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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 8-K**

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**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of report (date of earliest event reported): November 13, 2013**

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**LGI HOMES, INC.**  
(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-36126**  
(Commission  
File Number)

**46-3088013**  
(IRS Employer  
Identification Number)

**1450 Lake Robbins Drive, Suite 430,  
The Woodlands, Texas**  
(Address of principal executive offices)

**77380**  
(Zip Code)

**(281) 362-8998**  
(Registrant's Telephone Number, Including Area Code)

**N/A**  
(Former Name or Former Address, if Changed Since Last Report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**Item 2.01 Completion of Acquisition or Disposition of Assets.****LGI Transaction.**

On November 13, 2013, concurrently with the closing of the initial public offering of LGI Homes, Inc. (“we,” “our” or “us”), we acquired from Thomas Lipar, one of our founders and a holder of more than five percent of our common stock, Eric Lipar, our Chief Executive Officer, Chairman of the Board and holder of more than five percent of our common stock, and their affiliates, all of the equity interests of LGI Homes Group, LLC, LGI Homes Corporate, LLC, LGI Homes II, LLC, LGI Homes—Sunrise Meadow, LLC, LGI Homes—Canyon Crossing, LLC, LGI Homes—Deer Creek, LLC and their subsidiaries (collectively referred to in this report as our “predecessor”), in exchange for 10,003,358 shares of our common stock, including 2,161,580 shares of common stock issued to the non-controlling interests in a subsidiary of our predecessor. As a result, the entities that made up our predecessor became our wholly-owned subsidiaries. We refer to the transactions described in this paragraph as the “LGI Transaction.”

**GTIS Transaction.**

Our predecessor owned a minority interest in and managed the day-to-day operations of LGI-GTIS Holdings, LLC, LGI-GTIS Holdings II, LLC, LGI-GTIS Holdings III, LLC and LGI-GTIS Holdings IV, LLC (collectively, the “LGI/GTIS Joint Ventures”), four unconsolidated joint ventures between our predecessor and GTIS Partners, LP, a global real estate investment firm, and its affiliated entities (collectively, “GTIS”). On November 13, 2013, concurrently with the closing of our initial public offering, we acquired from GTIS all of GTIS’s equity interests in the LGI/GTIS Joint Ventures in exchange for aggregate consideration of \$41.4 million, consisting of 409,091 shares of our common stock and a cash payment of approximately \$36.9 million from the net proceeds of our initial public offering. We refer to the transactions described in this paragraph as the “GTIS Transaction”.

We refer to LGI Transaction and to the GTIS Transaction together as the “Formation Transactions”.

**Item 3.02 Unregistered Sales of Equity Securities.**

In connection with the Formation Transactions described in Item 2.01 above, we issued an aggregate of 10,412,449 shares of common stock to owners of our predecessor and their affiliates, that are the subject of the Formation Transactions.

The securities described above were issued in reliance on the exemption contained in Section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D thereunder on the basis that these transactions do not involve a public offering.

**Item 9.01 Financial Statements and Exhibits.**

- (a) **Financial Statements of Businesses Acquired.** The following financial statements are incorporated by reference from our Prospectus dated November 6, 2013 and filed pursuant to Rule 424(b) under the Securities Act.

**LGI Homes, Inc. Historical Financial Statements (1)**

Report of Independent Registered Public Accounting Firm

Balance Sheet as of July 9, 2013

Notes to the Balance Sheet

**LGI Homes Group (Predecessor) Historical Financial Statements**

Report of Independent Registered Public Accounting Firm

Combined Balance Sheets as of June 30, 2013 (unaudited) and December 31, 2012 and 2011

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- (1) Refers to the historical financial statements and notes thereto of LGI Homes, Inc. as the acquirer in the Formation Transactions described in Item 2.01 above.

Combined Statement of Operations for the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), and the years ended December 31, 2012 and 2011

Combined Statements of Equity from January 1, 2011 to June 30, 2013 (unaudited)

Combined Statements of Cash Flows for the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), and the years ended December 31, 2012 and 2011

Notes to the Combined Financial Statements for the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), and the years ended December 31, 2012 and 2011

### **LGI-GTIS Holdings, LLC and Subsidiaries Historical Financial Statements**

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of June 30, 2013 (unaudited) and December 31, 2012 and 2011

Consolidated Statements of Operations for the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), and the years ended December 31, 2012 and 2011

Consolidated Statements of Members' Equity from January 1, 2011 to June 30, 2013 (unaudited)

Consolidated Statements of Cash Flows for the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), and the years ended December 31, 2012 and 2011

Notes to the Consolidated Financial Statements for the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), and the years ended December 31, 2012 and 2011

### **LGI-GTIS Holdings II, LLC and Subsidiaries Historical Financial Statements**

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of June 30, 2013 (unaudited) and December 31, 2012 and 2011

Consolidated Statements of Operations for the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), and the years ended December 31, 2012 and 2011

Consolidated Statements of Members' Equity from January 1, 2011 to June 30, 2013 (unaudited)

Consolidated Statements of Cash Flows for the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), and the years ended December 31, 2012 and 2011

Notes to the Consolidated Financial Statements for the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), and the years ended December 31, 2012 and 2011

### **LGI-GTIS Holdings III, LLC and Subsidiaries Historical Financial Statements**

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of June 30, 2013 (unaudited) and December 31, 2012 and 2011

Consolidated Statements of Operations for the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), the year ended December 31, 2012, and the period March 2, 2011 (inception) through December 31, 2011

Consolidated Statements of Members' Equity from March 2, 2011 (inception) to June 30, 2013 (unaudited)

Consolidated Statements of Cash Flows for the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), the year ended December 31, 2012 and the period March 2, 2011 (inception) through December 31, 2011

Notes to the Consolidated Financial Statements for the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), the year ended December 31, 2012 and the period March 2, 2011 (inception) through December 31, 2011

## **LGI-GTIS Holdings IV, LLC and Subsidiaries Historical Financial Statements**

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of June 30, 2013 (unaudited) and December 31, 2012

Consolidated Statements of Operations for the six months ended June 30, 2013 (unaudited), and the period October 31, 2012 (inception) through December 31, 2012

Consolidated Statements of Members' Equity from October 31, 2012 (inception) to June 30, 2013 (unaudited)

Consolidated Statements of Cash Flows for the six months ended June 30, 2013 (unaudited), and the period October 31, 2012 (inception) through December 31, 2012

Notes to the Consolidated Financial Statements for the six months ended June 30, 2013 (unaudited), and the period October 31, 2012 (inception) through December 31, 2012

- (b) **Pro Forma Financial Information.** The following pro forma financial statements are incorporated by reference from our Prospectus dated November 6, 2013 and filed pursuant to Rule 424(b) under the Securities Act.

## **LGI Homes, Inc. Pro Forma Financial Statements**

Pro Forma Balance Sheet as of June 30, 2013 (unaudited) and Notes to the Unaudited Pro Forma Balance Sheet

Pro Forma Statements of Operations for the six months ended June 30, 2013 (unaudited) and the year ended December 31, 2012 (unaudited), and Notes to the Unaudited Pro Forma Statements of Operations

- (d) **Exhibits.**

<u>Exhibit Number</u>	<u>Description</u>
2.1	The Purchase Agreement between GTIS LGI I LP and LGI Homes, Inc., dated August 28, 2013, as amended on October 24, 2013.
2.2	The Purchase Agreement between GTAM Mallard LLC and LGI Homes, Inc., dated August 28, 2013, as amended on October 24, 2013.
2.3	The Purchase Agreement between GTIS LGI LP and LGI Homes, Inc., dated August 28, 2013, as amended on October 24, 2013.
2.4	The Purchase Agreement among GTIS US Residential Strategies Fund LP, LGI IV Blocker LLC and LGI Homes, Inc., dated August 28, 2013 as amended on October 24, 2013.
2.5	Contribution Agreement dated November 13, 2013, among LGI Homes, Inc., EDSS Holdings, LP, LGI Investment Fund II, LP, LGI Investment Fund III, LP, Eric T. Lipar, GTIS LGI I LP, GTAM Mallard LLC, GTIS LGI LP, LGI IV Blocker LLC, GTIS US Residential Strategies Fund LP, RE Finance Partners, Ltd. and Thomas E. Lipar.
2.6	The Assignment, Assumption and Admission Agreement dated November 13, 2013, among Thomas Lipar, Eric Lipar, RE Finance Partners, Ltd. and LGI Homes, Inc., whereby Thomas Lipar, Eric Lipar and RE Finance Partners, Ltd. contributed their interests in LGI Homes Corporate, LLC to LGI Homes, Inc. in exchange for 1,567,072, 522,357, and 368,723 shares of Common Stock, respectively.

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- 2.7 The Assignment, Assumption, Joinder and Admission Agreement dated November 13, 2013 between LGI Investment Fund III, LP and LGI Homes, Inc., whereby LGI Investment Fund III, LP contributed its entire right, title and interest in LGI Fund III Holdings, LLC to LGI Homes, Inc. in exchange for 2,161,580 shares of Common Stock.
- 2.8 The Assignment, Assumption and Admission Agreement dated November 13, 2013, among EDSS Holdings, LP, LGI Investment Fund II, LP and LGI Homes, Inc., whereby EDSS Holdings, LP and LGI Investment Fund II, LP contributed their interests in LGI Homes Group, LLC to LGI Homes, Inc. in exchange for 2,339,297 and 2,327,629 shares of Common Stock, respectively.
- 2.9 The Assignment and Assumption of Membership Interests dated November 13, 2013, among LGI Homes, Inc., Thomas Lipar and LGI GP, LLC, whereby Thomas Lipar contributed 100% of his beneficial interest in the assets and liabilities of each of LGI Homes II, LLC (formerly LGI Homes, Ltd.), LGI Homes—Sunrise Meadow, LLC (formerly LGI Homes—Sunrise Meadow, Ltd.), and LGI Homes—Canyon Crossing, LLC (formerly LGI Homes—Canyon Crossing, Ltd.) to LGI Homes, Inc. in exchange for 716,700 shares of Common Stock, and LGI GP, LLC sold to LGI Homes, Inc. its 1% member interests in such entities for \$1.00 each.
- 2.10 The Assignment, Assumption and Admission Agreement dated November 13, 2013, among Thomas Lipar, Eric Lipar and LGI Homes, Inc., whereby Thomas Lipar contributed his 90% interest and Eric Lipar contributed his 10% interest in LGI Homes—Deer Creek, LLC to LGI Homes, Inc. for \$10.00.
- 99.1 Financial Statements of Businesses Acquired (also includes the historical financial statements and notes thereto of LGI Homes, Inc. as the acquirer in the Formation Transactions described in Item 2.01 of this Current Report on Form 8-K).
- 99.2 Pro Forma Financial Information.

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

LGI HOMES, Inc.

Dated: November 15, 2013

By: /s/ Eric T. Lipar  
Eric T. Lipar  
Chief Executive Officer

## EXHIBIT INDEX

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99.1	Financial Statements of Businesses Acquired (also includes the historical financial statements and notes thereto of LGI Homes, Inc. as the acquirer in the Formation Transactions described in Item 2.01 of this Current Report on Form 8-K).
99.2	Pro Forma Financial Information.

