

LGI Homes, Inc.  
Form PREM14A  
March 09, 2015

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

Filed by the Registrant  x  
Filed by a Party other than the  
Registrant  o

Check the appropriate box:

- x Preliminary Proxy Statement
- o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- o Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material under §240.14a-12

LGI HOMES, INC.

(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

- x No fee required.
- o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(1) Amount Previously Paid:

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(3) Filing Party:

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PRELIMINARY PROXY STATEMENT DATED MARCH 9, 2015 - SUBJECT TO COMPLETION

1450 Lake Robbins Drive, Suite 430  
The Woodlands, Texas 77380

NOTICE OF 2015 ANNUAL MEETING OF STOCKHOLDERS

to be held on:

April 30, 2015

4:00 p.m. Central Time

Dear Stockholder:

You are cordially invited to attend our 2015 Annual Meeting of Stockholders, which will be held at 4:00 p.m. (Central Time) on April 30, 2015, at the Company's headquarters at 1450 Lake Robbins Drive, The Woodlands, Texas 77380 in Suite 140.

We are holding the Annual Meeting for the following purposes, which are more fully described in the accompanying proxy statement:

1. To elect the nominees named in the accompanying proxy statement to LGI Homes, Inc.'s Board of Directors;
2. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015;
3. To approve the flexible settlement feature in connection with the potential conversion of the Company's 4.25% Convertible Notes due 2019 (the "2019 Notes Flexible Settlement Feature"); and
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

Only stockholders of record as of the close of business on March 2, 2015 are entitled to notice and to vote at the Annual Meeting or any adjournment thereof. A list of stockholders entitled to vote at the Annual Meeting will be available for inspection at our headquarters for ten days prior to the Annual Meeting. If you would like to view this stockholder list, please contact Investor Relations at (281) 362-8998.

Each share of Company common stock that you own represents one vote, and your vote as a stockholder of LGI Homes, Inc. is very important. For questions regarding your stock ownership, you may contact Investor Relations at (281) 362-8998 or, if you are a registered stockholder, our transfer agent, Computershare Investor Services, by email through their website at [www.computershare.com/contactus](http://www.computershare.com/contactus) or by phone at (800) 962-4284 (within the U.S. and Canada) or (781) 575-3120 (outside the U.S. and Canada).

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The Board of Directors has approved the proposals described in the accompanying proxy statement and recommends that you vote:

“FOR” the election of all nominees for director in Proposal 1;

“FOR” the ratification of the appointment of Ernst & Young LLP as the Company’s independent registered public accountants for the fiscal year ending December 31, 2015 in Proposal 2; and

“FOR” the approval of the 2019 Notes Flexible Settlement Feature in Proposal 3.

BY ORDER OF THE BOARD OF DIRECTORS

Charles Merdian  
Chief Financial Officer, Treasurer and Secretary

The Woodlands, Texas

March 19, 2015

**YOUR VOTE IS IMPORTANT**

Instructions for submitting your proxy are provided in the Notice of Internet Availability of Proxy Materials, the Proxy Statement and your proxy card. It is important that your shares be represented and voted at the Annual Meeting. Please submit your proxy through the Internet, by telephone, or by completing the proxy card. You may revoke your proxy at any time prior to its exercise at the Annual Meeting. Please do not return the proxy card if you are voting through the Internet or by telephone.

Important Notice Regarding the Availability of Proxy Materials for the Annual Stockholder Meeting to be Held on April 30, 2015:

The Company’s Proxy Statement and 2014 Annual Report on Form 10-K are available for review online at [www.proxydocs.com/LGIH](http://www.proxydocs.com/LGIH), which can also be accessed using the link at <http://investor.lgihomes.com>.

PRELIMINARY PROXY STATEMENT - SUBJECT TO COMPLETION  
LGI HOMES, INC.  
2015 ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

INFORMATION CONCERNING VOTING AND SOLICITATION

The accompanying proxy is solicited on behalf of the Board of Directors of LGI Homes, Inc. (the “Company”) for use at the Company’s 2015 Annual Meeting of Stockholders (the “Annual Meeting”) to be held at the Company’s headquarters located at 1450 Lake Robbins Drive, The Woodlands, Texas 77380, in Suite 140 on April 30, 2015, at 4:00 p.m. (Central Time), and any adjournment thereof.

On or about March 19, 2015, we will mail to our stockholders of record and beneficial owners a Notice of Internet Availability of Proxy Materials containing instructions on how to access our Proxy Statement and our 2014 Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (our “2014 Annual Report”), via the Internet and vote online. The Notice of Internet Availability of Proxy Materials also contains instructions on how you can receive a paper copy of the proxy materials. Our 2014 Annual Report, Notice of Internet Availability of Proxy Materials and the proxy card are first being made available online on or about March 19, 2015.

About the Annual Meeting

What is the purpose of the Annual Meeting?

At our Annual Meeting, stockholders will act upon the proposals described in this proxy statement.

What proposals are scheduled to be voted on at the Annual Meeting?

Stockholders will be asked to vote on the following proposals:

1. To elect Ryan Edone, Duncan Gage, Eric Lipar, Bryan Sansbury, Steven Smith, and Robert Vahradian to our Board of Directors until the next annual meeting of stockholders, until his successor is elected or appointed, or until his earlier death, resignation or removal (see pages 11-13);
2. To ratify the appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2015 (see pages 14-15);
3. To approve the flexible settlement feature in connection with the potential conversion of the Company’s 4.25% Convertible Notes due 2019 (the “2019 Notes Flexible Settlement Feature”) (see pages 17-20); and
4. To transact such other business as may properly come before the Annual Meeting, or any adjournment thereof.

We are not aware of any other business to be brought before the Annual Meeting. If any additional business is properly brought before the Annual Meeting, proxies will be voted on those matters in accordance with the judgment of the person or persons acting under the proxies.

What is the recommendation of the Board of Directors on each of the proposals scheduled to be voted on at the Annual Meeting?

The Board of Directors recommends that you vote:

•“FOR” the election of each of the nominees for director named in this proxy statement;

•“FOR” the ratification of the appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2015; and

•“FOR” the approval of the 2019 Notes Flexible Settlement Feature.

Voting of Proxies

When you vote by proxy, you authorize our officers listed on the proxy card to vote your shares on your behalf as you direct. In the absence of such direction, your shares will be voted:

•“FOR” the election of each of the nominees for director named in this proxy statement;

•“FOR” the ratification of the appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for the fiscal year ending December 31, 2015; and

•“FOR” the approval of the 2019 Notes Flexible Settlement Feature.

Voting and Ownership of Shares

At the close of business on the record date, March 2, 2015, the Company had 19,849,044 shares of common stock outstanding and entitled to vote. Each share of common stock is entitled to one vote on each matter brought before the Annual Meeting. The following votes are required to approve each of the proposals at the meeting.

**Election of Directors.** The proposal regarding the election of directors requires the approval of a plurality of the votes cast. This means that the six nominees receiving the highest number of affirmative “FOR” votes will be elected as directors.

**Ratification of Appointment of Independent Registered Public Accounting Firm.** The ratification of the appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm requires the approval of a majority of the votes cast at the Annual Meeting.

**Approval of the 2019 Notes Flexible Settlement Feature.** The proposal to approve the 2019 Notes Flexible Settlement Feature requires the affirmative vote of a majority of the shares of common stock present or represented by proxy and entitled to vote at the Annual Meeting. Abstentions will be counted toward the tabulation of the votes cast on this proposal and will have the same effect as negative votes. Broker non-votes will have no effect on this proposal as brokers or other nominees are not entitled to vote on such proposal in the absence of voting instruction from the beneficial owner.

Who can vote at the Annual Meeting?

Stockholders as of the close of business on the record date for the Annual Meeting (March 2, 2015) are entitled to vote at the Annual Meeting. At the close of business on the record date, there were outstanding and entitled to vote 19,849,044 shares of the Company’s common stock.

Stockholder of Record: Shares Registered in Your Name

If at the close of business on March 2, 2015, your shares were registered directly in your name with our transfer agent, Computershare Investor Services, then you are considered the stockholder of record with respect to those shares.

As a stockholder of record, you may vote at the Annual Meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to vote over the Internet or by telephone, or if you request paper proxy materials, by filling out and returning the proxy card.

**Beneficial Owner: Shares Registered in the Name of a Broker or Nominee**

If at the close of business on March 2, 2015, your shares were held in an account with a brokerage firm, bank or other nominee, then you are the beneficial owner of the shares held in street name. As a beneficial owner, you have the right to direct your nominee on how to vote the shares held in your account, and your nominee has enclosed or provided voting instructions for you to use in directing it on how to vote your shares. However, the organization that holds your shares is considered the stockholder of record for purposes of voting at the Annual Meeting. Because you are not the stockholder of record, you may not vote your shares at the Annual Meeting unless you request and obtain a valid proxy from the organization that is the record stockholder of your shares giving you the right to vote the shares at the Annual Meeting.

**How do I vote?**

If you are a stockholder of record, you may:

- vote in person—we will provide a ballot to stockholders who attend the Annual Meeting and wish to vote in person;
- vote by mail—if you request a paper proxy card, simply complete, sign and date the proxy card, then follow the instructions on the proxy card; or
- vote via the Internet or via telephone—follow the instructions on the Notice of Internet Availability or proxy card and have the Notice of Internet Availability or proxy card available when you access the internet website or place your telephone call.

Votes submitted via the Internet or by telephone must be received by 5:00 p.m., Central Time, on April 29, 2015.

Submitting your proxy, whether via the Internet, by telephone or by mail if you requested a paper proxy card, will not affect your right to vote at the Annual Meeting if you were a stockholder of record as of the close of business on March 2, 2015, and should you decide to attend the Annual Meeting and vote your shares at the Annual Meeting.

If you are not a stockholder of record, please refer to the voting instructions provided by your nominee to direct it how to vote your shares.

Your vote is important. Whether or not you plan to attend the Annual Meeting, we urge you to vote by proxy to ensure that your vote is counted. You may still attend the Annual Meeting if you have already voted by proxy.

**How do I revoke my proxy?**

A stockholder giving a proxy has the power to revoke it at any time before it is voted by providing written notice to the Secretary of the Company, by delivering a later-dated proxy, or by voting in person at our Annual Meeting.

**What is the quorum requirement for the Annual Meeting?**

A majority of our outstanding shares of common stock as of the record date must be present at the Annual Meeting in order to hold the meeting and conduct business. This presence is called a quorum. Your shares are counted as present at the Annual Meeting if you are present and vote in person at the Annual Meeting or if you have properly submitted a proxy.

**How are abstentions and broker non-votes treated?**

Abstentions (shares present at the Annual Meeting and voted “abstain”) are counted for purposes of determining whether a quorum is present, and have no effect on the election of directors (Proposal 1) or on the ratification of appointment of auditors (Proposal 2). Abstentions will be counted toward the tabulation of the votes cast on the 2019 Notes Flexible Settlement Feature (Proposal 3) and will have the same effect as a negative vote.

