

**D.R. Horton, Inc.**  
**Corporate Governance Principles**

**I. Purpose**

These Corporate Governance Principles, adopted by the Board of Directors of D.R. Horton, Inc. (the “Company” or “D.R. Horton” which shall include all of the Company’s subsidiaries) together with the charters of the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee of the Board, provide the framework for the governance of D.R. Horton, Inc. The Board will review these principles and other aspects of D.R. Horton governance at least annually or as the Board deems necessary or appropriate.

The Board of Directors of the Company is elected by and responsible to the stockholders of D.R. Horton. D.R. Horton’s business is conducted by its employees, managers and officers, under the direction of the Chief Executive Officer (the “CEO”) and the oversight of the Board, to enhance the long-term value of the Company for its stockholders. The Board of Directors monitors the performance of the CEO and senior management to assure that the long-term interests of the stockholders are being served.

**II. Board of Directors Structure and Operations/Board Compensation**

*Selection Process and Size of Board*

The directors are elected each year by the stockholders at the annual meeting of stockholders. The Board will consider nominee recommendations from the Nominating and Governance Committee, and thereafter the Board will propose a slate of nominees to the stockholders for election to the Board. The Board also determines the number of directors on the Board as such number is provided for in the Bylaws of the Company. Between annual stockholder meetings, the Board may elect directors to vacant Board positions to serve until the next annual meeting in a manner consistent with its Bylaws & Delaware law.

*Qualifications*

Directors should possess the highest personal and professional ethical standards, integrity and values, and be committed to representing the long-term interests of the stockholders. Directors should also have practical wisdom and mature judgment. Directors should be objective and inquisitive. Directors should be prepared to offer their resignation in the event of any significant change in their personal circumstances that could affect the discharge of their responsibilities as directors of the Company, including a change in their principal job responsibilities. Ordinarily, directors who also serve as CEOs 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, the Board does not believe that arbitrary term limits on directors' service are appropriate.

*Director Retirement Policy*

The Board has adopted a retirement policy for directors. Under the policy, directors may not stand for reelection after they have reached the age of 75. Each director serving on the Board on January 25, 2007 shall be exempt from this policy now and in the future.

*Election of Directors*

The Board has amended the Company’s bylaws to provide for majority voting in the election of directors. In uncontested elections, directors are elected by a majority of the votes cast, which means that the number of shares voted “for” a director must exceed the number of shares voted “against” that director. Pursuant to these Corporate

Governance Principles, any director who is not elected is to tender his or her resignation to the Chairman of the Board within a reasonable time following certification of the vote. The Chairman of the Board will then provide such resignation offer to the Chairman of the Nominating and Governance Committee. The Nominating and Governance Committee will make a recommendation to the Board as to whether to accept or reject the resignation offer, or whether other action should be taken. In determining whether or not to recommend that the Board accept any resignation offer, the Nominating and Governance Committee will be entitled to consider all factors believed relevant by the Committee's members. If a majority of the members of the Nominating and Governance Committee were required to tender their resignations as provided above, the independent directors on the Board who were not required to tender their resignations will act as a committee to consider the resignation offers and recommend to the Board whether or not to accept them. If there are no independent directors who were not required to tender their resignations, then all independent directors may participate in the committee action to consider the resignation offers and recommend to the Board whether or not to accept them.

The Board will act on the Nominating and Governance Committee's recommendation within ninety (90) days following certification of the election results. In deciding whether or not to accept the resignation offer, the Board will consider the factors considered by the Nominating and Governance Committee and any additional information and factors that the Board believes to be relevant. Unless applicable to all directors, the director whose resignation offer is under consideration is expected to recuse himself or herself from the Board vote with respect to his or her resignation offer. Thereafter, the Board will promptly publicly disclose its decision regarding the director's resignation offer (including the reason(s) for rejecting the resignation offer, if applicable). If the Board accepts a director's resignation offer pursuant to this process, the Nominating and Governance Committee will recommend to the Board and the Board will thereafter determine whether to fill such vacancy or reduce the size of the Board.

This corporate governance principle will be summarized or included in each proxy statement relating to an election of directors of the Company.

#### *Independence of Directors*

A majority of the directors must be independent directors under the New York Stock Exchange Listed Company rules, which include the new NYSE corporate governance and independence standards (collectively, "NYSE Rules") or any other applicable regulatory requirements, as such requirements may change from time to time. The Board of Directors recognizes, however, that directors who do not meet the NYSE's independence standards have historically made, and can be expected to continue to make, valuable contributions to the Board and to the Company by reason of their experience, judgment, intelligence and wisdom.