**PURCHASE AGREEMENT**

**BY AND BETWEEN**

**GTIS LGI I LP**

**AND**

**LGI HOMES, INC.**

**August 28, 2013**



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**Exhibits**

Exhibit A	Purchase Price Calculation
Exhibit B	Form of Assignment Agreement
Exhibit C	Form of Lock-up Agreement
Exhibit D	Form of Contribution Agreement

## PURCHASE AGREEMENT

This Purchase Agreement is entered into on August 28, 2013, by and between GTIS LGI I LP, a Delaware limited partnership ("Seller"), and LGI Homes, Inc., a Delaware corporation ("Buyer"). Seller and Buyer are referred to together herein as the "Parties."

WHEREAS, LGI Homes Corporate, LLC, a Texas limited liability company and Affiliate of Buyer ("LGI Member"), and Seller are the record and beneficial owners of all of the issued and outstanding limited liability company interests of LGI-GTIS Holdings LLC, a Delaware limited liability company (the "Company"), as more fully described in the Company's Limited Liability Company Agreement;

WHEREAS, Buyer wishes to purchase from Seller, and Seller wishes to sell to Buyer, all of Seller's limited liability company interests in the Company (the "Purchased Interests") on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, the Parties agree as follows:

### DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

"Adverse Consequences" means all charges, complaints, claims, Proceedings, Liabilities, injunctions, judgments, orders, decrees, rulings, awards, damages, natural resource damages, dues, penalties, fines, costs, remedial or response action costs, Taxes, Liens, losses, expenses and fees, including court costs, reasonable attorneys' and environmental consultants' fees and expenses of investigation and litigation related thereto, in all cases, net of any insurance recoveries or tax benefits. "Adverse Consequences" shall not include special, consequential, punitive or exemplary damages or damages for lost profits or diminution in value or any loss of goodwill or possible business after the Closing, whether actual or prospective.

"Affiliate" means any Person that, directly or indirectly, through one or more Persons, controls, is controlled by or is under common control with the Person specified, where "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract, as trustee or executor or otherwise; provided, however, that the Company shall not be considered an Affiliate of Seller.

"Agreement" means this Purchase Agreement, including all Exhibits hereto.

“Ancillary Agreement” means any contract or other agreement that is entered into between Seller (or any of its Affiliates), on the one hand, and Buyer (or any of its Affiliates), on the other hand, pursuant to this Agreement on the Closing Date, including the Assignment Agreement, the Lock-up Agreement and the Contribution Agreement. The Ancillary Agreements executed by a specified Person shall be referred to as such Person's Ancillary Agreements or by other similar expression.

“Assets” means the assets, properties and rights (tangible and intangible) of Buyer.

“Assignment Agreement” has the meaning set forth in Section 2.4.1.

“Business Day” means any day other than (a) any Saturday or Sunday or (b) any other day on which banks located in New York, New York generally are closed or authorized by Law to be closed for business.

“Buyer” has the meaning set forth in the preface.

“Buyer Cap Amount” has the meaning set forth in Section 8.4.1.

“Buyer Common Share Consideration” means the number of shares of Common Stock equal to the amount set forth on Exhibit A under the column “Buyer Common Share Consideration Total Value,” divided by the IPO Price.

“Buyer Common Shares” means the shares of Common Stock being issued as part of the Buyer Common Share Consideration.

“Buyer Indemnified Parties” has the meaning set forth in Section 8.2.

“Buyer IT Systems” has the meaning set forth in Section 4.12.2.

“Closing” has the meaning set forth in Section 2.3.

“Closing Cash Payment” means the amount set forth on Exhibit A under the column “Closing Cash Payment”.

“Closing Date” has the meaning set forth in the Underwriting Agreement.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commission” means the Securities and Exchange Commission.

“Common Stock” means the common stock, par value \$0.01 per share, of Buyer.

“Company” has the meaning set forth in the recitals.

“Contract” means any written or oral contract, agreement, license, lease, sales order, purchase order, indenture, mortgage, note, bond, warrant, instrument, undertaking, arrangement or commitment (including all amendments, supplements and modifications thereto).

“Contribution Agreement” has the meaning set forth in Section 2.4.1.

“Environmental Law” has the meaning set forth in Section 4.11.

“ERISA” has the meaning set forth in Section 4.14.

“Exchange Act” has the meaning set forth in Section 4.6.

“FCPA” has the meaning set forth in Section 4.18.

“Formation Transactions” has the meaning set forth in the Contribution Agreement.

“Fundamental Warranties” means the representations and warranties set forth in Sections 3.1 (Organization and Qualification of Seller), 3.2 (Due Authorization; Enforceability), 3.4 (Title to Purchased Interests), 4.1 (Organization of Buyer, LGI Member and LGI Group), 4.2 (Due Authorization; Enforceability), 4.4 (Capitalization; Valid Issuance of Buyer Common Shares; Formation Transactions) and 4.16 (Taxes).

“GAAP” means United States generally accepted accounting principles in effect from time to time applied consistently throughout the periods involved.

“Governmental Authority” means any federal, state, provincial, local or foreign government, or subdivision thereof, or any entity, body or authority exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any federal, state, provincial, local or foreign government, including any quasi-governmental entity established to perform such functions, in each case having jurisdiction over the Person, property or matter in question.

“Governmental Licenses” has the meaning set forth in Section 4.10.2.

“GTIS Name” has the meaning set forth in Section 5.6.

“Indemnified Party” has the meaning set forth in Section 8.5.1.

“Indemnifying Party” has the meaning set forth in Section 8.5.1.

“Intellectual Property” has the meaning set forth in Section 4.12.1.

“IPO” means the initial underwritten issuance of Common Stock by Buyer pursuant to an effective registration statement under the Securities Act filed by Buyer with the Commission on Form S-1 (or any successor form adopted by the Commission).

“IPO Closing” means the consummation of the IPO.

“IPO Price” means the public offering price per share of Common Stock as set forth on the cover page of the Prospectus.

“JV Assets” means the Assets of the JVs.

“JVs” means the Company, LGI-GTIS Holdings II LLC, a Delaware limited liability company, LGI-GTIS Holdings III LLC, a Delaware limited liability company, and LGI-GTIS Holdings IV LLC, a Delaware limited liability.

“Law” means any law, statute, regulation, ordinance, rule, order, decree, judgment, injunction, consent decree, settlement agreement or governmental requirement enacted, promulgated, entered into, agreed or imposed by any Governmental Authority.

“LGI Group” means LGI Member; LGI Homes Group, LLC, a Texas limited liability company; LGI Homes, Ltd., a Texas limited partnership; LGI Homes – Sunrise Meadow, Ltd., a Texas limited partnership; LGI Homes – Canyon Crossing, Ltd., a Texas limited partnership; and LGI Homes – Deer Creek, LLC, a Texas limited liability company.

“LGI Member” has the meaning set forth in the recitals.

“Liability” means any and all debts, liability, duty or obligation of any nature, whether pecuniary or not, asserted or unasserted, accrued or unaccrued, absolute or contingent, matured or unmatured, liquidated or unliquidated, determined or determinable, incurred or consequential, known or unknown and whether due or to become due.

“Lien” means any mortgage, pledge, lien, encumbrance, collateral assignment, security interest, easement, encroachment, restriction (including restriction on use), option, deed of trust, title retention, conditional sale or other security arrangement, or any license, order or charge, or any adverse claim of title, ownership or use, or agreement of any kind restricting transfer, or any other right of any third party or encumbrance whatsoever.

“Limited Liability Company Agreement” means the limited liability company agreement of the Company, dated as of March 10, 2010, by and among LGI Member, Seller and LGI Group (as amended from time to time until the date hereof).

“Lock-up” has the meaning set forth in Section 5.4.1.

“Lock-up Agreement” means the Lock-up Agreement, dated as of the date hereof, in the form attached hereto as Exhibit C.

“Lock-up Period” has the meaning set forth in Section 5.4.1.

“Material Adverse Effect” has the meaning set forth in Section 3.1.



“Ordinary Course of Business” means the ordinary course of business consistent with past custom and practice.

“Organizational Documents” means (a) articles of incorporation and the code of regulations or bylaws of a corporation, (b) any articles of organization and operating agreements of a limited liability company, (c) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person and (d) any amendment to any of the foregoing.

“Outside Date” has the meaning set forth in Section 7.1.2.

“Party” has the meaning set forth in the preface.

“Person” means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or other business entity or Governmental Authority.

“Plan” has the meaning set forth in Section 4.14.

“Proceedings” means any judicial or administrative action, investigation, audit, claim, suit, arbitration, proceeding or other litigation.

“Prospectus” means the final prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act.

“Purchase Agreements” means the (i) Purchase Agreement for the purchase of limited liability company interests in LGI-GTIS Holdings II LLC, a Delaware limited liability company, (ii) Purchase Agreement for the purchase of limited liability company interests in LGI-GTIS Holdings III LLC, a Delaware limited liability company, and (iii) Purchase Agreement for the purchase of limited liability company interests in LGI-GTIS Holdings IV LLC, a Delaware limited liability company, in each case, of even date herewith and, in each case, by and among Buyer and certain of Seller’s Affiliates.

“Purchase Price” means the amount set forth on Exhibit A under the column “Purchase Price”.

“Purchased Interests” has the meaning set forth in the recitals.

“Registration Statement” means the registration statement on Form S-1 filed with the Commission with respect to shares of Common Stock, and all amendments thereto, a draft of which has been delivered to Seller as of the date of this Agreement.

“Rule 144” means Rule 144 as promulgated by the Commission under the Securities Act.

“Securities Act” means the Securities Act of 1933, as amended, or any successor thereto, as in effect at the time of reference.

“Seller” has the meaning set forth in the preface.

“Seller Indemnified Parties” has the meaning set forth in Section 8.3.

“Tax Return” means any return, report or other information or filing required to be supplied to a Governmental Authority or Person in connection with any Taxes, including any schedule or attachment thereto or amendment thereof.

“Taxes” means all taxes, charges, fees, duties, levies or other assessments (including income, gross receipts, net proceeds, ad valorem, turnover, real and personal property (tangible and intangible), sales, use, franchise, excise, goods and services, value added, stamp, user, transfer, fuel, excess profits, occupational, interest equalization, windfall profits, severance, payroll, unemployment and social security taxes) that are imposed by any Governmental Authority, and such term includes any interest, penalties or additions to tax attributable thereto or attributable to any nonpayment thereof.

“Third-Party Claim” has the meaning set forth in Section 8.5.1.

“Threshold” has the meaning set forth in Section 8.4.1.

“Transfer Taxes” has the meaning set forth in Section 9.11.

“Treasury Regulations” means the income tax regulations, including any temporary or proposed regulations, promulgated under the Code, as such regulations may be amended from time to time.

“Underwriting Agreement” means the Underwriting Agreement to be entered into prior to the Closing Date among Buyer, Deutsche Bank Securities Inc., JMP Securities LLC, J.P. Morgan Securities LLC and as representatives of the several underwriters named therein.

## **BASIC TRANSACTION**

**Purchase and Sale of Purchased Interests.** On and subject to the terms and conditions of this Agreement, at the Closing and for the consideration specified in this Article 2, Seller will sell, convey, assign, transfer and deliver to Buyer, and Buyer will purchase and receive from Seller, free and clear of all Liens, all of Seller’s rights and interests in and title to the Purchased Interests, which represent all of Seller’s limited liability company interests in the Company.

**Consideration.** At the Closing, Buyer agrees to (a) pay to Seller the Closing Cash Payment and (b) issue to Seller (or an Affiliate of Seller designated by Seller prior to the Closing) the Buyer Common Share Consideration.

