduct of our operations; the proper handling, storage and disposal of regulated materials, including hazardous waste; and timely and accurate submission of required reports concerning environmental monitoring or possible violations to the proper government agencies. You are expected to understand and act in accordance with your obligations under air, water, hazardous waste and other environmental laws and, in this regard, to report suspected violations of those laws to your supervisor. It is the obligation of responsible managers to ensure that a timely and effective remedial response is taken with regard to every confirmed report of an environmental violation.

E. Health and Safety

We are committed to providing a safe workplace for all employees and to complying with applicable laws and regulations designed to minimize safety and health hazards. For that reason, and to protect the safety of themselves and others, employees and other persons who are present on Forestar properties are required to follow carefully all adopted safety instructions and procedures.

F. Political Involvement and Contributions

We follow all laws and regulations regarding in-kind contributions, use of corporate facilities and resources, independent expenditures, and gifts and ethics laws involving the political process. Political contributions are subject to complex rules and regulations. Forestar does not make political contributions to candidates. Only employees of Forestar who are specifically authorized to do so may make other political contributions on our behalf. We make no contributions with the expectation of influencing governmental duties. You are free to exercise the right to make personal political contributions within legal limits, but reimbursement of your personal political contributions is prohibited. Any questions about compliance should be directed to the Legal Department.

VI. *We Deal Fairly and Honestly with Our Customers, Our Neighbors and Our Employees*

A. Open and Honest Communications

We require our directors, officers and employees to deal fairly with our customers, suppliers, competitors and employees. Dealing fairly means not taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair practice. Forestar strongly encourages dialogue with its employees, customers and suppliers to uncover situations that give rise to ethical questions and to articulate acceptable ways of handling those situations.

B. Relationships with Public Officials and Governmental Agencies

Some employees may represent Forestar in business with federal, state or local government agencies. All employees engaged in business with a governmental body or agency must know and abide by the specific rules and regulations covering relations with public agencies. Such employees must also conduct themselves in a manner that avoids any dealings that might be perceived as improper attempts to influence public officials in the performance of their official duties. There are special laws, rules or regulations that may apply to dealing with federal and many state, local and foreign governmental officials. These are likely to be more restrictive than the general guidance in this policy, and the Legal Department should be contacted for guidance before providing gifts to or entertainment of any governmental officials.

C. Bribery, Kickbacks and Fraud

You may not pay, loan or otherwise disburse funds or assets as bribes, “kickbacks” or other payments designed to influence or compromise the conduct of the recipient; and you may not accept any services, funds or other assets (including those provided as preferential treatment for fulfilling your responsibilities) for assisting in obtaining business or for securing special concessions from Forestar. You should conduct your business affairs so that Forestar’s reputation will not be tarnished if the details of the dealings should become a matter of public record.

D. Employment Policies and Practices

We are committed to fostering a work environment in which all individuals are treated with respect and dignity. Each individual should be permitted to work in a business-like atmosphere that promotes equal employment opportunities and prohibits discriminatory practices, including harassment. Therefore, we expect that all relationships among persons in the workplace will be business-like and free of unlawful bias, discrimination, prejudice and harassment.

No employee may interfere with or retaliate against another employee who seeks to invoke his or her rights under the laws governing labor and employee relations. If you have any questions about employee relations matters or believe you have been subjected to harassment of any kind, you should promptly talk to your supervisor, Human Resources, or the Legal Department.

VII. We Want to Know about Violations of These Standards of Business Conduct and Ethics

A. Each of us is Expected to Act Legally and Ethically

All directors, officers and employees have a responsibility to understand and follow these Standards. In addition, all directors, officers and employees are expected to perform their work with honesty and integrity in all areas even if not specifically addressed by these Standards. Because failure to report criminal activity can itself be understood to condone the crime, we emphasize the importance of asking questions and reporting suspicious behavior. Failure to report knowledge of suspected wrongdoing may result in disciplinary action against those who fail to report.

B. Procedures for Reporting Violations

- **Tell someone if you suspect a violation** — As part of its commitment to legal and ethical conduct, we expect you to tell someone about suspected violations of these Standards or of law or regulation by any director, officer or employee. If you have information about suspected violations, including improper accounting or auditing matters, you should bring it to the attention of your supervisor, Human Resources, or the Corporate Counsel.

You can also anonymously call the Compliance and Ethics Helpline toll-free at 1.512.433.5220. You must come forward with any such information without regard to the identity or position of the suspected offender.

- **Investigation** — Reports of violations will be investigated under the supervision of Forestar's Corporate Counsel or the Forestar Audit Committee, as appropriate. You are expected to cooperate in the investigation of reported violations. You should not conduct your own investigation because this could compromise the integrity of an investigation conducted at the direction of the Corporate Counsel or Audit Committee.
- **Confidentiality** — The Corporate Counsel and the Audit Committee will, to the extent practical and appropriate under the circumstances, keep confidential the identity of anyone who reports a suspected violation or who participates in the investigation. You should be aware that the Corporate Counsel and the Audit Committee, and those acting at their direction, are obligated to act in the best interests of Forestar and do not act as your personal representatives or lawyers.

C. Protection against Retaliation

Retaliation in any form against an individual because he or she made a good faith report of a violation of these Standards or of law, even if the report is mistaken, or because he or she assists in the investigation of a reported violation, is itself a serious violation of these Standards and is strictly prohibited. Acts of retaliation should be reported immediately to the Corporate Counsel for investigation.

D. Waiver

Only Forestar's Board of Directors or the Audit Committee may waive these Standards for executive officers or directors, and then only with appropriate disclosure to shareholders.

E. Other Situations

These Standards reflect general principles to guide employees in making ethical decisions and are not intended to address every specific situation. As such, nothing in these Standards prohibits or restricts Forestar from taking any disciplinary action on any matters pertaining to employee conduct, whether or not they are expressly discussed in these Standards. If you have any questions about these Standards or the appropriate behavior of yourself or others, please contact the Human Resources or Legal Department.