Broker non-votes occur when shares held by a broker for a beneficial owner are not voted either because (i) the broker did not receive voting instructions from the beneficial owner, or (ii) the broker lacked discretionary authority to vote the shares. Broker non-votes are counted for purposes of determining whether a quorum is present, and have no effect on the matters voted upon. Note that if you are a beneficial holder and do not provide specific voting instructions to your broker, the broker that holds your shares will not be authorized to vote on the election of directors (Proposal 1) or the vote on the 2019 Notes Flexible Settlement Feature (Proposal 3). Ratification of the appointment of auditors (Proposal 2) is considered to be a routine matter and, accordingly, if you do not instruct your broker, bank or other nominee on how to vote the shares in your account for Proposal 2, brokers will be permitted to exercise their discretionary authority to vote for the ratification of the appointment of auditors. Accordingly, we encourage you to provide voting instructions to your broker, whether or not you plan to attend the Annual Meeting.

What if I return a proxy card but do not make specific choices?

All proxies will be voted in accordance with the instructions specified on the proxy card. If you sign a physical proxy card and return it without instructions as to how your shares should be voted on a particular proposal at the Annual Meeting, your shares will be voted in accordance with the recommendations of our Board of Directors stated above. If you do not vote and you hold your shares in street name, and your broker does not have discretionary power to vote your shares, your shares may constitute “broker non-votes” (as described above). Shares that constitute broker non-votes will be counted for the purpose of establishing a quorum for the Annual Meeting. Voting results will be tabulated and certified by the inspector of elections appointed for the Annual Meeting.

Why did I receive a one-page notice in the mail regarding the Internet availability of proxy materials instead of a full set of proxy materials?

Pursuant to rules adopted by the Securities and Exchange Commission (the “SEC”), the Company uses the Internet as the primary means of furnishing proxy materials to stockholders. Accordingly, on or about March 19, 2015, the Company will mail a Notice of Internet Availability of Proxy Materials (the “Notice of Internet Availability”) to the Company’s stockholders. All stockholders will have the ability to access the proxy materials on the website referred to in the Notice of Internet Availability or request a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice of Internet Availability and [www.proxydocs.com/LGIH](http://www.proxydocs.com/LGIH). The Notice of Internet Availability of Proxy Materials also contains instructions on how to receive, free of charge, paper copies of the proxy materials. If you received the notice, then you will not receive a paper copy of the proxy materials unless you request one. The Company encourages stockholders to take advantage of the availability of the proxy materials on the Internet to help reduce cost to the Company associated with the physical printing and mailing of proxy materials.

How can I get electronic access to the proxy materials?

The Notice of Internet Availability will provide you with instructions regarding how to use the Internet to:

- View the Company’s proxy materials for the Annual Meeting; and
- Instruct the Company to send future proxy materials to you by email.

The Company’s proxy materials are also available at <http://investor.lgihomes.com/>. This website address is included for reference only. The information contained on the Company’s website is not incorporated by reference into this proxy statement.

Choosing to receive future proxy materials by email will save the Company the cost of printing and mailing documents to you. If you choose to receive future proxy materials by email, you will receive an email message next year with instructions containing a link to those materials and a link to the proxy voting website. Your election to receive proxy materials by email will remain in effect until you terminate it.



Who is paying for this proxy solicitation?

The Company is paying the costs of the solicitation of proxies. Proxies may be solicited on behalf of the Company by our directors, officers, employees or agents in person or by telephone, facsimile or other electronic means. We will also reimburse brokerage firms and other custodians, nominees and fiduciaries, upon request, for their reasonable expenses incurred in sending proxies and proxy materials to beneficial owners of our common stock. We have not retained an outside proxy solicitation firm to assist us with the solicitation of proxies.

## CORPORATE GOVERNANCE AND DIRECTOR INDEPENDENCE

### Composition of the Board of Directors

Our Board of Directors currently consists of six members. Our Certificate of Incorporation provides that the authorized number of directors may be changed only by resolution of the Board. Our directors hold office until their successors have been elected and qualified or appointed, or the earlier of their death, resignation or removal. Vacancies on the Board are filled solely by the affirmative vote of a majority of the remaining directors then in office, and not by the stockholders. Each of our directors is elected annually.

On November 3, 2014, the Board of Directors increased the authorized number of directors from five to six and appointed Ryan Edone as a director and a member of the Audit Committee.

### Director Independence

All members of our Board, except Mr. Lipar, have been determined by the Board to be independent under the NASDAQ listing requirements. In making this determination, the Board has affirmed that each of the independent directors meets the objective requirements for independence set forth by the NASDAQ listing requirements. The independent directors are Ryan Edone, Duncan Gage, Bryan Sansbury, Steven Smith, and Robert Vahradian. Mr. Lipar is not independent because he is our Chief Executive Officer.

In evaluating and determining the independence of the directors, the Board considered that the Company may have certain relationships with its directors. Specifically, the Board considered that Mr. Smith is the uncle of Mr. Eric Lipar, our Chief Executive Officer and Chairman of the Board. The Board determined that this relationship does not impair Mr. Smith's independence.

### Compensation Committee Interlocks and Insider Participation

None of our executive officers serves, or in the past has served, as a member of the board of directors or compensation committee, or other committee serving an equivalent function, of any entity that has one or more executive officers who serve as members of our Board of Directors or our Compensation Committee. None of the members of our Compensation Committee is, or has ever been, an officer or employee of the Company.

### Board Leadership Structure

With respect to the roles of Chairman of our Board of Directors and Chief Executive Officer, our Board of Directors exercises its discretion in combining or separating these positions as it deems appropriate in light of prevailing circumstances. Our Board of Directors believes that the combination or separation of these positions should continue to be considered as part of our succession planning process. Currently the roles are combined, with Mr. Lipar serving as Chief Executive Officer and Chairman of our Board of Directors. Mr. Lipar's extensive business knowledge, along with his demonstrated leadership capability through the growth of the Company, makes him highly qualified to continue to serve as our Chairman of the Board and our Chief Executive Officer.

The Lead Independent Director coordinates the activities of the other non-employee directors and performs such other duties and functions as directed by our Board from time to time. The Lead Independent Director presides over the executive sessions of non-management directors. Mr. Sansbury currently serves as our Lead Independent Director.

### Board Meetings

During 2014, our Board of Directors met seven times, including telephonic meetings, and acted by unanimous written consent six times. In 2014, all directors attended at least 75% of the aggregate number of meetings of the Board and the committees on which they served during the periods in which they served.

Agendas and topics for Board and committee meetings are developed through discussions among management and members of our Board of Directors and its committees. Information and data that are important to the issues to be considered are distributed in advance of each meeting. Board meetings and background materials focus on key strategic, operational, financial, governance and compliance matters applicable to us.

#### Role in Risk Oversight

Our Board of Directors is responsible for overseeing our risk management process. The Board oversees the implementation of risk mitigation strategies by management to ensure such strategies focus on both general risk management and management of the Company's most significant risks. Our Board of Directors is also apprised of particular risk management matters in connection with its general oversight and approval of corporate matters and significant transactions. In addition, each of the board committees is responsible for risk management concerning its area of responsibility, consistent with its charter, and such other responsibilities as may be delegated to it by the Board of Directors from time to time.

#### Code of Business Conduct and Ethics

We have adopted a written Code of Business Conduct and Ethics that applies to all of our employees, officers and directors, including those officers responsible for financial reporting. Our Code of Business Conduct and Ethics is posted on our website at [www.lgihomes.com](http://www.lgihomes.com) and can be accessed by clicking on "INVESTOR RELATIONS" and then "CORPORATE GOVERNANCE" on our website. We intend to satisfy any disclosure requirements pursuant to Item 5.05 of Form 8-K and NASDAQ rules regarding any amendment to, or waiver from, certain provisions of our Code of Business Conduct and Ethics by posting such information on our website.

#### Board Committees and Meetings

Our Board of Directors has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Each of these committees reports to our Board of Directors as it deems appropriate and as our Board of Directors may request.

The Board has adopted written charters for the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, which are available on our website, [www.lgihomes.com](http://www.lgihomes.com), and can be accessed by clicking on "INVESTOR RELATIONS" and then "CORPORATE GOVERNANCE" on our website. From time to time, special committees may be established under the direction of our Board when necessary to address specific issues.

The information contained in, or that can be accessed through, our website is not incorporated by reference and is not a part of this proxy statement.

The table below sets forth the membership of the Board and its standing committees and the number of meetings held during 2014.

Director Name:	Board of Directors	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Ryan Edone	X	X		
Duncan Gage	X	Chair	X	
Eric Lipar	Chair			
Bryan Sansbury	X		Chair	X
Steven Smith	X	X		Chair
Robert Vahradian	X			X
Number of meetings during 2014	7	5	5	4

The independent directors meet in regularly scheduled executive sessions without management. Mr. Sansbury, as the Lead Independent Director, presides over all executive sessions at which he is present.

Our Company does not have a formal policy regarding attendance by members of our Board of Directors at our annual meeting of stockholders. The Chairman of the Board of Directors attended our annual meeting of stockholders in 2014.

#### Director Compensation

We currently compensate our non-employee directors as follows:

- an annual retainer of \$50,000 plus an additional annual payment of \$10,000 for the Lead Independent Director and each committee chair, paid quarterly;

- an annual grant of restricted stock units (“RSUs”) with an aggregate value equal to \$50,000 based on the closing price of our common stock on the date of grant, which vests in three annual installments after the date of grant; and
- reimbursement of reasonable out-of-pocket expenses up to \$2,000 per meeting for travel in connection with their attendance in-person at Board or committee meetings.

The following table contains information with respect to 2014 compensation of our non-employee directors. The 2014 compensation of Mr. Eric Lipar, Chief Executive Officer and Chairman of the Board, is disclosed in the Executive Compensation section below.

Name	Fees Earned or Paid in Cash	Stock Awards <sup>(1)(2)(3)</sup>	All other Compensation	Total
Ryan Edone <sup>(4)</sup>	\$8,333	\$50,010	—	\$58,343
Duncan Gage	\$60,000	\$50,010	—	\$110,010
Bryan Sansbury	\$70,000	\$50,010	—	\$120,010
Steven Smith	\$60,000	\$50,010	—	\$110,010
Robert Vahradian	\$50,000	\$50,010	—	\$100,010

The amounts shown reflect the grant date fair value of restricted stock units granted, determined in accordance with (1) FASB ASC Topic 718. See Note 12 to our consolidated financial statements included in our 2014 Annual Report, regarding assumptions underlying valuations of equity awards for 2014.

On December 15, 2014, each non-employee director was granted 3,603 RSUs which vest in three annual installments of 1,201 RSUs. The RSUs automatically become fully vested upon the earlier of (i) the director’s (2) disability; (ii) the director’s death; and (iii) immediately prior to the closing of a change in control of the Company, as defined in the Company’s 2013 Equity Incentive Plan.

At December 31, 2014, Messrs. Gage, Sansbury, Smith and Vahradian each had 6,603 unvested RSUs of which (3) 1,500 RSUs vest on each of November 6, 2014 and 2015 and 1,201 RSUs vest on each of December 15, 2015, 2016 and 2017 and Mr. Edone had 3,603 unvested RSUs of which 1,201 RSUs vest on each of December 15, 2015, 2016 and 2017.

(4) Ryan Edone was appointed as a director on November 3, 2014.