**The Closing.** The closing of the transactions contemplated by this Agreement (the “Closing”) shall take place remotely via electronic exchange of signature pages on the Closing Date or such other place, date or time as the Parties may mutually determine. Once the Closing occurs, the Closing, and all transactions to occur at the Closing, shall be deemed to have taken place at, and shall be effective as of, 12:00:01 a.m. (Eastern Time) on the Closing Date.

**Deliveries at the Closing.**

At the Closing, Seller shall have duly executed and delivered (or have caused to be duly executed and delivered) to Buyer:

an assignment agreement, dated as of the Closing Date, assigning the Purchased Interests to Buyer, substantially in the form attached hereto as Exhibit B, (the “Assignment Agreement”);

a certificate of non-foreign status, in the form provided in Treasury Regulation §1.1445-2(b)(2)(iv), issued pursuant to and in compliance with Treasury Regulation §1.1445-2(b)(2), certifying that Seller is not a foreign person within the meaning of Treasury Regulation §1.1445-2(b)(2);

the Contribution Agreement by and among Buyer, Seller, each seller named in the other Purchase Agreements, Eric Lipar, Thomas Lipar and certain Affiliates of each of them named therein, substantially in the form attached hereto as Exhibit D (the “Contribution Agreement”); and

such other agreements, documents, instruments and writings as are expressly required to be delivered by Seller on or prior to the Closing Date pursuant to this Agreement or as may be reasonably requested by Buyer to carry out the intent and purposes of this Agreement.

At the Closing, Buyer shall have paid and duly executed and delivered (or have caused to be paid and duly executed and delivered), as applicable, to Seller:

the Closing Cash Payment;

a certificate from Buyer’s registrar and transfer agent, evidencing the issuance of the Buyer Common Shares to Seller (or an Affiliate of Seller designated by Seller prior to the Closing) and bearing a conspicuous legend stating that the shares have not been registered under the Securities Act or the securities law of any state and referring to the restrictions on transferability and sale of the shares;

the Assignment Agreement;

a certificate, dated no more than five (5) days prior to the Closing Date, from the Secretary of the State of Delaware, as to Buyer's good standing;

a certificate, dated as of the Closing Date, signed by the Secretary of Buyer (i) certifying that attached thereto is a true and complete copy of the resolutions duly and validly adopted by the board of directors (or other similar governing body) of Buyer approving the execution, delivery and performance of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby, including admission of Seller as a stockholder of Buyer, and that such resolutions are in full force and effect and not revoked and (ii) certifying that attached thereto are true and complete copies of the Organizational Documents of Buyer in effect at the Closing;

the Contribution Agreement; and

such other agreements, documents, instruments and writings as are expressly required to be delivered by Buyer or its Affiliates on or prior to the Closing Date pursuant to this Agreement or as may be reasonably requested by Seller to carry out the intent and purposes of this Agreement.

**Tax Treatment of Transaction.** The Parties agree that for U.S. federal income tax purposes Buyer's purchase of the Purchased Interests shall be characterized as an exchange qualifying under Section 351 of the Code in which Seller contributed the Purchased Interests to Buyer in exchange for (a) the Buyer Common Share Consideration and (b) the Closing Cash Payment unless such characterization is contrary to applicable U.S. federal income tax Law. The Parties agree to report the transaction in accordance with this treatment in all Tax Returns unless such treatment is contrary to applicable U.S. federal income tax Law.

## SELLER'S REPRESENTATIONS AND WARRANTIES

Seller represents and warrants to Buyer as of the date of this Agreement and as of the Closing Date, as follows:

**Organization and Qualification of Seller.** Seller is duly organized and is validly existing as a limited partnership in good standing under the Laws of the State of Delaware, with requisite power and authority to own or lease its properties and conduct its business. Seller is duly qualified to transact business and in good standing in all jurisdictions in which the conduct of its business requires such qualification except where the failure to be so qualified or be in good standing would not (i) have, individually or in the aggregate, a material adverse effect on the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of Seller or (ii) prevent the consummation of the transactions contemplated hereby (the occurrence of any such effect or any such prevention described in the foregoing clauses (i) and (ii) being referred to as a "Material Adverse Effect").

**Due Authorization; Enforceability.** Seller has full right, power and authority to execute and deliver this Agreement and its Ancillary Agreements, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement has been duly and validly executed and delivered by Seller and its Ancillary Agreements shall have been duly and validly executed and delivered by Seller on or prior to the Closing Date. This Agreement constitutes a legal, valid and binding obligation of Seller, and each of its Ancillary Agreements when executed and delivered shall constitute a legal, valid and binding obligation of Seller, in each case enforceable against Seller in accordance with its terms (assuming the due authorization, valid execution and delivery of this Agreement and each Ancillary Agreement by each other Person that is or will be a party thereto) and except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar Laws in effect which affect the enforcement of creditors' rights generally and by equitable limitations on the availability of specific remedies.

**Consents and Approvals; No Conflicts.**

Each approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body or any other Person not a party to this Agreement necessary in connection with the execution and delivery by Seller of this Agreement and its Ancillary Agreements or the consummation of the transactions contemplated hereby and thereby has been obtained or made and is in full force and effect.

The execution and delivery by Seller of this Agreement and each of its Ancillary Agreements and the consummation of the transactions herein and therein contemplated, and the fulfillment of the terms hereof and thereof do not and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or give any Person any additional right (including a termination right) under, permit cancellation of, or result in the creation of any Lien upon, or result in or constitute a circumstance which, with or without notice or lapse of time or both, would constitute any of the foregoing, any indenture, mortgage, deed of trust or other agreement or instrument to which Seller is a party or by which Seller or any of its properties is bound, or of its Organizational Documents or any law, order, rule or regulation judgment, order, writ or decree applicable to Seller of any court or of any government, regulatory body or administrative agency or other governmental body having jurisdiction over Seller or any of its properties or assets, except to the extent the same would not have a Material Adverse Effect.

**Title to Purchased Interests.** Seller is the record and beneficial owner of, and has good and valid title to, the Purchased Interests free and clear of all Liens. Seller is not a party to any option, warrant, purchase right or other Contract that could require Seller to sell, transfer or otherwise dispose of any such limited liability company interests of the Company (other than this Agreement). Seller is not a party to any voting trust, proxy or other Contract with respect to the voting of any limited liability company interests of the Company.

**No Brokers or Finders.** Neither Seller nor any of the JV's is a party to any contract, agreement or understanding with any Person that would give rise to a valid claim against Seller for a brokerage commission, finder's fee or like payment in connection with the transactions contemplated by this Agreement other than the "Avila Fee" as defined in the Limited Liability Company Agreement.

**Litigation.** There is no Proceeding pending or, to the knowledge of Seller, threatened against Seller that, individually or in the aggregate, would materially impair or delay the ability of Seller to effect the Closing. Seller is not subject to any outstanding injunction, judgment, order, decree, ruling or charge that, individually or in the aggregate, would materially impair or delay the ability of Seller to effect the Closing. To the knowledge of Seller, there is no legal, governmental, administrative or regulatory Proceeding pending or threatened in writing against the Company, or to which any property of the Company is or would reasonably be expected to be subject before any court or regulatory or administrative agency or otherwise which if determined adversely to the Company would, individually or in the aggregate, have a Material Adverse Effect.

**No Foreign Tax Status.** Seller is not a "foreign person" within the meaning of Section 1445 of the Code.

**Accredited Investor; Investment Intent.** Seller is an "accredited investor" as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act. Seller is acquiring the Buyer Common Shares for its own account for investment and not with a view to, or for sale or other disposition in connection with, any distribution of all or any part thereof, except in compliance with applicable federal and state securities Laws. Seller understands that the Buyer Common Shares will not have been registered pursuant to the Securities Act or any applicable state securities Laws, that the Buyer Common Shares will be characterized as "restricted securities" under federal securities laws, that under such Laws and applicable regulations the Buyer Common Shares cannot be sold or otherwise disposed of without registration under the Securities Act or an exemption therefrom and that the certificates representing the Buyer Common Shares will bear restrictive legends stating the foregoing. Seller further acknowledges that the Buyer Common Shares are neither offered nor sold to Seller pursuant to the Prospectus.

**No Other Representations or Warranties.** Except for the representations and warranties contained in this [Article 3](#), neither Seller nor any of its Affiliates or any of their respective stockholders, trustees, members, fiduciaries or representatives, nor any other Person has made or is making any other representation or warranty of any kind or nature whatsoever, oral or written, express or implied, with respect to the Company, this Agreement, the Ancillary Agreements or the transactions contemplated hereby. Except for the representations and warranties contained in this [Article 3](#), Seller disclaims, on behalf of itself and its Affiliates, (a) any other representations or warranties, whether made by Seller, any of its Affiliates or their respective stockholders, trustees, members, fiduciaries or representatives or any other Person and (b) all liability and responsibility for any other representation, warranty, opinion, projection, forecast, advice, statement or information made, communicated or furnished. Neither Seller, any of its Affiliates, any of their respective stockholders, trustees, members, fiduciaries or representatives nor any other Person has made or is making any representations or warranties to Buyer or its Affiliates or any other Person regarding the probable success or profitability of the Company (whether before or after the Closing), including regarding the possibility or likelihood of any application, challenge, Proceeding or review, regulatory or otherwise, including any increase, decrease or plateau in the volume of product or service, or revenue derived therefrom, related to the Company's business. Neither Seller, any of its Affiliates, any of their respective stockholders, trustees, members, fiduciaries or representatives nor any other Person will have or be subject to any liability or indemnification obligation to Buyer or its Affiliates or any other Person resulting from the delivery, dissemination or any other distribution to Buyer or its Affiliates or any other Person, or the use by Buyer or its Affiliates or any other Person, of any such information provided or made available to them by or on behalf of Seller, any of its Affiliates or any of their respective stockholders, trustees, members, fiduciaries or representatives or any other Person, including any information, documents, estimates, projections, forecasts or other forward-looking information, business plans or other material provided or made available to Buyer or its Affiliates or any other Person in certain "data rooms," confidential information memoranda or management presentations in anticipation or contemplation of the transactions contemplated by this Agreement.

## **BUYER REPRESENTATIONS AND WARRANTIES**

Buyer represents and warrants to Seller as of the date of this Agreement and as of the Closing Date, except as may be set forth in the Prospectus and except as otherwise provided herein, as follows:

**Organization of Buyer, LGI Member and LGI Group.** Buyer is duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware, with requisite power and authority to own or lease its properties and conduct its business. As of the date of this Agreement, each Person in the LGI Group is duly organized and is validly existing as a corporation, limited liability company or similar entity under the laws of the jurisdiction of its organization with requisite power and authority to own or lease its properties and conduct its business. As of the Closing Date, and after giving effect to the Formation Transactions, each Person in the LGI Group shall be duly organized and validly existing as a corporation, limited liability company or similar entity in good standing under the laws of the jurisdiction of its organization with requisite power and authority to own or lease its properties and conduct its business. As of the date of this Agreement, Buyer and each Person in the LGI Group is duly qualified to transact business and is in good standing in all jurisdictions in which the conduct of its business requires such qualification except where the failure to be so qualified or be in good standing would not have a Material Adverse Effect on Buyer or any Person in the LGI Group taken as a whole. As of the Closing Date, and after giving effect to the Formation Transactions, Buyer and each Person in the LGI Group will be duly qualified to transact business and in good standing in all jurisdictions in which the conduct of its business requires such qualification except where the failure to be so qualified or be in good standing would not have a Material Adverse Effect on Buyer or any Person in the LGI Group taken as a whole. The outstanding shares of capital stock or other equity interests of Buyer are duly authorized and validly issued, are fully paid and non-assessable.