### *Independence Standards*

To be considered independent under the NYSE Rules, the Board must determine that a director does not have any direct or indirect material relationship with the Company or its management. The Board has established the following independence standards to assist it in determining director independence in accordance with the NYSE Rules:

- A director who is an employee or whose immediate family member is an executive officer of D.R. Horton is not independent until 3 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: (A) a director or an immediate family member is a current partner of a firm that is D.R. Horton's internal or external auditor; (B) a director is a current employee of such a firm; (C) a director has an immediate family member who is a current employee of such a firm and personally works on D.R. Horton's audit, (D) a director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a 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 serve on that company's compensation committee is not independent until three years after the end of such service or the employment relationship.
- 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 which, 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.

*Transition Rule:* In accordance with the NYSE Rules which were adopted by the SEC on November 4, 2003, each of the above standards contains a three-year look-back provision. In order to facilitate a smooth transition to the new independence standards, the Board, in accordance with the NYSE Rules, will phase in the look-back provisions by applying a one-year look-back for the first year after adoption of the new standards. For example, until November 3, 2004, the Board will only look-back one year when testing the above standards. Beginning November 4, 2004, however, the Board would need to look-back the full three years when testing the above standards.

*Immediate Family Member:* For purposes of analyzing independence, an "immediate family member" includes a Board member's spouse, parents, children, siblings, mothers and fathers-in-laws, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares the Board member's home.

When applying the look-back provisions discussed above, the Board need not consider individuals who are no longer immediate family members as a result of legal separation or divorce, or those who have died or become incapacitated.

### *Other Relationships*

- If a D.R. Horton 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.
- The Board, as part of its self-evaluation, will review all commercial, charitable, and educational relationships between the Company and its directors. The Board's determination of each director's independence will be disclosed annually in the Company's proxy statement.

For relationships other than those governed by the independence standards set forth above, the determination of whether the relationship is material, and therefore whether the director is independent, shall be made by the Board of Directors.

The Company will not make any personal loans or extensions of credit to directors or executive officers, other than consumer loans on terms offered to the general public.

### *Board Committees*

The Board has established the following Committees to assist the Board in discharging its responsibilities: (i) Audit, (ii) Compensation, and (iii) Nominating and Governance. The current charters of these Committees are published on the D.R. Horton public website, and will be mailed to stockholders on written request. The Committee chairs report on the matters considered at each of their meetings to the full Board of Directors following each Committee meeting.

### *Membership on the Audit Committee*

In addition to the requirement that a majority of the Board satisfy the independence standards discussed above, members of the Audit Committee must also satisfy additional independence and financial literacy requirements. In addition, at least one member of the Audit Committee shall qualify as an audit committee financial expert as determined by the Board. The Board has established the following standards to assist it in determining whether a Board member who is "independent" as set forth above is also independent for Audit Committee purposes and whether such member is also "financially literate" and whether such Board member qualifies to be the "audit committee financial expert" in accordance with applicable NYSE Rules and SEC rules and regulations:

#### *Audit Committee Independence*

(i) Each member of the Audit Committee must be an independent member of the Board of Directors using the standards set forth above in "Independence of Directors," and

(ii) In order to be considered independent for purposes of membership on the Audit Committee, a member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board of Directors, or any other committee of the Board of Directors:

(A) Accept directly or indirectly any consulting, advisory, or other compensatory fee from the Company or any subsidiary thereof, provided that, the NYSE Rules provide otherwise, compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior services with D.R. Horton (provided that such compensation is not contingent in any way on continued service); or

(B) Be an affiliated person of D.R. Horton or any subsidiary thereof. The term “affiliate” of, or a person “affiliated” with, a specified person, means a person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under the common control with, the person specified.

The term “indirect acceptance” by a member of the Audit Committee of any consulting, advisory or other compensatory fee includes acceptance of such a fee by a member’s spouse, a minor child or stepchild or a child or stepchild sharing a home with a member or by an entity in which such a member is a partner, member, an officer, person occupying a comparable position such as a managing director or executive officer, or occupies a similar position (except limited partners, non managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the Company or any of its subsidiaries.

The Board may determine that a member of the Audit Committee is independent based on an exemption if such exemption has been adopted by the NYSE or the SEC as applicable. Any independence determinations based on an exemption will be disclosed in D.R. Horton’s proxy statement.

#### *Audit Committee Financial Literacy*

Each member of the Audit Committee must be “financially literate,” as such qualification is interpreted by D.R. Horton’s Board of Directors in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Audit Committee. In determining a member’s financial literacy, among other things such as education and professional experience, the Board will consider the member’s ability to read and understand fundamental financial statements, including D.R. Horton’s balance sheet, income statement and cash flow statement as well as a member’s understanding of the overall financial reporting process relating to public companies.