#### Stock Ownership Policy for Non-Employee Directors

In order to evidence the financial alignment of the Company’s directors with the interest of the Company’s stockholders, during 2013, the Board of Directors established a stock ownership policy for directors who are not employees of the Company. Under these guidelines, each director is required to own shares of the Company’s common stock that have a fair market value (determined as of each annual meeting of the Company’s stockholders) equal to three times (3.5x) the annual retainer paid to the applicable independent director, and each director shall have four (4) years from his or her initial appointment or election to the Board within which to satisfy the foregoing stock ownership policy. The annual amount of retainer currently is \$50,000 resulting in a current stock ownership goal of

\$175,000. All of the non-employee directors have achieved the stock ownership goal and are in compliance with the policy.

8

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#### Audit Committee

Our Audit Committee consists of Mr. Gage, who serves as chair of the committee, Mr. Edone, and Mr. Smith. Our Board of Directors has determined that the members of the Audit Committee are independent for purposes of serving on such committee under the NASDAQ listing standards and applicable federal law. In addition, our Board of Directors has determined that each current member of the Audit Committee is financially literate under the NASDAQ listing standards and that each of Mr. Gage and Mr. Edone qualify as an “audit committee financial expert,” as such term is defined in Item 407(d) of Regulation S-K.

The Audit Committee is responsible for, among other matters: (1) appointing, compensating, retaining, evaluating, terminating and overseeing our independent registered public accounting firm; (2) delineating relationships between our independent registered public accounting firm and us and requesting information from our independent registered public accounting firm and management to determine the presence or absence of a conflict of interest; (3) reviewing with our independent registered public accounting firm the scope and results of its audit; (4) approving all audit and permissible non-audit services to be performed by our independent registered public accounting firm; (5) overseeing the financial reporting process and discussing with management and our independent registered public accounting firm the interim and annual financial statements that we file with the SEC; (6) reviewing and monitoring our accounting principles, accounting policies, financial and accounting controls and compliance with legal and regulatory requirements; (7) establishing procedures for the confidential anonymous submission of concerns regarding questionable accounting, internal controls or auditing matters; and (8) reviewing and approving related-person transactions.

#### Compensation Committee

Our Compensation Committee consists of Mr. Sansbury, who serves as chair of the committee, and Mr. Gage. Each of the members of our Compensation Committee meets the independence requirements under the NASDAQ listing standards, qualifying as an “outside director” in accordance with Section 162(m) of the Internal Revenue Code and as a “non-employee director” as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (the “Exchange Act”).

The Compensation Committee is responsible for, among other matters: (1) reviewing key employee compensation goals, policies, plans and programs; (2) reviewing and approving the compensation of our directors, Chief Executive Officer and other executive officers; (3) reviewing employment agreements and other similar arrangements between us and our executive officers; and (4) appointing and overseeing any compensation consultants.

#### Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee consists of Mr. Smith, who serves as chair of the committee, Mr. Sansbury and Mr. Vahradian. Each of the members of our Nominating and Corporate Governance Committee is an independent director under the NASDAQ listing standards.

The Nominating and Corporate Governance Committee is responsible for, among other matters: (1) identifying individuals qualified to become members of our Board of Directors, consistent with criteria approved by our Board of Directors; (2) overseeing the organization of our Board of Directors to discharge the Board’s duties and responsibilities properly and efficiently; and (3) developing and recommending corporate governance guidelines and principles to our Board of Directors.

#### Selection and Evaluation of Director Candidates

The Nominating and Corporate Governance Committee is responsible for searching for qualified director candidates for election to the Board and filling vacancies on the Board. To facilitate the search process, the Nominating and Corporate Governance Committee may solicit current directors and executive officers of the Company for the names

of potentially qualified candidates or ask directors and executive officers to pursue their own business contacts for the names of potentially qualified candidates. The Nominating and Corporate Governance

Committee may also consult with outside advisors or retain search firms to assist in the search for qualified candidates, or consider director candidates recommended by our stockholders. Once potential candidates are identified, the Nominating and Corporate Governance Committee reviews the backgrounds of those candidates, evaluates candidates' independence from the Company and potential conflicts of interest and determines if candidates meet the qualifications desired by the committee of candidates for election as director.

The Nominating and Corporate Governance Committee is responsible for reviewing with our Board, on an annual basis, the appropriate characteristics, skills and experience required for the Board as a whole and its individual members. In evaluating the suitability of individual candidates (both new candidates and current members) and in recommending candidates for election the Nominating and Corporate Governance Committee will take into account many factors, including the following:

- personal and professional integrity;
- experience in corporate management, such as serving as an officer or former officer of a publicly held company;
- experience in the industries in which we compete;
- experience as a board member or executive officer of another publicly held company;
- diversity of expertise and experience in substantive matters pertaining to our business relative to other board members;
- conflicts of interest; and
- business judgment.

Director candidates recommended by our stockholders will be considered in the same manner as recommendations by directors, executive officers, outside advisors or search firms. Any stockholder who intends to recommend a candidate to the Nominating and Corporate Governance Committee for consideration as a director nominee should deliver written notice pursuant to Article III, Section 3.1(a) of our Bylaws, to the Secretary of the Company. Any such notice should be delivered by the date required by such section of the Bylaws in order to permit the Nominating and Corporate Governance Committee to complete its review in a timely fashion.

#### Contacting the Board

Any stockholder or any other interested party who wishes to communicate directly with (i) our entire Board of Directors, (ii) the non-management directors as a group or (iii) the Lead Independent Director, may do so by corresponding with the Lead Independent Director at the following address: Lead Independent Director, LGI Homes, Inc., 1450 Lake Robbins Drive, Suite 430, The Woodlands, Texas 77380, Attn: Corporate Secretary. The Company will forward any such communication to the intended recipients, unless the communication is clearly of a marketing nature or is unduly hostile, threatening, illegal or similarly inappropriate.



## PROPOSAL 1—ELECTION OF DIRECTORS

Our Board of Directors currently consists of six members. Our Certificate of Incorporation provides that the authorized number of directors may be changed only by resolution of the Board.

Each nominee presented below, if elected, will serve as a director until the next annual meeting of stockholders and until such director's successor is duly elected and qualified or, if earlier, such director's death, resignation or removal. All of the nominees listed below have given their consent to be named as nominees for election and have indicated their intention to serve if they are elected. All of the nominees currently serve on the Board. The Board does not anticipate that any of the nominees will be unable to serve as a director, but in the event that any nominee is unable to serve as a director or should otherwise become unavailable, the Board may either propose an alternate nominee, in which case the proxies will be voted for the alternative nominee unless directed to withhold from voting, or the Board may elect to reduce the size of the Board.

Mr. Smith is the uncle of Mr. Eric Lipar, our Chief Executive Officer and Chairman of the Board. There are no other familial relationships among our directors and executive officers.

### Director Nominees

Our Board of Directors believes that it is necessary for each of our directors to possess qualities, attributes and skills that contribute to a diversity of views and perspectives among the directors and enhance the overall effectiveness of the Board. As described on pages 9-10 under "Corporate Governance and Director Independence - Selection and Evaluation of Director Candidates," our Nominating and Corporate Governance Committee considers all factors it deems relevant when evaluating prospective candidates or current board members for nomination to our Board of Directors, as prescribed in the committee's charter. All of our directors bring to the Board leadership experience derived from past service. They also all bring a diversity of views and perspectives derived from their individual experiences working in a range of industries and occupations, which provide our Board of Directors, as a whole, with the skills and expertise that reflect the needs of the Company.

Certain individual experiences, qualifications, and skills of our directors that contribute to the Board of Directors' effectiveness as a whole are described in the biographies set forth below.

Ryan Edone

Director

Mr. Edone, age 41, has served as a director since November 2014. Mr. Edone is the Chief Financial Officer of Petroleum Wholesale L.P., a distributor of branded and wholesale motor fuel products and operator of retail convenience stores/travel centers across the southwestern United States. Prior to his joining Petroleum Wholesale L.P. in 1999, Mr. Edone was a manager at Pricewaterhouse Coopers and a Certified Public Accountant. Mr. Edone is a member of the Board of Directors of Archway Insurance LTD, a captive insurance company; he is currently serving as the Vice President of the Board of Archway Insurance LTD and was formerly the Risk Control Chairman of the Board. Mr. Edone is also a member of the ChevronTexaco Petroleum Marketers Association Board and Gulf Oil Distributor Advisory Counsel. Mr. Edone is a member of our Audit Committee and qualifies as an "audit committee financial expert," as such term is defined in Item 407(d) of Regulation S-K.

Mr. Edone's experience as an executive with a multi-state retail and wholesale distribution company enables him to provide both financial and operational expertise to the Company. In addition, Mr. Edone brings insurance and risk management expertise that is valuable to support the continued growth of our business.

Duncan Gage

Director

Mr. Gage, age 65, has served as a director since June 2013. Mr. Gage currently manages his personal investments. Mr. Gage was President and CEO of Giant Cement Holdings, Inc. from 2009 to 2012, a producer of cement, concrete and aggregate for the construction industry. He previously served as President of the Eastern Construction Materials Division of Rinker Materials and President of Rinker's Concrete Pipe Division. Mr. Gage

also held a number of senior executive positions with Lafarge Group, including, Regional President, Southeast Asia and President, US Cement Operations. Mr. Gage is the chair of our Audit Committee and is a member of our Compensation Committee. Our Board of Directors has determined that Mr. Gage qualifies as an “audit committee financial expert,” as such term is defined in Item 407(d) of Regulation S-K. He is a director of Insteel Industries, Inc., where he chairs the Audit Committee and is a member of the Compensation Committee.

Mr. Gage’s experience as an executive officer of public companies as well as his experience as a director of Insteel Industries, Inc. (a public manufacturer of steel wire reinforcing products) and chair of its audit committee gives him a unique perspective on business and corporate governance issues.

Eric Lipar

Chief Executive Officer, Director

Mr. Lipar, age 44, is our Chief Executive Officer and serves as Chairman of our Board of Directors. He has served as our Chief Executive Officer since 2009, as a director since June 2013 and as Chairman of the Board since July 2013. Previously, Mr. Lipar served as our President from 2003 until 2009. Mr. Lipar has been in the residential land development business since the mid-1990s and is one of our founders. He has overseen land acquisition, development and the sales of over 8,500 homes since our inception. Mr. Lipar currently serves on the Residential Neighborhood Development Council for the Urban Land Institute. Through his in-depth work experience, Mr. Lipar has obtained a broad background in all aspects of residential construction, development, financing, sales and marketing. Mr. Lipar is responsible for our overall strategic leadership, working closely with our key executives to establish, implement and direct our long-range goals, strategies and policies.

Mr. Lipar brings extensive leadership, along with industry and operational experience to our Board of Directors. Through his experience, his knowledge of our operations and our markets and his professional relationships within the homebuilding industry, Mr. Lipar is highly qualified to identify important matters for review and deliberation by our Board of Directors and is instrumental in determining our corporate strategy. In addition, by serving as both the Chairman of the Board and our Chief Executive Officer, Mr. Lipar serves as an invaluable bridge between our management and our Board of Directors and ensures that they act with a common purpose.

Mr. Lipar’s extensive business knowledge, along with his demonstrated leadership capability through the growth of the Company, makes him highly qualified to continue to serve as our Chairman of the Board and our Chief Executive Officer.