**Due Authorization; Enforceability.** Buyer has full right, power and authority to execute and deliver this Agreement and its Ancillary Agreements, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement has been duly and validly executed and delivered by Buyer and each of Buyer's Ancillary Agreements shall have been duly and validly executed and delivered by Buyer on or prior to the Closing Date. This Agreement constitutes a legal, valid and binding obligation of Buyer, and each of its Ancillary Agreements when executed and delivered shall constitute a legal, valid and binding obligation of Buyer, in each case enforceable against Buyer in accordance with its terms, in each case assuming the due authorization, valid execution and delivery of this Agreement and each Ancillary Agreement by each other Person that is or will be a party thereto and except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar Laws in effect which affect the enforcement of creditors' rights generally and by equitable limitations on the availability of specific remedies.

**Consents and Approvals; No Conflicts.**

Except as may be set forth in the Prospectus, each approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body or any other Person not a party to this Agreement necessary in connection with the execution and delivery by Buyer of this Agreement and its Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby has been obtained or made and is in full force and effect as of the date of this Agreement, or will be obtained or made and in full force and effect on or prior to the Closing Date.

The execution and delivery by Buyer of this Agreement and each of its Ancillary Agreements and the consummation of the transactions herein and therein contemplated, and the fulfillment of the terms hereof and thereof do not and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or give any Person any additional right (including a termination right) under, permit cancellation of, or result in the creation of any Lien upon, or result in or constitute a circumstance which, with or without notice or lapse of time or both, would constitute any of the foregoing, any indenture, mortgage, deed of trust or other agreement or instrument to which Buyer or any Person in the LGI Group is a party or by which Buyer or any Person in the LGI Group or any of their respective properties is bound, or of their respective Organizational Documents or any law, order, rule or regulation, judgment, order, writ or decree applicable to Buyer or any Person in the LGI Group of any court or of any government, regulatory body or administrative agency or other governmental body having jurisdiction over Buyer or any Person in the LGI Group, or any of their properties or assets, except to the extent the same would not have a Material Adverse Effect.



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**Capitalization; Valid Issuance of Buyer Common Shares.**

As of the date of the Prospectus, the information set forth under the caption “Capitalization” in the Prospectus is true and correct. The Buyer Common Shares conform to the description thereof contained in the Prospectus. The form of certificates for the Buyer Common Shares conforms to the corporate law of the jurisdiction of Buyer's incorporation and to any requirements of Buyer's Organizational Documents.

The Buyer Common Shares are duly authorized and when issued and paid for as contemplated herein will be validly issued, fully paid and non-assessable; and no preemptive or similar rights of stockholders exist with respect to any of the Buyer Common Shares or the issue and sale thereof. The offering and sale of the Buyer Common Shares as contemplated by this Agreement does not give rise to any rights, other than those contemplated herein, for or relating to the registration of any shares of Common Stock.

**Financial Information.** As of the date of the Prospectus: (a) The combined financial statements of the LGI Group and the consolidated financial statements of each of the JVs and each of their respective subsidiaries, together with related notes and schedules as set forth in the Prospectus, comply in all material respects with the applicable requirements of the Securities Act and present fairly the financial position and the results of operations and cash flows of Buyer and/or the respective members of the LGI Group, as the case may be, at the indicated dates and for the indicated periods; (b) such financial statements and related schedules have been prepared in accordance with GAAP, except as disclosed therein, and all adjustments necessary for a fair presentation of results for such periods have been made; (c) the summary and selected financial and statistical data included in the Prospectus present fairly the information shown therein and such data has been compiled on a basis consistent with the financial statements presented therein and the books and records of Buyer; (d) the pro forma financial statements and other pro forma financial information included in the Prospectus present fairly the information shown therein, have been prepared in accordance in all material respects with the Commission's rules and guidelines with respect to pro forma financial statements, have been properly compiled on the pro forma bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions or circumstances referred to therein; and (e) all disclosures contained in the Prospectus regarding “non-GAAP financial measures” (as such term is defined by the rules and regulations of the Commission) comply with Regulation G of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and Item 10 of Regulation S-K under the Securities Act, to the extent applicable.

**Absence of Undisclosed Liabilities.** As of the date of the Prospectus, neither Buyer nor any Person in the LGI Group has any material liabilities or obligations, direct or contingent (including any off-balance sheet obligations or any “variable interest entities” within the meaning of Financial Accounting Standards Board Interpretation No. 46), not disclosed in the Prospectus. There are no financial statements (historical or pro forma) that are required to be included in the Prospectus that are not included as required.

**Absence of Certain Events.** Except as may be set forth in the Prospectus, and except with respect to the JV Assets, since the date of the most recent financial statements included in the Prospectus, (i) there has not been any event, occurrence or development which would give rise to a Material Adverse Effect, (ii) there has not been any material transaction entered into or any material transaction that is probable of being entered into by Buyer or any Person in the LGI Group, other than transactions in the Ordinary Course of Business and the Formation Transactions, and (iii) neither Buyer nor any Person in the LGI Group has sustained any loss or interference with its business that is material to Buyer and the LGI Group taken as a whole and that is either from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority.

**Litigation.** As of the date of the Prospectus and except as may be set forth in the Prospectus, there is no legal, governmental, administrative or regulatory Proceeding pending or, to the knowledge of Buyer, threatened in writing against Buyer, or to which any property of Buyer is, or to the knowledge of Buyer, would reasonably be expected to be, subject, before any court or regulatory or administrative agency or otherwise which if determined adversely to Buyer would, individually or in the aggregate, have a Material Adverse Effect. As of the date of the Prospectus, there are no current or pending legal, governmental, administrative or regulatory Proceedings that are required under the Securities Act to be described in the Prospectus that are not so described in the Prospectus. As of the date of the Prospectus, there are no statutes, regulations or Contracts or other documents that are required under the Act to be filed as exhibits to the Registration Statement or described in the Registration Statement or the Prospectus that are not so filed as exhibits to the Registration Statement or described in the Registration Statement or the Prospectus.

**Compliance with Laws; Permits.**

Except as may be set forth in the Prospectus and except with respect to the JV Assets, neither Buyer nor any member of the LGI Group is or with the giving of notice or lapse of time or both, will be, (i) in violation of its Organizational Documents, (ii) in violation of or in default under any agreement, lease, contract, indenture or other instrument or obligation to which it is a party or by which it, or any of its properties, is bound or (iii) in violation of any law, order, rule or regulation judgment, order, writ or decree applicable to Buyer or any Person in the LGI Group of any court or of any government, regulatory body or administrative agency or other governmental body having jurisdiction over Buyer or any Person in the LGI Group, or any of their properties or assets, except in the case of clauses (ii) and (iii), for such violations or defaults as would not, individually or in the aggregate, have a Material Adverse Effect.

Except as would not, individually or in the aggregate, have a Material Adverse Effect, Buyer (i) holds all licenses, registrations, certificates and permits from governmental authorities (collectively, “Governmental Licenses”) which are necessary to the conduct of its business, (ii) is in compliance with the terms and conditions of all Governmental Licenses, and all Governmental Licenses are valid and in full force and effect, and (iii) has not received any written notice of Proceedings relating to the revocation or modification of any Governmental License.

**Environmental Matters.** Except as may be set forth in the Prospectus and except with respect to the JV Assets: (i) Buyer and each Person in the LGI Group have complied and are in compliance, in all material respects, with all applicable federal, state, local, foreign and international laws (including the common law), statutes, rules, regulations, orders, judgments, decrees or other legally binding requirements of any court, administrative agency or other governmental authority relating to pollution or to the protection of the environment, natural resources or human health or safety, or to the manufacture, use, generation, treatment, storage, disposal, release or threatened release of hazardous or toxic substances, pollutants, contaminants or wastes, or the arrangement for such activities which are effective as of the Closing Date (“Environmental Laws”); (ii) Buyer and each Person in the LGI Group have obtained and are in compliance, in all material respects, with all permits, licenses, authorizations or other approvals required of them under Environmental Laws to conduct their respective businesses and are not subject to any action to revoke, terminate, cancel, limit, amend or appeal any such permits, licenses, authorizations or approvals; (iii) neither Buyer nor any Person in the LGI Group is a party to any judicial or administrative Proceeding (including a notice of violation) under any Environmental Laws to which a governmental authority is also a party and which involves potential monetary sanctions, unless it could reasonably be expected that such Proceeding will result in monetary sanctions of less than \$100,000; and no such Proceeding has been threatened in writing or is known by Buyer or by any Person in the LGI Group to be contemplated; (iv) neither Buyer nor any Person in the LGI Group has received written notice or is otherwise aware of any pending or threatened in writing material claim or potential liability under Environmental Laws in respect of its past or present business, operations (including the disposal of hazardous substances at any off-site location), facilities or real property (whether owned, leased or operated) or on account of any predecessor or any person whose liability under any Environmental Laws it has agreed to assume; and neither Buyer nor any Person in the LGI Group is aware of any facts or conditions that could reasonably be expected to give rise to any such claim or liability; and (v) neither Buyer nor any Person in the LGI Group is aware of any matters regarding compliance with existing or reasonably anticipated Environmental Laws, or with any liabilities or other obligations under Environmental Laws (including asset retirement obligations), that could reasonably be expected to have a material effect on the capital expenditures, earnings or competitive position of Buyer and the LGI Group.

**Intellectual Property.** Except with respect to the JV Assets and as may be set forth in the Prospectus:

Buyer owns or possesses the right to use all patents, inventions, trademarks, trade names, service marks, logos, trade dress, designs, data, database rights, Internet domain names, rights of privacy, rights of publicity, copyrights, works of authorship, license rights, trade secrets, know-how and proprietary information (including unpatented and unpatentable proprietary or confidential information, inventions, systems or procedures) and other industrial property and intellectual property rights, as well as related rights, such as the right to sue for all past, present and future infringements or misappropriations of any of the foregoing, and registrations and applications for registration of any of the foregoing (collectively, “Intellectual Property”) necessary to conduct its business as presently conducted and currently contemplated to be conducted in the future. Neither Buyer nor any Person in the LGI Group, whether through their respective products and services or the conduct of their respective businesses, has infringed, misappropriated, conflicted with or otherwise violated, or is currently infringing, misappropriating, conflicting with or otherwise violating, and none of Buyer or any Person in the LGI Group has received any communication or notice of infringement of, misappropriation of, conflict with or violation of, any Intellectual Property of any other person or entity. Neither Buyer nor any Person in the LGI Group has received any communication or notice alleging that by conducting their business as set forth in the Prospectus, such parties would infringe, misappropriate, conflict with, or violate, any of the Intellectual Property of any other Person. Buyer knows of no infringement, misappropriation or violation by others of Intellectual Property owned by or licensed to the Buyer or any Person in the LGI Group. Buyer and each Person in the LGI Group have taken all reasonable steps necessary to secure their interests in such Intellectual Property from their employees and contractors and to protect the confidentiality of all of their confidential information and trade secrets.