#### *Audit Committee Financial Expert*

Item 401(h) of Regulation S-K of the Securities Act of 1933 requires D.R. Horton to disclose in its annual proxy statement the name of the person, if any, the Board of Directors determines to be the “audit committee financial expert” (defined below) serving on its Audit Committee and whether the person is independent, or if the Company does not have such an “audit committee financial expert” serving on its Audit Committee, the reason why it does not must be disclosed.

An “*audit committee financial expert*,” as defined by SEC rules and regulations, is a person who has all of the attributes listed below. Accordingly, the Board of Directors has adopted the following standards to aid it in making the determination of whether or not a member of the Audit Committee qualifies as an audit committee financial expert:

- does the member have an understanding of generally accepted accounting principles and financial statements (the level of understanding will be analyzed using the means set forth in (a) through (d) below);
- does the member have the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves (the level of understanding will be analyzed using the means set forth in (a) through (d) below);
- does the member have 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 (the level of understanding will be analyzed using the means set forth in (a) through (d) below);

- does the member have an understanding of internal control over financial reporting (the level of understanding will be analyzed using the means set forth in (a) through (d) below); and
- does the member have an understanding of audit committee functions (the level of understanding will be analyzed using the means set forth in (a) through (d) below).

The “*audit committee financial expert*” must have acquired the above listed attributes through any of the following means:

- (a) education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- (b) experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant or auditor or person performing similar functions;
- (c) experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- (d) other relevant experience (if an audit committee financial expert qualifies as such because of “other relevant experience,” then the Company will include disclosure in its proxy statement providing a brief listing of that person’s relevant experience).

#### *Compensation of Directors*

The Board shall have the responsibility for setting and approving compensation for non-employee directors in their capacity as board members or board committee members. Each year, the Board shall review non-employee director compensation.

#### *Director Orientation and Continuing Education*

The Company shall provide an orientation for new directors, and shall periodically provide informational and educational materials or briefing sessions for all directors on subjects that would assist them in discharging their duties.

#### *Access to Senior Management*

Each director shall have full and complete access to the executive officers and senior managers of the Company and, if desired, without the supervisors of such executive officers and senior managers present.

#### *Access to Independent Advisors*

The Board and its Committees shall have the right at any time to retain independent outside financial, legal or other advisors at the Company’s expense.

### **III. Meetings**

The Board of Directors ordinarily has 4 scheduled in person meetings a year. Directors ordinarily are expected to attend all scheduled Board and Committee meetings, and are expected to review the materials provided to them in advance of each meeting.

Before, during or after each regularly scheduled Board meeting, the non-employee directors ordinarily will meet for a period of time without management present. The Chairman of the Nominating and Corporate Governance Committee shall preside over such non-employee director sessions and also will serve as the presiding director in performing such other functions as the Board may direct. The non-employee directors may meet without management present at such other times as determined by the presiding director or at the request of any non-employee director. The presiding director will, from time to time, and following consultation with the Chairs of the Committees of the Board and the other directors, discuss with the Chairman of the Board of Directors potential items for inclusion in the agendas of future meetings of the Board of Directors.

### **IV. Responsibilities and Duties**

#### *CEO/Management Oversight and Compensation*

In addition to the Board's general oversight of the CEO and senior management, the Board also is responsible for:

- selecting, evaluating and compensating the CEO and overseeing CEO succession planning;
- providing counsel and oversight on the selection, evaluation, development and compensation of the senior officers of the Company; and
- approving and maintaining a succession plan for the CEO and other key senior executives, including an emergency succession plan for the CEO.

#### *Business, Product and Strategic Matters/Compliance with Law and Company Policy*

As part of its overall responsibility to serve the long-term interests of the stockholders, the Board also shall:

- review, approve and monitor fundamental financial and business strategies and major Company actions;
- review and discuss reports by management on the performance of the Company, its plans, products and prospects;
- assess major risks facing the Company and review and approve strategies for addressing such risks; and
- ensure processes are in place for maintaining the integrity and reputation of the Company, the integrity of the financial statements, compliance with law and Company policy, the integrity of relationships with customers, vendors and suppliers, and the integrity of relationships with other Company stakeholders.

#### *Concern Reporting*

Any person who has a legitimate concern about the Company's conduct may contact the presiding non-management director by writing to: presiding director, c/o Corporate Counsel, D.R. Horton Tower, 301 Commerce Street, Suite 500, Fort Worth, Texas 76102. The status of all outstanding concerns addressed to the presiding director will be reported to the directors as appropriate, on a quarterly basis.

**V. Annual Performance Evaluation**

The members of the Board will perform an annual self-evaluation of the Board and each of the Committees. Each of the directors will be requested to provide his or her assessment of the effectiveness of the Board and the Committees. If determined by the Board to be desirable, the Board may retain independent corporate governance experts to assist the Board with the evaluations.