Bryan Sansbury

Director

Mr. Sansbury, age 42, has served as our Lead Independent Director since June 2013. Mr. Sansbury is Chief Operating Officer of Aon Hewitt and has been with Aon Hewitt and its affiliates since 1995. Mr. Sansbury was previously President of Aon Hewitt’s Emerging Solutions business and a Business Unit Leader in Aon Hewitt’s HR Business Process Outsourcing business. Mr. Sansbury also led Aon Hewitt’s Canadian Outsourcing business. Early in his career, Mr. Sansbury held several client and business management roles in Aon Hewitt’s Atlanta office and led the Pension Outsourcing business in the Southeast region. Mr. Sansbury is a former member of The Woodlands (Texas) Area Economic Development Partnership Board and a fellow of the CEO Perspectives program at the Kellogg School of Management at Northwestern University. Mr. Sansbury is the chair of our Compensation Committee and is a member of our Nominating and Corporate Governance Committee.

Given his extensive business experience, Mr. Sansbury provides our Board of Directors with a unique perspective on business issues impacting the Company as well as corporate governance. His leadership experience in several different capacities also makes him highly qualified to serve as the Lead Independent Director of our Board of Directors.

Steven Smith

Director

Mr. Smith, age 59, has served as a director since June 2013. Mr. Smith has practiced health law in the Washington, D.C. office of Ober, Kaler, Grimes & Shriver (“Ober Kaler”) since 2003 and is the Managing Partner of that office and a member of the firm’s Management Committee. He practices exclusively in the health care regulatory, operational and transactional areas where he counsels hospitals, physicians and other clients on a variety of issues including corporate governance, executive compensation and agreements; compliance, from both an operational and legal standpoint; and risk and claims management, insurance coverage and fiduciary responsibilities. Prior to joining Ober Kaler, Mr. Smith was Senior Vice-President and General Counsel for a large healthcare system in Maryland for 10 years where he was responsible for all legal matters, as well as various operations aspects, of the healthcare system. Mr. Smith is the uncle of Mr. Lipar, our Chief Executive Officer and Chairman of the Board. Mr. Smith is the chair of our Nominating and Corporate Governance Committee and is a member of our Audit Committee.

With his wealth of knowledge on issues relating to corporate governance and executive compensation, Mr. Smith provides us with a unique perspective on issues affecting the Company. This expertise, combined with his leadership experience as a senior executive, enables Mr. Smith to be a valuable member of our Board of Directors.

Robert Vahradian

Director

Mr. Vahradian, age 53, has served as a director since June 2013. Mr. Vahradian is a senior managing director of GTIS Partners, LP (“GTIS”). GTIS currently has approximately \$3 billion of assets under management, including residential, retail, industrial, office, hotel and mixed-use properties in the U.S. and Brazil. Mr. Vahradian runs the U.S. investment and asset management activities of GTIS, and is a member of the investment committee of GTIS. Mr. Vahradian joined GTIS in 2006 and has been in the real estate industry since 1986. Previously, Mr. Vahradian was President of Allied Partners, a private real estate investment company and was Chief Operating Officer and principal of The Athena Group, L.L.C., a residential investment and development company based in New York. Prior to joining The Athena Group, LLC, Mr. Vahradian was a Director in Credit Suisse First Boston’s real estate investment banking and principal groups. Mr. Vahradian is a member of our Nominating and Corporate Governance Committee.

Through Mr. Vahradian’s vast experience in real estate, residential land development and homebuilding investments, asset management and finance, he is exceptionally well qualified to serve as a director and provides our Board of Directors with valuable insight on real estate and finance matters.

#### Required Vote

The proposal regarding the election of directors requires the approval of a plurality of the votes cast at our Annual Meeting. This means that the six nominees receiving the highest number of affirmative “FOR” votes will be elected as directors.

**THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE “FOR”  
EACH OF THE NOMINATED DIRECTORS.**

PROPOSAL 2—RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

At the Annual Meeting, the stockholders will be asked to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015, or until such firm's earlier resignation or removal. While stockholder ratification of the appointment of the Company's independent registered public accounting firm is not required, we value the opinions of our stockholders and believe that stockholder ratification of our appointment is a good corporate governance practice. In the event the appointment of Ernst & Young LLP is not ratified by the stockholders, our Audit Committee will consider this fact when it appoints our independent registered public accounting firm for fiscal 2016. Even if the appointment of Ernst & Young LLP is ratified, our Audit Committee retains the discretion to select and appoint a different independent registered public accounting firm at any time if it determines that such a change would be in the best interests of the Company. We have been advised that a representative of Ernst & Young LLP will be present at the Annual Meeting to answer appropriate questions and to have an opportunity to make a statement if desired.

Independent Registered Public Accounting Firm Fees and Services

Ernst and Young LLP served as our independent registered public accounting firm for the fiscal years ended December 31, 2014 and 2013. Ernst and Young LLP's fees for professional services for 2014 and 2013 included the following:

	2014	2013
Audit Fees <sup>(1)</sup>	\$840,000	\$1,815,000
Audit-Related Fees - aggregate fees for audit-related services	—	—
Tax Fees	—	—
All Other Fees - aggregate fees for all other services	—	—
Total	\$840,000	\$1,815,000

Audit services of Ernst and Young LLP for fiscal 2014 included an audit of our consolidated financial statements, and services related to our convertible notes offering, consolidated quarterly reports, and other periodic reports.

(1) The 2013 audit fees include the fiscal year consolidated audit, the combined audits of our predecessor companies, quarterly reviews, registration statements, and comfort letters in connection with our initial public offering.

It is our Audit Committee's policy to pre-approve all audit, audit related and permissible non-audit services rendered to us by our independent registered public accounting firm. Consistent with such policy, all of the fees listed above that we incurred for services rendered by Ernst and Young LLP were pre-approved by our Audit Committee.

The report of Ernst & Young LLP relating to our 2014 and 2013 consolidated financial statements did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope or accounting principles. Moreover, during the fiscal years ended December 31, 2014 and 2013, there were no (i) disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Ernst & Young LLP, would have caused either Ernst & Young LLP to make reference to the subject matter of the disagreement(s) in connection with their reports on the consolidated financial statements of LGI Homes, Inc. or (ii) reportable events (as defined in Item 304(a)(1)(v) of Regulation S-K). \*\*

\*\*Subject to completion of the 2014 audit.

**Required Vote**

The affirmative vote of a majority of votes cast at the Annual Meeting is required to ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015. Abstentions will not be counted in determining the number of votes cast, and thus will not affect the voting result of this proposal. Because brokers have discretionary authority to vote on the ratification of the appointment of Ernst & Young LLP, we do not expect any broker non-votes in connection with this proposal.

**THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE "FOR" THIS PROPOSAL.**

SUBJECT TO COMPLETION OF THE AUDIT AND ISSUANCE OF THE COMPANY'S 2014 ANNUAL REPORT  
Report of the Audit Committee

The primary purpose of the Audit Committee is to assist the Board in its oversight of the financial reporting and disclosure process.

In addition to fulfilling its responsibilities as set forth in its charter and further described above in "Corporate Governance and Director Independence- Audit Committee," the Audit Committee has reviewed the Company's audited consolidated financial statements for the fiscal year ended December 31, 2014. Discussions about the Company's audited consolidated financial statements included its independent registered public accounting firm's judgments about the quality, not just the acceptability, of the Company's accounting principles and underlying estimates used in its consolidated financial statements, as well as other matters, as required by Auditing Standard No. 16 ("AS 16"), as adopted by the Public Company Accounting Oversight Board and by our Audit Committee Charter. In conjunction with the specific activities performed by the Audit Committee in its oversight role, it issued the following report:

1. The Audit Committee has reviewed and discussed the audited consolidated financial statements as of and for the fiscal year ended December 31, 2014 with the Company's management.

2. The Audit Committee has discussed with the independent registered public accounting firm the matters required to be discussed by AS 16.

3. The Audit Committee has received from the independent registered public accounting firm the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accounting firm's communications with the Audit Committee concerning independence, and the Audit Committee has discussed with the independent registered public accounting firm their independence from the Company.

Based on the review and discussions referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 for filing with the SEC.

[ Signatures ]

The foregoing report is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference in any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

PROPOSAL 3—APPROVAL OF THE FLEXIBLE SETTLEMENT FEATURE IN THE COMPANY’S 4.25%  
CONVERTIBLE NOTES DUE 2019

Background and Reason for Seeking Stockholder Approval

In November 2014, the Company issued \$85.0 million aggregate principal amount of its 4.25% Convertible Notes due 2019 (the “2019 Notes”) in a private offering to qualified institutional buyers, pursuant to Rule 144A under the Securities Act of 1933, as amended. The 2019 Notes bear interest at a rate of 4.25% per annum and mature on November 15, 2019. Our net proceeds after expenses from the sale of the 2019 Notes were approximately \$[ ]. We used approximately \$16.6 million of the net proceeds from the sale of the 2019 Notes to repurchase 1,000,000 shares of the Company’s common stock, par value \$0.01 per share, from purchasers of the 2019 Notes. The purchase price per share of common stock repurchased in such transactions was equal to the closing sale price per share of common stock on November 17, 2014 (the date that the 2019 Notes were priced and the Purchase Agreement was executed and delivered by the parties thereto), which was \$16.55 per share. The remaining net proceeds from the issuance of the 2019 Notes have been used for the purchase of land and lots and general corporate purposes, including the repayment of borrowings of approximately \$[ ] under the Company’s secured revolving credit facility.

The 2019 Notes are convertible into shares of our common stock at an initial conversion rate of 46.4792 shares per \$1,000 principal amount of 2019 Notes, which is equivalent to approximately \$21.52 per share. The initial conversion price represents a 30% premium to the \$16.55 per share closing price of our common stock on November 17, 2014, the date we priced the offering of the 2019 Notes. The conversion right begins on May 15, 2019, or earlier upon the occurrence of certain specified events or the satisfaction of certain conditions. Additional information regarding the terms of the 2019 Notes is below under “Summary of Terms and Conditions of the 2019 Notes.”

As issued, the conversion of the 2019 Notes may only be settled in shares of our common stock. However, under the terms of the 2019 Notes, we will have the option to settle conversions of the 2019 Notes in cash, shares of our common stock, or through any combination of cash and common stock, at our election. This option (referred to as the “2019 Notes Flexible Settlement Feature” in this proxy statement) is available only if we first obtain stockholder approval in accordance with NASDAQ requirements. As a NASDAQ-listed company, we are subject to NASDAQ Listing Rule 5635(d)(2). This rule requires that we obtain stockholder approval for the 2019 Notes Flexible Settlement Feature if it could result in the issuance of an aggregate amount of common stock equal to 20% or more of our common stock outstanding on the date the offering of the 2019 Notes was priced. Based on a total of 20,849,044 shares of our common stock outstanding as of November 17, 2014, we must obtain stockholder approval of the potential issuance of more than 4,169,809 shares of our common stock pursuant to the 2019 Notes Flexible Settlement Feature.

Reason for Stockholder Approval

Our Board of Directors believes the 2019 Flexible Settlement Feature will benefit our stockholders by providing us with financial flexibility in the conversion of the 2019 Notes. This flexibility will allow us to use the settlement method that is in the best interests of us and our stockholders at the time of conversion. At the time of conversion, we would have the option to issue shares of our common stock to preserve cash or, instead, use cash to reduce dilution of existing stockholders.