None of the Intellectual Property or technology (including information technology and outsourced arrangements) employed by Buyer or the LGI Group has been obtained or is being used by Buyer or the LGI Group in violation of any contractual obligation binding on Buyer or any Person in the LGI Group or any of their respective officers, directors or employees or otherwise in material violation of the rights of any Persons. Buyer and each Person in the LGI Group own or have a valid right to access and use all computer systems, networks, hardware, software, databases, websites, and equipment used to process, store, maintain and operate data, information, and functions used in connection with the business of Buyer and the LGI Group (the “Buyer IT Systems”). The Buyer IT Systems are adequate for, and operate and perform in all material respects as required in connection with, the operation of the business of Buyer and the LGI Group as currently conducted, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Buyer and each Person in the LGI Group have implemented commercially reasonable backup, security and disaster recovery technology consistent in all material respects with applicable regulatory standards and customary industry practices.

**Real Property.** As of the date of the Prospectus, except with respect to the JV Assets, and except as may be set forth in the Prospectus, Buyer and each Person in the LGI Group has good and marketable title to all of the properties and assets reflected in the financial statements hereinabove described or described in the Prospectus, subject to no lien, mortgage, pledge, charge or encumbrance of any kind except those reflected in such financial statements or described in the Prospectus or which (i) do not materially interfere with the use made and proposed to be made of such property by Buyer or (ii) would not, individually or in the aggregate, have a Material Adverse Effect. Buyer and the LGI Group occupy their leased properties under valid and binding leases (subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles) conforming in all material respects to the descriptions thereof set forth in the Prospectus.

**Employee Benefits.** (i) Each "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("**ERISA**")) for which Buyer or any member of its "Controlled Group" (defined as any organization that is a member of a controlled group of corporations within the meaning of Section 414 of the Code) would have liability (each a "**Plan**") is in compliance in all material respects with all presently applicable statutes, rules and regulations, including ERISA and the Code; (ii) with respect to each Plan subject to Title IV of ERISA (a) no "reportable event" (as defined in Section 4043 of ERISA) has occurred for which Buyer or any member of its Controlled Group would have any liability; and (b) neither Buyer nor any member of its Controlled Group has incurred or expects to incur liability under Title IV of ERISA (other than for contributions to the Plan or premiums payable to the Pension Benefit Guaranty Corporation, in each case in the ordinary course and without default); (iii) no Plan which is subject to Section 412 of the Code or Section 302 of ERISA has failed to satisfy the minimum funding standard within the meaning of such sections of the Code or ERISA; and (iv) to the knowledge of Buyer, each Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification.

**Labor Matters.** Except as may be set forth in the Prospectus, no labor disturbance by or dispute with employees of Buyer or any Person in the LGI Group exists or, to the knowledge of Buyer, is contemplated or threatened.

**Taxes.** Except with respect to the JVs, Buyer and each Person in the LGI Group has filed all material U.S. federal, state, and local tax returns which have been required to be filed and have paid all taxes indicated by such returns and all assessments received by them or any of them to the extent that such taxes have become due, except for any such taxes currently being contested in good faith, in an amount the payment of which by Buyer would not, individually or in the aggregate, have a Material Adverse Effect and for which an adequate reserve or accrual has been established in accordance with GAAP. All tax liabilities have been adequately provided for in the financial statements of Buyer, and Buyer does not know of any actual or proposed additional material tax assessments.

**Insurance.** Buyer and each Person in the LGI Group carry, or are covered by, insurance from insurers of recognized financial responsibility, in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties and as is prudent and customary for companies engaged in similar businesses; neither Buyer nor any Person in the LGI Group has been refused any coverage under insurance policies sought or applied for; and the Company and the LGI Entities have no reason to believe that they will not be able to renew their existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue their respective businesses at a cost that would not, individually or in the aggregate, have a Material Adverse Effect.

**Certain Business Practices.** Neither Buyer nor any Person in the LGI Group nor any director, officer, agent, employee, or other person associated with or acting on behalf of Buyer or any Person in the LGI Group: (i) has used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) has made any direct or indirect unlawful contribution or payment to any official of, or candidate for, or any employee of, any federal, state or foreign office from corporate funds; (iii) has made any bribe, unlawful rebate, payoff, influence payment, kickback or other unlawful payment; or (iv) is aware of or has taken any action, directly or indirectly, that would result in a violation by such Persons of the OECD Convention on Bribery of Foreign Public Officials in International Business Transactions, the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (collectively, the “FCPA”) or any similar law or regulation to which Buyer or any Person in the LGI Group, any director, officer, agent, employee, or other person associated with or acting on behalf of Buyer is subject. Buyer and the members of the LGI Group have each conducted their businesses in compliance with the FCPA and any applicable similar law or regulation and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith, except any non-compliance which would not have a Material Adverse Effect.

**No Brokers or Finders.** Except as may be described in the Prospectus, neither Buyer nor any Person in the LGI Group is a party to any contract, agreement or understanding with any Person (other than the Underwriting Agreement and the “Avila Fee” as defined in the Limited Liability Company Agreement) that would give rise to a valid claim against Buyer or any Person in the LGI Group for a brokerage commission, finder's fee or like payment in connection with the transactions contemplated by this Agreement.

**Full Disclosure.** No representation or warranty made by Buyer in this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make any of them, in light of the circumstances under which they were made, not misleading.

## COVENANTS

**Operation of Business.** From the date of this Agreement until the Closing Date, the Company shall, and Buyer shall cause LGI Member to cause the Company to, operate and maintain its business in the Ordinary Course of Business and use best efforts to preserve intact its business organization and operations. Buyer shall cause LGI Member to continue to operate and maintain the Company in good faith and pursuant to the Limited Liability Company Agreement, including operating the Company in accordance with the business plans of the Company, making all distributions and contributions and obtaining all necessary consents and approvals (including with respect to Major Decisions (as defined therein)) thereunder, in each case, as if no IPO was anticipated. Notwithstanding anything to the contrary in this Agreement, immediately prior to the Closing, Buyer shall cause LGI Member, in its capacity as the “Managing Member” of the Company, to distribute Excess Cash (as defined in the Limited Liability Company Agreement) to the Members (as defined in the Limited Liability Company Agreement) in amounts determined in good faith in accordance with the Limited Liability Company Agreement.

**Buyer Organization.** From the date of this Agreement until the Closing Date, Buyer shall not, without the written consent of Seller or as required by Law: (a) amend or authorize amendment of its Organizational Documents; or (b) rescind or modify, or authorize rescission or modification of, any resolution adopted by its board of directors or stockholder with respect to the transactions contemplated in this Agreement.

**Additional Cooperation.** Without limiting the other provisions of this Article 5, each Party shall use commercially reasonable efforts to take all actions and to do all things necessary, proper or advisable in order to consummate and make effective the transactions contemplated by this Agreement.

### **Lock-Up.**

Seller agrees that in connection with the IPO, the managing underwriter may, during the period commencing on the IPO Closing Date until the date specified by such managing underwriter (the “Lock-up Period”), restrict holders of shares of Common Stock, without the prior written consent of such managing underwriter, from (a) offering, pledging, selling, contracting to sell, granting any option or contract to purchase, purchasing any option or contract to sell, hedging the beneficial ownership of or otherwise disposing of, directly or indirectly, any shares of Common Stock or any securities convertible into, exercisable for or exchangeable for shares of Common Stock (whether such shares or any such securities are then owned by such holder or are thereafter acquired), or (b) entering into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (a) or (b) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise (the “Lock-up”).

Notwithstanding Section 5.4.1, in no event shall the Lock-up Period exceed one hundred eighty (180) days with respect to the Buyer Common Shares, except for the limited circumstances provided in the Lock-up Agreement, and, in the event and to the extent that the managing underwriter or Buyer permits varying Lock-up Periods with respect to the holders of shares of Common Stock, the Buyer Common Shares shall be subject to the shortest Lock-up Period permitted to any holder of shares of Common Stock (other than Thomas Lipar) by the managing underwriter and Buyer.

Notwithstanding anything to the contrary contained in this Section 5.4, the Buyer Common Shares shall be released from any Lock-up in the event and to the extent that the managing underwriter or Buyer permits any discretionary waiver or termination of the restrictions of any Lock-up pertaining to any officer, director or any other holder of shares of Common Stock other than Thomas Lipar.

**Release and Waiver of Claims.** Effective as of the Closing,

Subject to Article 8, Buyer, on behalf of itself and its beneficiaries and Affiliates, completely and irrevocably releases and forever discharges Seller and its Affiliates, and their respective directors, officers, managers, members, stockholders, principals, employees, agents, representatives, predecessors, successors and assigns, from any and all claims and Adverse Consequences arising out of or in any way related, directly or indirectly, to the conduct or operation of the Company prior to the Closing.

Seller, on behalf of itself and its beneficiaries and Affiliates, completely and irrevocably waives any and all claims Seller or its beneficiaries or Affiliates may have to any additional ownership in the Company or any ownership in Buyer other than the Buyer Common Shares, and Seller hereby authorizes the appropriate officers of the Company to execute and deliver such documents and take such other actions as may be required or advisable to carry out the effect of the release and waiver described in this Section 5.5.

Notwithstanding anything to the contrary in this Section 5.5, no rights of any Party arising under, or the right of any Party to enforce, this Agreement or any Ancillary Agreement, as applicable, shall be affected by this Section 5.5.

**GTIS Name.** Within 60 days after the Closing Date, Buyer shall file, or shall cause to be filed, an amendment to the Company's certificate of formation with the Secretary of State of the State of Delaware changing the Company's name to a name that does not include the phrase "GTIS" or any name confusingly or misleadingly similar thereto (the "GTIS Name"), such amendment to be effective as soon as practicable following the Closing Date. Thereafter, Buyer shall not use the GTIS Name, other than (a) in a neutral, non-trademark sense to discuss the history of the business of the Company or (b) as required by applicable Law. Buyer and its Affiliates acknowledge that they are not acquiring, directly or indirectly, any right, title or interest in and to the GTIS Name or any trademark of Seller.

**Registration of Buyer Common Shares; Participation in Future Equity Offering.** Following the Lock-Up Period and any other legally required waiting period, if Seller is unable to sell all of its Buyer Common Shares under Rule 144, or Seller is unable to sell all of its Buyer Common Shares in routine brokerage transactions within any ninety day period, then upon the written request of Seller, Buyer and Seller shall enter into a registration rights agreement providing for the registration of the Buyer Common Shares on customary and reasonable terms, including customary indemnification provisions. From and after the Closing, prior to a follow-on offering of Common Stock, Buyer shall provide written notice to Seller within twenty (20) Business Days of such offering, and Buyer shall permit Seller to sell any or all of its Buyer Common Shares in such offering if Seller notifies Buyer in writing within ten (10) Business Days of Buyer's written notice.



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## CONDITIONS TO OBLIGATION TO CLOSE.

**Conditions to Each Party's Obligation.** The obligations of each Party to consummate the transactions contemplated by this Agreement are subject to the satisfaction (or, to the extent permitted by applicable Law, the waiver by the applicable Party) of the following conditions on or before the Closing Date:

No injunction, restraint or prohibition by any court or other Governmental Authority of competent jurisdiction that prohibits the consummation of the transactions contemplated by this Agreement shall have been entered and shall continue to be in effect.

The IPO Closing shall have occurred.

All of the conditions to each party's obligations under each of the Purchase Agreements shall have been satisfied or waived (other than such conditions that by their nature are to be satisfied at the Closing) such that the transactions contemplated thereby shall be consummated simultaneously with the Closing.

Buyer shall have consummated the Formation Transactions (other than the transactions contemplated in this Agreement).