Summary of Terms and Conditions of the 2019 Notes

Below is a summary of the terms and conditions of the 2019 Notes. The following summary contains basic information about the 2019 Notes and is not a complete description of the 2019 Notes. Stockholders should read the indenture, included as Exhibit 4.01 to the Company’s Current Report on Form 8-K filed with the SEC on November 26, 2014, for a more detailed account of the terms and conditions of the 2019 Notes. Copies of these documents also are available from us upon request.

**Maturity; Interest.** The 2019 Notes will mature on November 15, 2019, unless earlier converted, or purchased by us. The 2019 Notes bear interest at a rate of 4.25% per annum, payable semi-annually in arrears, commencing on May 15, 2015.

**Subordination.** All payments due under the 2019 Notes are (i) subordinated to all of our existing and future senior indebtedness, including secured senior indebtedness, (ii) effectively subordinated to any of our secured indebtedness that ranks equal or junior to the 2019 Notes, to the extent of the value of the assets securing such indebtedness, and (iii) structurally subordinated to all debt and other liabilities (including trade payables) incurred by our subsidiaries.

**Future Guarantees.** If we incur capital markets indebtedness that is guaranteed by one or more of our subsidiaries, or any of our subsidiaries incurs any capital markets indebtedness (including without limitation, any guarantee of capital markets indebtedness incurred by another of our subsidiaries), each subsidiary that guarantees such capital markets indebtedness, shall fully and unconditionally guarantee the 2019 Notes, and such guarantee of the 2019 Notes shall rank equally with the guarantee of such capital markets indebtedness, as the case may be. Any such subsidiary guarantee of the 2019 Notes shall be released upon the release (other than discharge upon payment therefore) of the guarantee that triggered such subsidiary guarantee of the 2019 Notes or the repayment of the subsidiary capital markets indebtedness that triggered such subsidiary guarantee of the 2019 Notes, so long as, in each case, no other guarantee or indebtedness is outstanding at such time that would otherwise require the subsidiary to guarantee the 2019 Notes at such time.

**Conversion Right.** Prior to the close of business on the business day immediately preceding May 15, 2019, holders of the 2019 Notes may convert the 2019 Notes only under the following circumstances:

during any calendar quarter commencing after December 31, 2014 (and only during such calendar quarter), if the closing sale price of our common stock, for at least 20 trading days (whether or not consecutive) during the 30 consecutive trading day period ending on the last trading-day of the immediately preceding calendar quarter is greater than 130% of the conversion price for the 2019 Notes in effect on each applicable trading day;

during the five consecutive trading-day period following any ten consecutive trading-day period in which the trading price for the 2019 Notes for each such trading day was less than 98% of the closing sale price of our common stock on such date multiplied by the then-current conversion rate; or

upon the occurrence of specified corporate transactions as set forth in the indenture governing the 2019 Notes.

On or after May 15, 2019, until the close of business on the business day immediately preceding the maturity date, holders of the 2019 Notes may convert their 2019 Notes at any time, regardless of the circumstances listed above. The initial conversion rate of the 2019 Notes is 46.4792 shares of our common stock per \$1,000 principal amount of 2019 Notes, equivalent to a conversion price of approximately \$21.52 per share of our common stock. The conversion rate is subject to customary antidilution adjustments. In addition, upon the occurrence of a "Make-Whole Adjustment Event" (as defined in the indenture governing the 2019 Notes), the conversion rate may be increased by a number of additional shares of our common stock for a holder that converts its 2019 Notes in connection with such Make-Whole Adjustment Event.

**Conversion Settlement.** Upon conversion of a 2019 Note, we will deliver for each \$1,000 principal amount of converted 2019 Notes a number of shares of our common stock equal to the conversion rate (and cash in lieu of fractional shares). However, if we receive stockholder approval of the 2019 Notes Flexible Settlement Feature, we will settle conversions of the 2019 Notes through payment or delivery, as the case may be, of cash, shares of our common stock, or a combination of cash and stock, at our election. If we receive stockholder approval and we elect to satisfy our conversion obligation in solely cash or a combination of cash and shares of our common stock, the amount of cash will be based on a daily conversion value for each trading day in a 30 trading-day conversion period, as described in the indenture governing the 2019 Notes.

**Obligation to Purchase.** Upon the occurrence of a "Fundamental Change" (as defined in the indenture governing the 2019 Notes), subject to certain conditions, holders of the 2019 Notes may require us to purchase all or a portion



of the 2019 Notes for cash at a price equal to 100% of the principal amount of the 2019 Notes to be purchased, plus any then accrued, but unpaid, interest.

No Redemption. We may not redeem the 2019 Notes prior to the maturity date. No “sinking fund” is provided for the Notes, which means that we are not required to redeem or retire the 2019 Notes periodically.

#### Accounting Effect on Reported Financial Results

Based on the current terms of the 2019 Notes, which require the Company to settle any conversion solely through the issuance of additional shares of the Company’s common stock, we are required to include in our calculation of earnings per share the total number of shares of the Company’s common stock into which the 2019 Notes are convertible on an if-converted basis. If the stockholders approve the 2019 Notes Flexible Settlement Feature, the Company would be entitled to use the 2019 Notes Flexible Settlement Feature, and elect, at its option, to settle conversions of the 2019 Notes in cash, by issuing shares of the Company’s common stock, or any combination thereof. Approval of the 2019 Notes Flexible Settlement Feature may impact our diluted earnings per share calculation by allowing us to include the 2019 Notes in our earnings per share calculation using the treasury stock method. Under the treasury stock method, only the incremental shares issuable upon conversion of the 2019 Notes would be included in the calculation of diluted earnings per share. The treasury stock method may result in higher or lower diluted earnings per common share, compared to computations using the current if-converted basis, depending upon our earnings levels and stock prices.

#### Reason for Stockholder Approval

The terms of the 2019 Notes contemplate, but do not require, the Company to seek stockholder approval to permit the 2019 Notes Flexible Settlement Feature, and the Company will not incur any penalties under the 2019 Notes if the stockholders do not approve the 2019 Notes Flexible Settlement Feature.

The Board believes approval of the 2019 Notes Flexible Settlement Feature will benefit the Company’s stockholders by providing the Company with flexibility in connection with how it settles conversions of the 2019 Notes and the ability to take actions that would otherwise be limited by the NASDAQ approval requirement. Our Board believes that this flexibility will allow the Company to use the settlement method that is in the best interests of the Company and its stockholders at the time of a conversion of the 2019 Notes, issuing shares of the Company’s common stock, if appropriate, or instead using cash to reduce dilution of existing stockholders.

#### Required Vote

The approval of the 2019 Notes Flexible Settlement Feature requires the affirmative vote of a majority of the shares of our common stock present or represented by proxy and entitled to vote at the Annual Meeting. Abstentions will be counted toward the tabulation of votes cast on this proposal and will have the same effect as negative votes. Broker non-votes will have no effect on this proposal as brokers or other nominees are not entitled to vote on such proposal in the absence of voting instructions from the beneficial owner.

**THE BOARD RECOMMENDS THAT STOCKHOLDERS VOTE “FOR” THIS PROPOSAL**

## EXECUTIVE OFFICERS

Set forth below is information regarding the Company's current executive officers who are not also directors. Information concerning Eric Lipar, our Chief Executive Officer and Chairman of the Board, may be found above in the section entitled "Proposal 1—Election of Directors."

Name	Age	Position
Eric Lipar	44	Chief Executive Officer and Chairman of the Board
Michael Snider	43	President and Chief Operating Officer
Charles Merdian	45	Chief Financial Officer, Secretary and Treasurer
Jack Lipar	46	Executive Vice President of Acquisitions
Margaret Britton	52	Chief Administrative Officer
Rachel Eaton	33	Executive Vice President and Chief Marketing Officer

**Michael Snider.** Mr. Snider has served as our President since 2009 and Chief Operating Officer since July 2013. He oversees all aspects of our sales, construction, and product development. Since joining LGI in 2004 as Homebuilding Manager, Mr. Snider also served as Executive Vice President of Homebuilding (2005-2009) and President (2009-June 2013). Prior to joining us, Mr. Snider served as a Project Manager for Tadian Homes, a homebuilder based in Troy, Michigan.

**Charles Merdian.** Mr. Merdian serves as our Chief Financial Officer, Secretary and Treasurer. He was elected Secretary and Treasurer in 2013. Prior to becoming our Chief Financial Officer in 2010, Mr. Merdian was our Controller from 2004 through 2010. Prior to joining us in 2004, Mr. Merdian served as Accounting and Finance Manager for The Woodlands Operating Company where he specialized in accounting and financial analysis of real estate ventures, focusing primarily on residential and commercial developments. Prior to The Woodlands Operating Company, Mr. Merdian served as an accounting manager working at the Williamson-Dickie Manufacturing Co. and as a senior auditor for Coopers & Lybrand, LLP. Mr. Merdian has worked in residential real estate and homebuilding finance since 1999. Mr. Merdian is a Certified Public Accountant and is a member of the Texas Society of Certified Public Accountants.

**Jack Lipar.** Mr. Lipar has served as our Executive Vice President of Acquisitions since March 2013. He previously served as Vice President of Acquisitions from December 2010 through February 2013, and Acquisitions Manager from 2006 to December 2010. Mr. Lipar oversees land acquisitions and development for LGI. Prior to joining us, Mr. Lipar worked at HP Pelzer, an auto parts manufacturing company based in Germany, as the Vice President of Purchasing and Director of Operations. Mr. Lipar was also the General Manager and a member of the Board of Directors at Alliance Interiors, an affiliate of HP Pelzer. Prior to HP Pelzer, Mr. Lipar was a worldwide Purchasing Manager for Cooper Standard, one of the world's leading manufacturers of automotive parts.

**Margaret Britton.** Mrs. Britton has served as our Chief Administrative Officer since August 2013. She is responsible for various corporate areas, including governance, risk and compliance matters. From 2008 to 2012, Mrs. Britton was a Director at Deloitte Financial Advisory Services, LLP, where she provided advisory services and was a leader in their national environmental consulting practice. She worked as a consultant from 2003 to 2007 and, as such, among other things, assisted two multinational energy companies with the implementation and oversight of their Sarbanes-Oxley Act requirements. Prior to 2002, Mrs. Britton was an assurance partner at Arthur Andersen LLP. Mrs. Britton is a Certified Public Accountant and a member of the Board of Directors for the Girl Scouts of San Jacinto Council.

**Rachel Eaton.** Mrs. Eaton serves as our Chief Marketing Officer and is responsible for the overall growth and direction of our marketing initiatives, brand image and social media. Prior to becoming our Chief Marketing Officer in June 2013, Mrs. Eaton served as our Vice President of Marketing and Administration from May 2012 through May 2013, Director of Marketing & Special Events from 2007 to May 2012, Executive Assistant from 2004 to 2007. Mrs. Eaton joined the Company in 2003.



SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS  
AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding the beneficial ownership of shares of our common stock as of February 28, 2015 by (i) each of our directors and executive officers, individually and as a group, and (ii) each person known to our management to be the beneficial owner of more than 5% of the outstanding shares of our common stock.

Name and Address of Beneficial Owner (1)	Shares Beneficially Owned	Percent	
<b>5% Stockholders:</b>			
Thomas Lipar (2)	2,354,995	11.9	%
Gilder, Gagnon, Howe & Co. LLC (3)	1,917,994	9.7	%
Wellington Management Group LLP (4)	1,397,240	7.0	%
<b>Directors and Executive Officers (5):</b>			
Eric Lipar (6)	2,930,899	14.8	%
Michael Snider (7)	175,576	*	
Charles Merdian (8)	44,868	*	
Jack Lipar (9)	50,447	*	
Margaret Britton (10)	25,361	*	
Rachel Eaton (11)	35,307	*	
Bryan Sansbury (12)	195,663	1.0	%
Ryan Edone (13)	18,418	*	
Duncan Gage	20,182	*	
Steven Smith	30,319	*	
Robert Vahradian	17,546	*	
All executive officers and directors as a group (11 persons)	3,544,586	17.9	%

\* Represents less than 1% of the number of shares of our common stock outstanding.

- (1) Beneficial ownership is determined in accordance with SEC rules. The percentage of shares beneficially owned is based on 19,849,044 shares of our common stock outstanding as of February 28, 2015. Based solely on Schedule 13G/A filed with the SEC on January 21, 2015 by Thomas Lipar. The shares of our common stock reported include 238,723 shares owned by RE Finance Partners, Ltd., whose general partner is an entity wholly-owned by Mr. Lipar. Mr. Lipar disclaims beneficial ownership in 179,042 shares attributable to limited partnership interests owned by other partners in that partnership.
- (2) The shares of our common stock reported excludes 678,396 shares attributable to limited partnership interests owned by Mr. Lipar in EDSS Holdings, LP, whose general partner is an entity wholly-owned by his son, Eric Lipar, our Chief Executive Officer and Chairman of the Board, as to which Mr. Thomas Lipar has no voting or investment power. Mr. Thomas Lipar's address is 3440 Riley Fuzzel, Suite 150, Spring, Texas 77384.
- (3) Based solely on Schedule 13G/A filed with the SEC on February 10, 2015, by Gilder, Gagnon, Howe & Co. LLC ("Gilder Gagnon"). Gilder Gagnon reported sole voting and dispositive power for 37,918 shares of our common stock and shared power to dispose or direct the disposition of 1,880,076 shares of our common stock. The shares reported include 1,724,495 shares held in customer accounts of Gilder Gagnon over which partners and/or employees of Gilder Gagnon have discretionary authority to dispose of or direct the disposition of the shares, 37,918 shares held in the account of the profit sharing plan of Gilder

Gagnon, and 155,581 shares held in accounts owned by the partners of the Gilder Gagnon and their families. The address of Gilder Gagnon's principal business office is 3 Columbus Circle, 26th Floor, New York, New York 10019.

(4) Based solely on Schedule 13D/A filed with the SEC on February 12, 2015, by Wellington Management Group LLP (“Wellington Management”), formerly Wellington Management Company, LLP. Wellington Management, in its capacity as investment adviser, may be deemed to beneficially own 1,397,240 shares of our common stock which are held of record by clients of Wellington Management. The address of Wellington Management’s principal business office is 280 Congress Street, Boston, MA 02210.

(5) The RSUs held by the directors and executive officers that are outstanding and vest within 60 days of February 28, 2015, are deemed outstanding for the purposes of computing the percentage of shares of common stock owned by such person or group, but are not deemed to be outstanding for the purpose of computing the percentage of shares of common stock owned by any other person or group.

(6) Includes 2,339,297 shares held by EDSS Holdings, LP, whose general partner is an entity wholly-owned by Mr. Eric Lipar. Mr. Lipar disclaims beneficial ownership in 678,396 shares attributable to limited partnership interests owned by Thomas Lipar, who is a limited partner in EDSS Holdings, LP. Eric Lipar is the son of Thomas Lipar. Also includes 17,326 shares owned by Mr. Eric Lipar’s spouse.

(7) Includes 28,948 shares of common stock to be issued in connection with outstanding RSUs which will vest on March 27, within 60 days of February 28, 2015, and 4,227 shares owned by Mr. Snider’s spouse.

(8) Includes 14,475 shares of common stock to be issued in connection with outstanding RSUs which will vest on March 27, within 60 days of February 28, 2015.

(9) Includes 14,475 shares of common stock to be issued in connection with outstanding RSUs which will vest on March 27, within 60 days of February 28, 2015.

(10) Includes 3,409 shares owned by a trust for the benefit of Mrs. Britton’s mother and 3,570 shares owned by Ms. Britton’s mother, of which Mrs. Britton disclaims beneficial ownership.

(11) Includes 13,636 shares owned by Mrs. Eaton’s spouse.

(12) Includes 23,101 shares owned by Mr. Sansbury’s spouse.

(13) Includes 3,405 shares owned by the James Larry Cook Children’s Trust.

#### Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our officers, directors and persons who own more than 10% of our common stock to file reports of ownership and changes in ownership with the SEC. These officers, directors and 10% stockholders are also required by SEC rules to furnish the Company with copies of all Section 16(a) reports they file. Based solely on a review of copies of Forms 3, 4 or 5 filed by the Company on behalf of its directors and officers or otherwise provided to the Company, the Company believes that during and with respect to the year ended December 31, 2014, its officers, directors and greater than 10% stockholders complied with all applicable Section 16(a) filing requirements, with the exception of the six late Form 4 reports filed for Robert Vahradian on December 22, 2014, to report the sales of a total of 409,091 shares owned by GTIS LGI I, LP; GTIS LGI, LP; GTIS Residential Strategies Fund, LP; GTIS Residential Strategies Parallel Fund-A, LP; GTIS Residential Strategies Parallel Fund-B, LP; LGI IV Blocker LLC; and GTAM Mallard LLC, during the period June 9, 2014 to July 1, 2014.

## EXECUTIVE COMPENSATION

As an “emerging growth company,” we have opted to comply with the executive compensation disclosure rules applicable to “smaller reporting companies” as such term is defined in the rules promulgated under the Securities Act of 1933, as amended, which require compensation disclosure for our principal executive officer and the two most highly compensated executive officers other than our principal executive officer (referred throughout as our named executive officers).

Prior to our initial public offering (“IPO”) in November 2013, our Board of Directors performed a formal annual compensation review. Our Compensation Committee evaluated the performance of our Chief Executive Officer and made recommendations with regard to his compensation to our Board for approval. Our Chief Executive Officer reviewed the performance of our executive officers, including the named executive officers (other than himself), with our Compensation Committee and made recommendations to our Compensation Committee with regard to each executive officer’s compensation (other than himself). Our Compensation Committee considered such recommendations and then made its own recommendations with regard to each executive officer’s 2014 compensation (other than the Chief Executive Officer) to our Board for approval.

Our Compensation Committee retained Meridian Compensation Partners, LLC (“Meridian”) to assist it in assessing the competitiveness of our executive compensation programs and aid in the transition of our compensation programs from a private company to a public company structure. During 2013, in connection with setting executive compensation for 2014, Meridian was engaged to:

• Provide advice on the Company’s executive pay philosophy;

• Provide data for the establishment of a peer group of companies as a reference source for assessing competitive compensation practices;

• Provide market data for our Compensation Committee to consider in assessing chief executive officer and other executive officer base salary, annual bonus opportunity, long-term incentive awards, benefits and severance protections;

• Provide market data for our Compensation Committee to consider in assessing director compensation practices; and

• Provide advice on the design of incentive compensation vehicles and other programs to meet the Company’s objectives.

Meridian does not provide any other services to us. Our Compensation Committee evaluated the independence of Meridian and concluded that no conflict would prevent Meridian from serving as an independent consultant to the committee.

In setting the compensation levels of the Company’s executive officers for 2014, the Compensation Committee reviewed the peer group data compiled by Meridian for homebuilders. The peer group of companies included Standard Pacific Corp, MDC Holdings, Inc., Meritage Homes Corp., Beazer Homes USA, Inc., M/I Homes Inc., Cavco Industries, Inc. and TriPointe Homes Inc.

Benchmarking against peer group companies was one aspect of the process used to establish executive compensation for 2014, as the Compensation Committee also relied on its experience and judgment as well as the Company’s recent performance, the Company’s transition from private company to public company, and the then-current economic environment to set overall executive compensation levels. The Compensation Committee also based its determinations for 2014 executive compensation levels on each individual’s leadership qualities, operational performance, business responsibilities, career with the Company, current compensation arrangements and long-term potential to enhance stockholder value.

## Executive Compensation Program

Our executive compensation program includes the following elements:

• Base salary

• Annual bonus

• Long-term equity incentive compensation

Effective January 1, 2014, our incentive compensation programs have clearly defined performance objectives, reflecting our commitment to a pay-for-performance philosophy and alignment of executive pay with stockholder interests. Under our Annual Bonus Plan, a subplan under our 2013 Equity Incentive Plan (the “2013 Plan”), our Compensation Committee designates the executives who participate in the Annual Bonus Plan and establishes, at its discretion, the performance goal, the target award and the payout formula for each participant. Payments under the Annual Bonus Plan to executives are based on the level of achievement as compared to the performance goals for the applicable calendar year. Pre-tax income and home closings were the two financial measures established under our Annual Bonus Plan for 2014 bonuses and payouts could range from 0% - 200% of the target annual bonus amount for the participant depending on the results achieved as compared to the threshold, target, and maximum for each measure for each participant. Payouts are intended to be made in cash, however, our Compensation Committee has the discretion to convert the dollar award into a stock-based award, subject to applicable limits set forth in the 2013 Plan, and has unilateral discretion to eliminate or reduce any award that would otherwise be payable to a participant. During 2014, the Company realized strong growth during its first year as a public company as indicated by the financial and operating results presented below (all results are with comparison to our pro forma results for 2013).

• Home closings during 2014 of 2,356 homes, up 45.7%

• Home sales revenue of \$[ ], up [ ]%

• Adjusted gross margin as a percentage of home sales revenues increased to [ ]% from [ ]%

• Average sales price of our homes of \$[ ], an increase of [ ]%

• 99 active communities at the end of 2014, up from 25 at the end of 2013

• Completion of our first acquisition of a homebuilder

Under the Annual Bonus Plan for 2014, the target bonus opportunities were 70% of base salary for Mr. Lipar, 56% of base salary for Mr. Snider, and 42% of base salary for Mr. Merdian. For 2014, both the pre-tax earnings and home closings targets were exceeded and the annual bonus amount earned by Messrs. Lipar, Snider and Merdian were [ ]%, [ ]%, and [ ]% of the pre-established target bonus amounts, respectively.

Under the 2013 Plan, the Compensation Committee set performance targets and award levels for the 2014 - 2016 three year performance cycle (the “2014-2016 Performance Cycle”). Under the 2013 Plan and the 2014-2016 Performance Cycle, performance-based restricted stock units (“Performance-Based RSUs”) provide for shares of the Company’s common stock to be issued based on the attainment of a cumulative, 3-year earnings per share target over the three year period January 1, 2014 to December 31, 2016. An aggregate of 40,961 Performance-Based RSUs were awarded to Messrs. Lipar, Snider, and Merdian with a grant date of February 3, 2014, representing the target number of Performance-Based RSUs. The number of shares of the Company’s common stock that may be issued to the recipients for the Performance-Based RSUs range from 0% to 200% of the target amount depending on actual results as compared to the target performance metric. The Performance-Based RSUs vest upon the determination date for the actual results at the end of the three-year period and require that the recipients continue to be employed by the Company through the determination date. The Performance-Based RSUs will be settled in shares of the Company’s common stock.