**Additional Conditions to Buyer's Obligation.** Buyer's obligation to consummate the transactions contemplated by this Agreement is further subject to the satisfaction (or the waiver by Buyer) of the following conditions on or before the Closing Date:

Each of the representations and warranties of Seller set forth in Article 3 shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date.

Seller shall have performed and complied with, in all material respects, all of the covenants and agreements in this Agreement required to be performed and complied with by Seller on or prior to the Closing Date.

Seller shall have delivered to Buyer a certificate, dated as of the Closing Date, executed by Seller, certifying as to the satisfaction of the conditions set forth in Sections 6.2.1 and 6.2.2.

Seller shall have duly executed and delivered (or have caused to be duly executed and delivered) to Buyer all of the deliveries set forth in Section 2.4.1.

**Additional Conditions to Seller's Obligation.** Seller's obligation to consummate the transactions contemplated by this Agreement is further subject to the satisfaction (or the waiver by Seller) of the following conditions on or before the Closing Date:

Each of the representations and warranties of Buyer set forth in Article 4 shall be true and correct in all material respects as of the date of this Agreement (except for those representations and warranties made as of the date of the Prospectus, which shall be true and correct in all material respects as of the date of the Prospectus) and as of the Closing Date.

Buyer shall have performed and complied with in all material respects all of the covenants and agreements in this Agreement required to be performed and complied with by Buyer on or prior to the Closing.

Buyer shall have delivered to Seller a certificate to the effect that each of the conditions specified in Sections 6.3.1 and 6.3.2 has been satisfied in all respects.

Buyer shall have duly executed and delivered (or have caused to be duly executed and delivered) to Seller all of the deliveries set forth in Section 2.4.2.

## TERMINATION

**Termination of Agreement.** This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing as provided below:

Seller, on the one hand, and Buyer, on the other hand, may terminate this Agreement by mutual consent at any time prior to the Closing.

Buyer may terminate this Agreement by giving notice to Seller: (a) in the event Seller breaches any covenant contained in this Agreement, Buyer has notified Seller of the breach, and the breach has continued without cure for a period of ten (10) days after the notice of breach; or (b) if the Closing shall not have occurred on or before February 28, 2014 (the "Outside Date"), by reason of the failure of any condition precedent under Section 6.2 (unless the failure results primarily from a breach by Buyer of any representation, warranty or covenant contained in this Agreement).

Seller may terminate this Agreement by giving notice to Buyer: (a) in the event Buyer breaches any covenant contained in this Agreement, Seller has notified Buyer of the breach, and the breach has continued without cure for a period of ten (10) days after the notice of breach; or (b) if the Closing shall not have occurred on or before the Outside Date, by reason of the failure of any condition precedent under Section 6.3 (unless the failure results primarily from a breach by Seller of any representation, warranty or covenant contained in this Agreement).

**Effect of Termination.** If any Party terminates this Agreement pursuant to Section 7.1, (a) this Agreement shall be void and of no further force and effect, (b) the transactions contemplated by this Agreement shall be abandoned without further action by any Party and (c) all rights and obligations of the Parties hereunder shall terminate without any Liability of any Party to any other Party, except for any Liability with respect to any breach of this Agreement prior to such termination and except for this Section 7.2 and Article 9, which shall survive the termination of this Agreement.

## INDEMNIFICATION

**Survival of Representations and Warranties.** All of the representations and warranties of the Parties contained in this Agreement shall survive the Closing and continue in full force and effect until the date that is eighteen (18) months after the Closing Date; provided, that the Fundamental Warranties shall survive the Closing and continue in full force until the expiration of the applicable statute of limitations. No claim may be made with respect to any alleged breach of a representation or warranty contained in this Agreement unless notice of such claim is given to Seller or Buyer, as applicable, within the period specified in the immediately preceding sentence, in which case the survival period with respect to the applicable representation and warranty, as it relates to such claim, shall be extended until such claim is resolved. The covenants and agreements of the Parties contained in this Agreement shall survive the Closing Date in accordance with their terms or, if no term is stated, indefinitely.

**Indemnification by Seller.** Seller agrees, subject to the other terms, conditions and limitations of this Article 8, to indemnify Buyer and its Affiliates and each of their respective directors, officers, employees and representatives (collectively, the “Buyer Indemnified Parties”), against, and hold the Buyer Indemnified Parties harmless from, all Adverse Consequences suffered or incurred by any Buyer Indemnified Party arising out of or related to: (a) any breach by Seller of any representation or warranty made by Seller in this Agreement or any Ancillary Agreement; or (b) any failure by Seller to perform or comply with any covenant or agreement contained in this Agreement or any Ancillary Agreement. Notwithstanding anything to the contrary contained herein, Seller shall not be liable for any Adverse Consequences to the extent such Adverse Consequences (i) arise out of any act, omission, transaction or arrangement carried out by, or on behalf of any Buyer Indemnified Party after the date hereof, (ii) would not have arisen but for any change in the operation of the Company consented to by Buyer or its Affiliates after the Closing Date or (iii) arose or were increased as a direct or indirect result of any increase in Tax rates or a change in Law occurring after the date hereof.

**Indemnification by Buyer.** Buyer agrees, subject to the other terms, conditions and limitations of this Article 8, to indemnify Seller and its Affiliates and each of their respective directors, officers, employees and representatives (collectively, the “Seller Indemnified Parties”), against, and hold the Seller Indemnified Parties harmless from, all Adverse Consequences suffered or incurred by any Seller Indemnified Party arising out of or related to: (a) any breach of any representation or warranty made by Buyer in this Agreement or any Ancillary Agreement; (b) any failure by Buyer to perform or comply with any covenant or agreement contained in this Agreement or any Ancillary Agreement; (c) the conduct or operation of the Company from and after the Closing; or (d) any Third-Party Claims made against Seller Indemnified Parties arising out of or related to the IPO and the prospectus and registration statement used in connection therewith. Notwithstanding anything to the contrary contained herein, Buyer shall not be liable for any Adverse Consequences to the extent such Adverse Consequences (i) arise out of any act, omission, transaction or arrangement carried out by, or on behalf of any Seller Indemnified Party after the date hereof, (ii) would not have arisen but for any change in the operation of the Company consented to by Seller or its Affiliates prior to the Closing Date or (iii) arose or were increased as a direct or indirect result of any increase in Tax rates or a change in Law occurring after the date hereof.

**Limitations on Indemnity.**

Seller Indemnified Parties agree not to seek recourse against, and shall not recover from Buyer on account of any Adverse Consequences pursuant to Section 8.3(a), Section 8.3(b) or Section 8.3(c) until the aggregate amount of all such Adverse Consequences exceeds two percent (2.0%) of the Purchase Price (the “Threshold”) in which event Buyer shall be responsible for the aggregate amount of all Adverse Consequences regardless of the Threshold up to the Buyer Cap Amount. The aggregate Liability of Buyer under Section 8.3(a), Section 8.3(b) or Section 8.3(c) shall not exceed the amount set forth on Exhibit A under the column “Buyer Common Share Consideration Total Value” (the “Buyer Cap Amount”).

The Buyer Indemnified Parties agree not to seek recourse against, and shall not recover from the Seller on account of any Adverse Consequences pursuant to Section 8.2 until the aggregate amount of all such Adverse Consequences exceeds the Threshold in which event Seller shall be responsible for the aggregate amount of all Adverse Consequences regardless of the Threshold up to the Purchase Price. The aggregate Liability of Seller under Section 8.2 shall not exceed the Purchase Price.

**Matters Involving Third Parties.**

If any third party notifies any Party (the “Indemnified Party”) of any matter (including any Proceeding by or in respect of such third party) (a “Third-Party Claim”) that may give rise to a claim for indemnification against any other Party (the “Indemnifying Party”) under this Article 8, then the Indemnified Party shall promptly notify each Indemnifying Party thereof; provided, that the failure of the Indemnified Party to give such prompt notice shall not relieve the Indemnifying Party of its obligations under this Article 8 except to the extent (if any) that the Indemnifying Party shall have been actually materially prejudiced thereby.

Any Indemnifying Party shall have the right to assume and thereafter conduct the defense of the Third-Party Claim at its own expense and with counsel reasonably satisfactory to the Indemnified Party; provided, that the Indemnifying Party shall not consent to the entry of any judgment or enter into any settlement with respect to any Third-Party Claim without the prior consent of the Indemnified Party unless the judgment or proposed settlement: (a) involves only the payment of money damages (all of which will be paid by the Indemnifying Party); (b) does not impose an injunction or other equitable relief upon the Indemnified Party; (c) does not include the admittance of any fault; (d) involves a dismissal of the underlying claim without prejudice (if applicable); (e) includes a full release by the plaintiff or claimant of all Indemnified Parties from any Liability; and (f) includes a provision whereby the plaintiff or claimant in the matter is prohibited from disclosing publicly any information regarding the Third-Party Claim or such relief without the Indemnified Party's prior consent. Notwithstanding the foregoing, the Indemnifying Party shall not be entitled to assume the defense of, defend, compromise or settle any such Third-Party Claim in the name of the Indemnified Party if: (i) the Indemnifying Party fails to defend or fails to prosecute the defense within a reasonable time period (not to exceed thirty (30) days from the date the Indemnified Party provides notice of such Third-Party Claim) or withdraws from such defense; (ii) the Indemnified Party shall have determined in good faith that an actual or potential conflict of interest makes representation of the Indemnifying Party and Indemnified Party by the same counsel or the counsel selected by the Indemnifying Party inappropriate; or (iii) the Third-Party Claim is a criminal Proceeding. If the Indemnified Party has assumed the defense of the Third-Party Claim, the Indemnified Party shall not consent to the entry of any judgment or enter into any settlement with respect to such Third-Party Claim without the prior consent of the Indemnifying Party (such consent not to be unreasonably withheld).

The Indemnified Party and its counsel may participate in the defense of a Third-Party Claim even if the Indemnifying Party chooses to assume and conduct the defense of such Third-Party Claim, but in such case the expenses of the Indemnified Party's additional counsel shall be paid by the Indemnified Party.

**Characterization of Indemnification Payments.** All indemnification payments under this Article 8 shall be deemed adjustments to the Purchase Price. If, contrary to the intent of the Parties as expressed in the preceding sentence, any payment made pursuant to this Article 8 is treated as taxable income of an Indemnified Party, then, subject to the other terms, conditions and limitations of this Agreement, the Indemnifying Party shall indemnify and hold harmless the Indemnified Party from any Liability for additional Taxes attributable to the receipt of such payment.

**Remedies; Exclusive Remedy.** Subject to Section 9.13, except in the case of fraud, willful misrepresentation and willful breach, the rights and remedies under this Article 8 are exclusive and in lieu of any and all other rights and remedies that the Seller Indemnified Parties may have against Buyer or the Buyer Indemnified Parties may have against Seller under this Agreement or otherwise with respect to the Company or any breach of any representation or warranty or any failure to perform any covenant or agreement set forth in this Agreement. Seller and Buyer expressly waive any and all other rights, remedies and causes of action it or its Affiliates may have against Buyer and Seller, respectively, now or in the future under any Law with respect to the transactions contemplated by this Agreement. The remedies expressly provided in this Agreement shall constitute the sole and exclusive basis for and means of recourse between Seller and Buyer with respect to the transactions contemplated by this Agreement.

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## MISCELLANEOUS

**No Third-Party Beneficiaries.** This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns; provided, that the Buyer Indemnified Parties and the Seller Indemnified Parties are intended third-party beneficiaries of Article 8.

**Entire Agreement.** This Agreement, together with any Exhibits and the Ancillary Agreements, constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements or representations by or among the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

**Succession and Assignment.** This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective personal representatives, heirs, successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written consent of the other Party.

**Counterparts.** This Agreement may be executed in one or more counterparts (including by means of facsimile or electronic means including .pdf form), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**Headings.** The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

**Notices.** All notices, requests, demands, claims, and other communications hereunder shall be in writing and shall be deemed duly given (a) when delivered personally to the recipient, (b) one (1) Business Day after being sent to the recipient by reputable overnight courier service (charges prepaid), (c) one (1) Business Day after being sent to the recipient by facsimile transmission or email if the sender on the same day sends a confirming copy of such notice by a reputable overnight courier service (charges prepaid), or (d) four (4) Business Days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, and addressed to the intended recipient as set forth below:

If to Seller:

GTIS Partners LP  
681 Schofield Road  
The Presidio  
San Francisco, CA 94129  
Attn: Thomas M. Feldstein,  
General Counsel  
Facsimile: (415) 674-4228  
Email: tfeldstein@gtispartners.com

and

GTIS Partners LP  
45 Rockefeller Plaza  
31st Floor  
New York, NY 10111  
Attn: Robert Vahradian  
Facsimile: (212) 220-5296  
Email: rvahradian@gtispartners.com

If to Buyer:

LGI Homes, Inc.  
1450 Lake Robbins Drive, Suite 430  
The Woodlands, Texas 77380  
Attn: Eric Lipar, CEO  
Facsimile: (281) 210-2601  
Email: elipar@lgihomes.com

Copy to:

Mayer Brown LLP  
71 South Wacker Drive  
Chicago, IL 60606  
Attn: David Malinger  
Facsimile: (312) 701-7711  
Email: DMalinger@mayerbrown.com

Copy to:

Winstead PC  
1100 JPMorgan Chase Tower  
600 Travis Street  
Houston, Texas 77002  
Attn: Warren Hoffman  
Facsimile: (713) 650-2400  
Email: whoffman@winstead.com

Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

**Governing Law.** This Agreement shall be governed by and construed in accordance with the Laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of New York.

**Waiver of Jury Trial.** Each Party acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each such Party hereby irrevocably and unconditionally waives any right such Party may have to a trial by jury in respect of any litigation directly or indirectly arising out of or related to this Agreement or the transactions contemplated hereby. Each Party certifies and acknowledges that it: (a) understands and has considered the implications of this waiver; (b) makes this waiver voluntarily; and (c) has been induced to enter into this Agreement by, among other things, the mutual waiver in this Section 9.8.

**Amendments and Waivers.** No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each Party. No waiver by any party of any condition or provision of this Agreement or any default, misrepresentation or breach of any representation, warranty, covenant or agreement hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the party making such a waiver, nor shall such waiver be deemed to extend to any prior or subsequent default, misrepresentation or breach of any representation, warranty, covenant or agreement hereunder, or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

**Severability.** Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

**Expenses.** Except as otherwise provided in this Agreement, each Party shall bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby; provided, that all transfer, documentary, sales, use, stamp, registration and other such Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement (“Transfer Taxes”) shall be borne by Buyer, and each Party agrees to file all necessary documentation (including all Tax Returns) with respect to such Transfer Taxes in a timely manner, and, if required by applicable Law, the Parties shall, and shall cause their Affiliates to, join in the execution of any such Tax Returns and other documentation.

**Further Assurances.** After the Closing Date, Seller shall, from time to time at Buyer’s request and expense, execute and deliver, or cause to be executed and delivered, such further instruments of conveyance, assignment and transfer or other documents, and perform such further acts and obtain such further consents, as Buyer may reasonably require in order to fully effect the conveyance and transfer to Buyer or its designees of the Purchased Interests, or to otherwise comply with the provisions of this Agreement and consummate the transactions contemplated by this Agreement and the Ancillary Agreements.



**Specific Performance.** The Parties acknowledge and agree that the failure of Buyer or Seller to perform its agreements and covenants hereunder and in the Ancillary Agreements, including its failure to take all actions as are necessary on its part to consummate the transactions contemplated hereby and thereby, will cause irreparable injury to Seller or Buyer, respectively, for which damages, even if available, will not be an adequate remedy. Accordingly, each party hereby consents to the issuance of injunctive relief (without requirement to post any bond or other security) by any court of competent jurisdiction to compel performance of each Party's obligations and to the granting by any court of the remedy of specific performance of its obligations hereunder and the terms hereof. For the avoidance of doubt, the Parties agree that Buyer or Seller may seek to compel specific performance by Seller or Buyer, respectively, for the consummation of the transactions contemplated hereunder. Notwithstanding anything to the contrary in this Agreement, if all of the conditions under Sections 6.1 and 6.2 (other than those conditions that may only be satisfied on the Closing Date, provided that such conditions are capable of being satisfied) have been satisfied on or prior to the Outside Date, or have been waived in whole or in part by Buyer prior to the Outside Date, and Buyer fails to effect the Closing in breach of its obligations hereunder, then (a) Seller shall have been caused irreparable harm, (b) money damages will be inadequate to remedy such harm, and (c) Seller shall be entitled, without the requirement of posting a bond or other security, to obtain equitable relief, including obtaining an order requiring specific performance by Buyer of the terms of this Agreement. Notwithstanding anything to the contrary in this Agreement, if all of the conditions under Sections 6.1 and 6.3 (other than those conditions that may only be satisfied on the Closing Date, provided that such conditions are capable of being satisfied) have been satisfied on or prior to the Outside Date, or have been waived in whole or in part by Seller prior to the Outside Date, and Seller fails to effect the Closing in breach of its obligations hereunder, then (a) Buyer shall have been caused irreparable harm, (b) money damages will be inadequate to remedy such harm, and (c) Buyer shall be entitled, without the requirement of posting a bond or other security, to obtain equitable relief, including obtaining an order requiring specific performance by Seller of the terms of this Agreement.

**Construction.**

The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

Any reference to any federal, state, local or foreign Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

Unless the context otherwise requires, as used in this Agreement, (a) "including" and its variants mean "including, without limitation" and its variants, and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it; (b) words defined in the singular have the parallel meaning in the plural and vice versa; (c) the terms "hereof," "herein," "hereby," "hereto," and derivative or similar words refer to this entire Agreement and any Exhibits hereto; (d) all Sections and Exhibits referred to herein are, respectively, Sections of, and Exhibits to, this Agreement; (e) words importing any gender shall include other genders; (f) a dollar figure (\$) used in this Agreement shall mean United States dollars; (g) any reference to "days" means calendar days, unless Business Days are expressly specified; and (h) the use of "or" is not intended to be exclusive unless expressly indicated otherwise.

A reference to a notice, consent or approval to be delivered under or pursuant to this Agreement means a written notice, consent or approval.

A reference to any Person includes such Person's successors and assigns to the extent such successors or assigns are permitted by the terms of the applicable agreement.

All payments under or pursuant to this Agreement shall be made by wire transfer in United States dollars in immediately available funds.

**Incorporation of Exhibits.** The Exhibits identified in this Agreement are incorporated herein by reference and made a part hereof.

\* \* \* \* \*

IN WITNESS WHEREOF, the Parties have executed this Purchase Agreement on the date first above written.

**SELLER:**

GTIS LGI I LP

By: /s/ Robert K. Vahradian  
Name: Robert K. Vahradian  
Title: Vice President

**BUYER:**

LGI HOMES, INC.

By: /s/ Eric T. Lipar  
Eric T. Lipar, Chief Executive Officer

*[Signature Page to Purchase Agreement]*

**Exhibit A**

**Purchase Price Calculation**

<b><u>Transaction</u></b>	<b><u>Closing Cash Payment</u></b>	<b><u>Buyer Common Share Consideration Total Value</u></b>	<b><u>Purchase Price</u></b>
LGI-GTIS Holdings LLC Purchase	\$3,974,402.82	\$ 485,361.00	\$4,459,763.82

## **FIRST AMENDMENT TO PURCHASE AGREEMENT**

THIS FIRST AMENDMENT TO PURCHASE AGREEMENT (this "Amendment") is made as of the 24th day of October, 2013, by and between GTIS LGI I LP, a Delaware limited partnership ("Seller"), and LGI Homes, Inc., a Delaware corporation ("Buyer"). Seller and Buyer are referred to together herein as the "Parties." All capitalized terms used and not defined herein shall have the meaning ascribed to such terms in the Purchase Agreement.

WHEREAS, Seller and Buyer are parties to that certain Purchase Agreement, dated as of August 28, 2013 (the "Purchase Agreement");

WHEREAS, Seller and Buyer desire to amend the Purchase Agreement and modify certain provisions thereof as provided herein; and

WHEREAS, pursuant to Section 9.9 of the Purchase Agreement, the Purchase Agreement may be amended only in writing signed by each Party.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, the Parties hereby agree as follows:

Section 5.4.2. Section 5.4.2 of the Purchase Agreement is hereby deleted in its entirety and replaced with the following text:

"Notwithstanding Section 5.4.1, in no event shall the Lock-up Period exceed one hundred eighty (180) days with respect to the Buyer Common Shares, except for the limited circumstances provided in the Lock-up Agreement, and, in the event and to the extent that the managing underwriter or Buyer permits varying Lock-up Periods with respect to the holders of shares of Common Stock, the Buyer Common Shares shall be subject to the shortest Lock-up Period permitted to any holder of shares of Common Stock (other than (a) Thomas Lipar and (b) EDSS Holdings, LP and RE Finance Partners, Ltd., but in the case of this clause (b), only with respect to the pro rata portion of shares of Common Stock attributable to the partnership interest owned by Thomas Lipar in EDSS Holdings, LP and RE Finance Partners, Ltd., respectively) by the managing underwriter and Buyer."

Section 5.4.3. Section 5.4.3 of the Purchase Agreement is hereby deleted in its entirety and replaced with the following text:

"Notwithstanding anything to the contrary contained in this Section 5.4, the Buyer Common Shares shall be released from any Lock-up in the event and to the extent that the managing underwriter or Buyer permits any discretionary waiver or termination of the restrictions of any Lock-up pertaining to any officer, director or any other holder of shares of Common Stock other than (a) Thomas Lipar and (b) EDSS Holdings, LP and RE Finance Partners, Ltd., but in the case of this clause (b), only with respect to the pro rata portion of shares of Common Stock attributable to the partnership interest owned by Thomas Lipar in EDSS Holdings, LP and RE Finance Partners, Ltd., respectively."

Exhibit B. Exhibit B to the Purchase Agreement is hereby amended and restated in its entirety in the form attached hereto as Exhibit A.

**Full Force and Effect.** Except as expressly modified by this Amendment, all of the terms, covenants, agreements, conditions and other provisions of the Purchase Agreement shall remain in full force and effect in accordance with their respective terms. As used in the Purchase Agreement, the terms “this Agreement,” herein, hereinafter, hereunder, hereto and words of similar import shall mean and refer to, from and after the date hereof, unless the context otherwise requires, the Purchase Agreement as amended by this Amendment.

**Governing Law.** This Amendment shall be governed by and construed in accordance with the Laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of New York.

**Counterparts.** This Amendment may be executed in one or more counterparts (including by means of facsimile or electronic means including .pdf form), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Amendment on the date first above written.

**SELLER:**

GTIS LGI I LP

By: /s/ Robert K. Vahradian  
Name: Robert K. Vahradian  
Title: Vice President

**BUYER:**

LGI HOMES, INC.