The actual awards under the 2013 Plan, including the Annual Bonus Plan, will be determined based on the level of performance, subject to annual individual participant limits set forth in the 2013 Plan of \$2,000,000 for cash awards; 500,000 shares for options and stock appreciation rights; and 300,000 shares for restricted stock, RSUs, performance shares, performance units and other stock-based awards. Any payouts and awards under the 2013 Plan will be made shortly after receipt of our audited annual financial statements for the applicable period.





We maintain a tax-qualified defined contribution plan that covers all eligible employees who are over age 21. The 2013 Plan permits employees to make pretax contributions and provides for discretionary employer matching contributions and profit sharing contributions. Employer contributions vest over five years. Generally, Section 162(m) of the Internal Revenue Code disallows a tax deduction to any publicly held corporation for any individual remuneration in excess of \$1.0 million paid in any taxable year to its chief executive officer and each of its other named executive officers, other than its chief financial officer. However, remuneration in excess of \$1.0 million may be deducted if, among other things, it qualifies as “performance-based compensation” within the meaning of the Internal Revenue Code. The 2014 compensation for our named executive officers did not exceed the deductible amounts allowed under Section 162(m) of the Internal Revenue Code.

#### SUMMARY COMPENSATION TABLE

The following table provides information concerning compensation of our principal executive officer and our two other highest paid executive officers for the fiscal years ended December 31, 2014 and 2013.

Name and Principal Position	Fiscal Year	Salary	Bonus	Stock Awards	All Other Compensation	Total
Eric Lipar, CEO and Chairman of the Board	2014	\$500,770	**	(1) \$350,003	(4) \$31,998	(7) **
	2013	\$500,755	\$100,000	(2) \$—	\$42,635	(8) \$643,390
Michael Snider, President and Chief Operating Officer	2014	\$400,770	**	(1) \$225,007	(4) \$21,000	(9) **
	2013	\$400,755	\$400,869	(3) \$674,736	(5) \$337,337	(10) \$1,813,697
Charles Merdian, Chief Financial Officer, Secretary and Treasurer	2014	\$300,770	**	(1) \$125,013	(4) \$3,000	**
	2013	\$238,062	\$226,213	(3) \$342,283	(5) \$163,416	(11) \$969,974

\*\* Subject to completion of the audit and issuance of the Company's 2014 Annual Report

(1) The amounts represent the earned bonus under the Annual Bonus Plan for 2014.

(2) Includes \$100,000 discretionary cash bonus to Mr. Eric Lipar approved by our Board of Directors on March 27, 2014, related to performance during the period from November 7, 2013 to December 31, 2013.

(3) The amounts shown reflect incentive compensation awards paid in 2013 based upon the net profit of specific development communities.

The amounts shown include the grant date fair value of the target number of Performance-Based RSUs of 20,480 (\$350,003), 13,166 (\$225,007), and 7,315 (\$125,013) awarded on February 3, 2014, to Messrs. Lipar, Snider and Merdian, respectively, that provide for shares of the Company's common stock to be issued based on the attainment of the performance metric of the Company over the three year period, January 1, 2014 to December 31, 2016. The number of shares of the Company's common stock that may be issued to the recipients for the Performance-Based RSUs range from 0% to 200% of the target amount depending on actual results as compared to the target performance metric. The amounts shown reflect the grant date fair value of the Performance-based RSUs of \$17.09 per share, determined in accordance with FASB ASC Topic 718. See Note 12 to our consolidated financial statements included in our 2014 Annual Report, regarding assumptions underlying valuations of equity awards for 2014. Details regarding equity awards that are still outstanding can be found in the “Outstanding Equity Awards at December 31, 2014” table below.

The amounts shown reflect incentive compensation awards based upon the net profit of specific development communities that were accrued as of November 6, 2013 and were converted to RSUs of equal value immediately prior to the IPO at the IPO price of \$11 per share. In addition, 50 RSUs were granted to each of our employees on November 6, 2013, immediately prior to our IPO. The RSUs vested on November 6, 2014 and were settled in (5) shares of our common stock. The amounts shown reflect the grant date fair value of the RSUs of \$497,112 and \$253,187 granted to Mr. Snider and Mr. Merdian, respectively, determined in accordance with FASB ASC Topic 718. See Note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2013 (our “2013 Form 10-K”), regarding assumptions underlying valuations of equity awards for 2013.

- These amounts include discretionary bonuses for 2013 of 10,295 and 5,148 RSUs granted to Mr. Snider and Mr. Merdian, respectively, on March 27, 2014, valued at \$177,074 and \$88,546. The RSUs vest on March 27, 2015 and will be settled in shares of our common stock. The amounts shown reflect the grant date fair value of the RSUs of \$17.20, determined in accordance with FASB ASC Topic 718. See Note 12 to our consolidated financial statements included in our 2014 Annual Report, regarding assumptions underlying valuations of equity awards granted during 2014. On March 27, 2014, 18,653 RSUs were also issued to Mr. Snider in settlement of \$320,832 accrued net profit bonuses and 9,327 RSUs issued to Mr. Merdian in settlement of accrued net profit bonuses of \$160,416; these net profit bonuses were attributable to specific development communities for the period November 7, 2013 to December 31, 2013 and were included in other compensation in 2013. Details regarding equity awards that are still outstanding can be found in the “Outstanding Equity Awards at December 31, 2014” table below.
- (6) Includes: (i) Company matching contributions of \$3,000 per year pursuant to our 401(k) plan, (ii) club dues paid by us in the amount of \$10,998, and (iii) a car allowance of \$18,000.
- (7) Includes: (i) Company matching contributions of \$3,000 per year pursuant to our 401(k) plan, (ii) club dues paid by us in the amount of \$8,280, (iii) \$26,855 representing the payments paid by us on two cars for Mr. Eric Lipar’s use and associated insurance premium payments through September 30, 2013, and (iv) a car allowance of \$4,500 for the period from October 1, 2013 to December 31, 2013.
- (8) Includes Company matching contributions of \$3,000 per year pursuant to our 401(k) plan, and a car allowance of \$18,000.
- (9) Includes: (i) Company matching contributions of \$3,000 per year pursuant to our 401(k) plan, (ii) \$9,005 representing the annual payments paid by us on a car for Mr. Snider’s use and associated insurance premium payments through September 30, 2013, (iii) \$320,832 of accrued incentive compensation awards based upon the net profit of specific development communities for the period November 7, 2013 to December 31, 2013, and (iv) a car allowance of \$4,500 for the period from October 1, 2013 to December 31, 2013.
- (10) Includes (i) Company matching contributions of \$3,000 per year pursuant to our 401(k) plan and (ii) \$160,416 of accrued incentive compensation awards based upon the net profit of specific development communities for the period November 7, 2013 to December 31, 2013.
- (11)

During 2013, distributions of \$3,969,417 were paid to Mr. Eric Lipar and certain of his affiliates to pay estimated federal income taxes on their earnings of entities for periods prior to the IPO when the respective entities were treated as pass-through entities for tax purposes. Similarly, \$108,174 of distributions were paid to Mr. Snider and certain of his affiliates during 2013 to pay estimated federal income taxes on their earnings of entities for the 2013 period prior to the IPO when the respective entities were treated as pass-through entities for tax purposes. These distributions are excluded from the compensation amounts reported in the above table.

#### OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2014

The following table provides information concerning equity awards outstanding for our principal executive officer and our two other highest paid executive officers at December 31, 2014.

Name	Number of RSUs That Have Not Vested (1)	Market Value of RSUs That Have Not Vested (2)	Number of Performance-based RSUs That Have Not Vested (3)	Market Value of Performance-based RSUs that Have Not Vested (2)(3)
Eric Lipar	—	\$—	20,480	\$ 305,562
Michael Snider	28,948	\$431,904	13,166	\$ 196,437
Charles Merdian	14,475	\$215,967	7,315	\$ 109,140

- (1) On March 27, 2014, \$320,832 and \$160,416 of accrued incentive compensation awards payable to Mr. Snider and Mr. Merdian, respectively, based upon the net profit of specific development communities for the period November 7, 2013 to December 31, 2013, were converted to RSUs of equal value based on the closing price of the Company’s common stock on The NASDAQ Global Select Market of \$17.20 per share on March 27, 2014. As a

result, 18,653 and 9,327 RSUs were issued to Mr. Snider and Mr. Merdian, respectively. Additionally, 10,295 and 5,148 RSUs were granted to Mr. Snider and Mr. Merdian, respectively, as discretionary bonuses related to 2013. The RSUs vest on March 27, 2015 and will be settled in shares of our common stock.

Market value of RSUs and performance-based RSUs that have not vested is based on the closing price of \$14.92 (2) per share of our common stock on The NASDAQ Global Select Market on December 31, 2014, the last trading day of 2014.

In February 2014, the Compensation Committee approved target performance-based restricted stock units (“Performance-Based RSUs”) that provide for shares of the Company’s common stock to be issued based on the attainment of the performance metric of the Company over the three year period, January 1, 2014 to December 31, 2016. The number of shares of the Company’s common stock that may be issued to the recipients for the (3) Performance-Based RSUs range from 0% to 200% of the target amount depending on actual results as compared to the target performance metric. The Performance-Based RSUs vest upon the determination date for the actual results at the end of the three-year period and require the recipients continue to be employed by the Company through the determination date. The Performance-Based RSUs will be settled in shares of the Company’s common stock.

## EQUITY VESTED DURING 2014

The following table provides information concerning the vesting of equity awards during 2014 on an aggregated basis for each of our named executive officers.

## Restricted Stock Unit Awards

Name	Number of Shares	
	Acquired on Vesting (1)	Value Realized on Vesting (1)
Eric Lipar	—	\$—
Michael Snider	45,242	\$870,456
Charles Merdian	23,067	\$443,809

The amounts reflect the number of RSUs vested at November 6, 2014, valued at \$19.24, the closing price per share of our common stock on that date. Our Board of Directors authorized the net settlement of the RSUs in order to fund the payment of the recipients' withholding taxes. Consequently, 32,867 and 16,757 shares of the Company's common stock were issued to Messrs. Snider and Merdian, respectively, in settlement of these RSUs.

## Employment Agreement

Mr. Eric Lipar, our Chief Executive Officer and Chairman of the Board, has an employment agreement with the Company which generally outlines the terms of his employment. The employment agreement provides for a five year term, a base salary of \$500,000 and entitles Mr. Lipar to receive discretionary incentive bonuses.

Mr. Lipar's employment agreement provides that, if our Board of Directors terminates his employment for any reason other than Cause or if he resigns for Good Reason he will be entitled to receive a payment equal to two years' base salary. If, within one year after a Change in Control or within six months prior to a Change in Control, Mr. Lipar's employment is terminated by him for Good Reason or by the Company other than for Cause, he will instead be entitled to receive severance benefits consisting of: (i) a lump sum payment equal to two year's base salary; (ii) a lump sum payment equal to two times the amount of his target bonus; and (iii) \$30,000 to enable Mr. Lipar to fund health coverage continuation benefits. In either case, such severance payments will be paid within forty-five days following Mr. Lipar's separation from service or, if he is at the time of termination a "specified employee" as defined under Section 409A of the Internal Revenue Code of 1986, as amended, on the first to occur of (i) 10 days after the expiration of the six month period following such separation from service, (ii) death or (iii) such earlier date that complies with Code Section 409A. All such severance payments are subject to Mr. Lipar's execution of a waiver and release agreement. Mr. Lipar's employment agreement incorporates the terms of his prior agreement with the Company governing confidentiality, non-competition and non-solicitation.

Mr. Lipar's employment agreement defines "Cause" as, following written notice to him and his failure to cure such occurrence(s): (i) any act or omission that constitutes a material breach by him under the employment agreement, (ii) conviction or plea of nolo contendere by him to any felony or another crime involving dishonesty or moral turpitude or which could reflect negatively on the Company, (iii) Mr. Lipar's engaging in any misconduct, negligence, act of dishonesty, violence or threat of violence that is injurious to the Company, (iv) Mr. Lipar's material breach of a written policy of the Company or the rules of any governmental or regulatory body applicable to the Company, (v) Mr. Lipar's refusal to follow the directions of our Board of Directors or (vi) any other willful misconduct by Mr. Lipar which is materially injurious to the financial condition or business reputation of the Company. "Good Reason" is defined to include: (i) a material diminution in Mr. Lipar's base salary or a failure by the Company to pay material compensation due and payable, (ii) a material diminution in the nature or scope of Mr. Lipar's authority, duties, responsibilities or title, (iii) requiring Mr. Lipar to be based at any office more than

50 miles from his current office location or (iv) a material breach by the Company of the employment agreement, which includes the failure of any successor entity to the Company to expressly assume the employment agreement. A "Change in Control" is deemed to occur if: (i) any person acquires securities of the Company representing 50% or more of the total voting power of the Company, (ii) individuals who constitute the Board of Directors of the Company on the date of the employment agreement (Incumbent Directors) within a one year period cease to constitute at least a majority of the Board; provided, that any individual whose election or nomination for election by the stockholders was approved by a majority of the then Incumbent Directors shall be considered an Incumbent Director, with certain exceptions; or (iii) the stockholders of the Company approve any merger, consolidation or recapitalization of the Company or any sale of substantially all of its assets where (a) the stockholders of the Company prior to the transaction do not, immediately thereafter, own at least 51% of both the equity and voting power of the surviving entity or (b) the Incumbent Directors at the time of the approval of the transaction would not immediately thereafter constitute a majority of the Board of Directors of the surviving entity.

Additionally, Mr. Lipar will participate in such pension, profit-sharing, bonus, life insurance, hospitalization, major medical, and other employee benefit plans of the Company that may be in effect from time to time. The Company does not have any agreements with any of its other officers, directors, or employees containing provisions governing the compensation and benefits that may be paid to any such person upon termination of employment or a change in control of the Company.

#### Equity Compensation Plan Information

The table below sets forth the information as of December 31, 2014 for our equity compensation plan:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plan approved by security holders	165,692 <sup>(1)</sup>	—	1,748,713

At December 31, 2014, there are 102,786 RSUs outstanding which were granted at a \$0 exercise price. In addition, there are 62,906 Performance-Based RSUs that have been awarded to certain senior executives that provide for shares of the Company's common stock to be issued based on the attainment of certain performance metrics of the Company over the three year period, January 1, 2014 to December 31, 2016. The number of shares of the Company's common stock that may be issued to the recipients for the Performance-Based RSUs range from 0% to 200% of the target amount depending on actual results as compared to the target performance metrics. The Performance-Based RSUs vest upon the determination date for the actual results at the end of the three-year period and require the recipients continue to be employed by the Company through the determination date. The Performance-Based RSUs will be settled in shares of the Company's common stock.

A total of 2,000,000 shares of our common stock were reserved by our Board of Directors for issuance under the 2013 Plan, of which 85,595 shares of common stock were issued in settlement of vested RSUs during 2014 and 102,786 unvested RSUs and 62,906 unvested Performance-Based RSUs were outstanding as of December 31, 2014, resulting in 1,748,713 additional shares of our authorized common stock reserved for issuance under the 2013 Plan at December 31, 2014. Each of the outstanding RSUs and Performance-Based RSUs at December 31, 2014 was granted or awarded with a \$0 exercise price. The 2013 Plan provides for the granting of incentive stock options, nonstatutory stock options, restricted awards (restricted stock and restricted stock units), performance awards, and stock appreciation rights, or any combination of the foregoing. See Note 12 to our consolidated financial statements included in our 2013 Form 10-K for a description of the 2013 Plan.





## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Family Relationships

Mr. Smith is the uncle of Mr. Eric Lipar, our Chief Executive Officer and Chairman of the Board. Mr. Eric Lipar and Mr. Jack Lipar, our Executive Vice President of Acquisitions, are cousins. There are no other familial relationships among our executive officers and directors.

### Review and Approval of Transactions with Related Persons

Our Board of Directors has adopted a Statement of Policy Regarding Transactions with Related Parties, which requires that each director and executive officer promptly advise the chairman of the Audit Committee of any Related Person Transaction, as defined therein, of which he or she becomes aware in which we are to be a participant, the amount involved exceeds \$120,000 and the applicable Related Person had or will have a direct or indirect material interest, and all material facts with respect thereto. The policy defines "Related Person" as (i) an executive officer or director of the Company or a nominee for director of the Company, (ii) a beneficial owner of more than 5% of any class of voting securities of the Company or (iii) an Immediate Family Member (as defined in the policy) of any person identified in clauses (i) or (ii). The Audit Committee (or, if determined by the Audit Committee as advisable, the disinterested members of our Board of Directors) shall then consider such Related Person Transaction for approval or ratification.

In considering whether to approve or ratify any Related Person Transaction, the Audit Committee or the disinterested members of our Board of Directors, as the case may be, shall consider all factors that are relevant to the Related Person Transaction, including, without limitation, the following:

- the size of the transaction and the amount payable to a Related Person;
- the nature of the interest of the Related Person in the transaction;
- whether the transaction may involve a conflict of interest; and
- whether the transaction involves the purchase or sale of assets or the provision of goods or services to us that are available from unaffiliated third parties and, if so, whether the transaction is on terms and made under circumstances that are at least as favorable to us as would be available in comparable transactions with or involving unaffiliated third parties.

The policy supplements the conflict of interest provisions in our Code of Business Conduct and Ethics.

### Agreements with Thomas Lipar

Concurrent with the IPO, the Company entered into a three-year consulting agreement with Thomas Lipar for \$100,000 per year payable on a monthly basis. Mr. Thomas Lipar is the father of Eric Lipar, our Chief Executive Officer and Chairman of the Board. Consulting fees under the agreement were approximately \$17,000 for 2013 and \$100,000 for 2014

On July 11, 2014, the Company acquired approximately 1,980 acres of land located in Lancaster, South Carolina, from LGI Land SC, LLC, an entity owned and managed by Mr. Thomas Lipar, for an aggregate purchase price of approximately \$15.4 million. In accordance with our review and approval policy for transactions with related persons, the Audit Committee recommended that the transaction be considered by the disinterested members of our Board of Directors. The transaction was approved by the disinterested members of the Board.

In the future, we may consider acquiring other land from Thomas Lipar or certain of his affiliates. Any such acquisition involving an amount in excess of \$120,000 will be evaluated for approval by the Audit Committee (or, if determined by the Audit Committee as advisable, the disinterested members of our Board of Directors) in accordance with our Statement of Policy Regarding Transactions with Related Parties discussed above.

## ADDITIONAL INFORMATION

### Stockholder Proposals and Nominations for Director for the 2016 Annual Meeting

Stockholder proposals intended for inclusion in next year's proxy materials related to the 2016 annual meeting of stockholders (the "2016 Annual Meeting") pursuant to SEC Rule 14a-8 must be received at the Company's principal executive offices on or before November 20, 2015, or if the date of the 2016 Annual Meeting has been changed by more than 30 days from the date of the Annual Meeting (i.e. April 30), then the deadline is a reasonable time before the Company begins to print and send its proxy materials related to the 2016 Annual Meeting.

Stockholder proposals not intended for inclusion in next year's proxy materials, but which instead are sought to be presented at the 2016 Annual Meeting must be submitted in accordance with the specific procedures and requirements set forth in Article II, Sections 2.1 of our Bylaws, and any director nominations must be submitted in accordance with the specific procedures and requirements set forth in Article III, Section 3.1(a) of our Bylaws. These procedures require that any nominations or proposals must be delivered to, or mailed and received at, the Company's principal executive offices no earlier than November 30, 2015 and no later than December 20, 2015, in order to be considered. In the event the date of the 2015 Annual Meeting is more than 30 days before or after April 30, 2016, any nominations or proposals must be delivered to, or mailed and received at, the Company's principal executive offices not earlier than the 120<sup>th</sup> day before the date of the 2016 Annual Meeting and not later than the later of the 90<sup>th</sup> day prior to the 2016 Annual Meeting or the close of business on the 10<sup>th</sup> day following the day on which the first public disclosure of the date of the 2016 Annual Meeting was made.

### Householding

The SEC's rules permit us to deliver a single Notice of Internet Availability of Proxy Materials or set of proxy materials to one address shared by two or more of our stockholders. This delivery method is referred to as "householding" and can result in significant cost savings. To take advantage of this opportunity, we have delivered only one Notice of Internet Availability of Proxy Materials or one set of proxy materials to multiple stockholders who share an address, unless we received contrary instructions from the impacted stockholders prior to the mailing date. We agree to deliver promptly, upon written or oral request, a separate copy of the Notice of Internet Availability of Proxy Materials or proxy materials, as requested, to any stockholder at the shared address to which a single copy of those documents was delivered. If you prefer to receive separate copies of the Notice of Internet Availability of Proxy Materials or proxy materials, you can request them from Mediant Communications LLC at 1-866-648-8133 or contact them by email ([paper@investorelections.com](mailto:paper@investorelections.com)) or using the internet ([www.investorelections.com/LGIH](http://www.investorelections.com/LGIH)). You may also send a written request for Proxy Materials to Investor Relations, LGI Homes, Inc., 1450 Lake Robbins Drive, Suite 430 The Woodlands, Texas 77380.

If you are currently a stockholder sharing an address with another stockholder and wish to receive only one copy of future Notices of Internet Availability of Proxy Materials or proxy materials for your household, please contact Mediant Communications LLC at the above phone number.

Other Matters That May Come Before the Annual Meeting

We do not know of any matters other than those stated above which are to be brought before the Annual Meeting. However, if any other matters should be properly presented for consideration and voting, it is the intention of the persons named in the proxy to vote on those matters in accordance with their judgment.

Obtaining Copies of the Company's 2014 Annual Report

STOCKHOLDERS OF THE COMPANY MAY OBTAIN, WITHOUT CHARGE, A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014 BY SENDING A WRITTEN REQUEST FOR THE 2014 ANNUAL REPORT TO INVESTOR RELATIONS, LGI HOMES, INC., 1450 LAKE ROBBINS DRIVE, SUITE 430, THE WOODLANDS, TEXAS 77380.

By Order of the Board of Directors

LGI Homes, Inc.

The Woodlands, Texas

March 19, 2015