By: /s/ Eric T. Lipar  
Eric T. Lipar, Chief Executive Officer

**PURCHASE AGREEMENT**

**BY AND BETWEEN**

**GTAM MALLARD LLC**

**AND**

**LGI HOMES, INC.**

**August 28, 2013**



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## Exhibits

Exhibit A	Purchase Price Calculation
Exhibit B	Form of Assignment Agreement
Exhibit C	Form of Lock-up Agreement
Exhibit D	Form of Contribution Agreement

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## PURCHASE AGREEMENT

This Purchase Agreement is entered into on August 28, 2013, by and between GTAM Mallard LLC, a Delaware limited liability company (“Seller”), and LGI Homes, Inc., a Delaware corporation (“Buyer”). Seller and Buyer are referred to together herein as the “Parties.”

WHEREAS, LGI Homes Group, LLC, a Texas limited liability company and Affiliate of Buyer (“LGI Member”), and Seller are the record and beneficial owners of all of the issued and outstanding limited liability company interests of LGI-GTIS Holdings II LLC, a Delaware limited liability company (the “Company”), as more fully described in the Company’s Limited Liability Company Agreement;

WHEREAS, Buyer wishes to purchase from Seller, and Seller wishes to sell to Buyer, all of Seller’s limited liability company interests in the Company (the “Purchased Interests”) on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, the Parties agree as follows:

### DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

“Adverse Consequences” means all charges, complaints, claims, Proceedings, Liabilities, injunctions, judgments, orders, decrees, rulings, awards, damages, natural resource damages, dues, penalties, fines, costs, remedial or response action costs, Taxes, Liens, losses, expenses and fees, including court costs, reasonable attorneys’ and environmental consultants’ fees and expenses of investigation and litigation related thereto, in all cases, net of any insurance recoveries or tax benefits. “Adverse Consequences” shall not include special, consequential, punitive or exemplary damages or damages for lost profits or diminution in value or any loss of goodwill or possible business after the Closing, whether actual or prospective.

“Affiliate” means any Person that, directly or indirectly, through one or more Persons, controls, is controlled by or is under common control with the Person specified, where “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract, as trustee or executor or otherwise; provided, however, that the Company shall not be considered an Affiliate of Seller.

“Agreement” means this Purchase Agreement, including all Exhibits hereto.

“Ancillary Agreement” means any contract or other agreement that is entered into between Seller (or any of its Affiliates), on the one hand, and Buyer (or any of its Affiliates), on the other hand, pursuant to this Agreement on the Closing Date, including the Assignment Agreement, the Lock-up Agreement and the Contribution Agreement. The Ancillary Agreements executed by a specified Person shall be referred to as such Person’s Ancillary Agreements or by other similar expression.

“Assets” means the assets, properties and rights (tangible and intangible) of Buyer.

“Assignment Agreement” has the meaning set forth in Section 2.4.1.

“Business Day” means any day other than (a) any Saturday or Sunday or (b) any other day on which banks located in New York, New York generally are closed or authorized by Law to be closed for business.

“Buyer” has the meaning set forth in the preface.

“Buyer Cap Amount” has the meaning set forth in Section 8.4.1.

“Buyer Common Share Consideration” means the number of shares of Common Stock equal to the amount set forth on Exhibit A under the column “Buyer Common Share Consideration Total Value,” divided by the IPO Price.

“Buyer Common Shares” means the shares of Common Stock being issued as part of the Buyer Common Share Consideration.

“Buyer Indemnified Parties” has the meaning set forth in Section 8.2.

“Buyer IT Systems” has the meaning set forth in Section 4.12.2.

“Closing” has the meaning set forth in Section 2.3.

“Closing Cash Payment” means the amount set forth on Exhibit A under the column “Closing Cash Payment”.

“Closing Date” has the meaning set forth in the Underwriting Agreement.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commission” means the Securities and Exchange Commission.

“Common Stock” means the common stock, par value \$0.01 per share, of Buyer.

“Company” has the meaning set forth in the recitals.

“Contract” means any written or oral contract, agreement, license, lease, sales order, purchase order, indenture, mortgage, note, bond, warrant, instrument, undertaking, arrangement or commitment (including all amendments, supplements and modifications thereto).

“Contribution Agreement” has the meaning set forth in Section 2.4.1.

“Environmental Law” has the meaning set forth in Section 4.11.

“ERISA” has the meaning set forth in Section 4.14.

“Exchange Act” has the meaning set forth in Section 4.6.

“FCPA” has the meaning set forth in Section 4.18.

“Formation Transactions” has the meaning set forth in the Contribution Agreement.

“Fundamental Warranties” means the representations and warranties set forth in Sections 3.1 (Organization and Qualification of Seller), 3.2 (Due Authorization; Enforceability), 3.4 (Title to Purchased Interests), 4.1 (Organization of Buyer, LGI Member and LGI Group), 4.2 (Due Authorization; Enforceability), 4.4 (Capitalization; Valid Issuance of Buyer Common Shares; Formation Transactions) and 4.16 (Taxes).

“GAAP” means United States generally accepted accounting principles in effect from time to time applied consistently throughout the periods involved.

“Governmental Authority” means any federal, state, provincial, local or foreign government, or subdivision thereof, or any entity, body or authority exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any federal, state, provincial, local or foreign government, including any quasi-governmental entity established to perform such functions, in each case having jurisdiction over the Person, property or matter in question.

“Governmental Licenses” has the meaning set forth in Section 4.10.2.

“GTIS Name” has the meaning set forth in Section 5.6.

“Indemnified Party” has the meaning set forth in Section 8.5.1.

“Indemnifying Party” has the meaning set forth in Section 8.5.1.

“Intellectual Property” has the meaning set forth in Section 4.12.1.

“IPO” means the initial underwritten issuance of Common Stock by Buyer pursuant to an effective registration statement under the Securities Act filed by Buyer with the Commission on Form S-1 (or any successor form adopted by the Commission).

“IPO Closing” means the consummation of the IPO.

“IPO Price” means the public offering price per share of Common Stock as set forth on the cover page of the Prospectus.

“JV Assets” means the Assets of the JVs.

“JVs” means the Company, LGI-GTIS Holdings LLC, a Delaware limited liability company, LGI-GTIS Holdings III LLC, a Delaware limited liability company, and LGI-GTIS Holdings IV LLC, a Delaware limited liability company.

“Law” means any law, statute, regulation, ordinance, rule, order, decree, judgment, injunction, consent decree, settlement agreement or governmental requirement enacted, promulgated, entered into, agreed or imposed by any Governmental Authority.

“LGI Group” means LGI Member; LGI Homes Corporate, LLC, a Texas limited liability company; LGI Homes, Ltd., a Texas limited partnership; LGI Homes – Sunrise Meadow, Ltd., a Texas limited partnership; LGI Homes – Canyon Crossing, Ltd., a Texas limited partnership; and LGI Homes – Deer Creek, LLC, a Texas limited liability company.

“LGI Member” has the meaning set forth in the recitals.

“Liability” means any and all debts, liability, duty or obligation of any nature, whether pecuniary or not, asserted or unasserted, accrued or unaccrued, absolute or contingent, matured or unmatured, liquidated or unliquidated, determined or determinable, incurred or consequential, known or unknown and whether due or to become due.

“Lien” means any mortgage, pledge, lien, encumbrance, collateral assignment, security interest, easement, encroachment, restriction (including restriction on use), option, deed of trust, title retention, conditional sale or other security arrangement, or any license, order or charge, or any adverse claim of title, ownership or use, or agreement of any kind restricting transfer, or any other right of any third party or encumbrance whatsoever.

“Limited Liability Company Agreement” means the limited liability company agreement of the Company, dated as of November 17, 2010, by and among LGI Member, Seller and LGI Group (as amended from time to time until the date hereof).

“Lock-up” has the meaning set forth in Section 5.4.1.

“Lock-up Agreement” means the Lock-up Agreement, dated as of the date hereof, in the form attached hereto as Exhibit C.

“Lock-up Period” has the meaning set forth in Section 5.4.1.

“Material Adverse Effect” has the meaning set forth in Section 3.1.



“Ordinary Course of Business” means the ordinary course of business consistent with past custom and practice.

“Organizational Documents” means (a) articles of incorporation and the code of regulations or bylaws of a corporation, (b) any articles of organization and operating agreements of a limited liability company, (c) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person and (d) any amendment to any of the foregoing.

“Outside Date” has the meaning set forth in Section 7.1.2.

“Party” has the meaning set forth in the preface.

“Person” means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or other business entity or Governmental Authority.

“Plan” has the meaning set forth in Section 4.14.

“Proceedings” means any judicial or administrative action, investigation, audit, claim, suit, arbitration, proceeding or other litigation.

“Prospectus” means the final prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act.

“Purchase Agreements” means the (i) Purchase Agreement for the purchase of limited liability company interests in LGI-GTIS Holdings LLC, a Delaware limited liability company, (ii) Purchase Agreement for the purchase of limited liability company interests in LGI-GTIS Holdings III LLC, a Delaware limited liability company, and (iii) Purchase Agreement for the purchase of limited liability company interests in LGI-GTIS Holdings IV LLC, a Delaware limited liability company, in each case, of even date herewith and, in each case, by and among Buyer and certain of Seller’s Affiliates.

“Purchase Price” means the amount set forth on Exhibit A under the column “Purchase Price”.

“Purchased Interests” has the meaning set forth in the recitals.

“Registration Statement” means the registration statement on Form S-1 filed with the Commission with respect to shares of Common Stock, and all amendments thereto, a draft of which has been delivered to Seller as of the date of this Agreement.

“Rule 144” means Rule 144 as promulgated by the Commission under the Securities Act.

“Securities Act” means the Securities Act of 1933, as amended, or any successor thereto, as in effect at the time of reference.

“Seller” has the meaning set forth in the preface.

“Seller Indemnified Parties” has the meaning set forth in Section 8.3.

“Tax Return” means any return, report or other information or filing required to be supplied to a Governmental Authority or Person in connection with any Taxes, including any schedule or attachment thereto or amendment thereof.

“Taxes” means all taxes, charges, fees, duties, levies or other assessments (including income, gross receipts, net proceeds, ad valorem, turnover, real and personal property (tangible and intangible), sales, use, franchise, excise, goods and services, value added, stamp, user, transfer, fuel, excess profits, occupational, interest equalization, windfall profits, severance, payroll, unemployment and social security taxes) that are imposed by any Governmental Authority, and such term includes any interest, penalties or additions to tax attributable thereto or attributable to any nonpayment thereof.

“Third-Party Claim” has the meaning set forth in Section 8.5.1.

“Threshold” has the meaning set forth in Section 8.4.1.

“Transfer Taxes” has the meaning set forth in Section 9.11.

“Treasury Regulations” means the income tax regulations, including any temporary or proposed regulations, promulgated under the Code, as such regulations may be amended from time to time.

“Underwriting Agreement” means the Underwriting Agreement to be entered into prior to the Closing Date among Buyer, Deutsche Bank Securities Inc., JMP Securities LLC, J.P. Morgan Securities LLC and as representatives of the several underwriters named therein.

## **BASIC TRANSACTION**

**Purchase and Sale of Purchased Interests.** On and subject to the terms and conditions of this Agreement, at the Closing and for the consideration specified in this Article 2, Seller will sell, convey, assign, transfer and deliver to Buyer, and Buyer will purchase and receive from Seller, free and clear of all Liens, all of Seller’s rights and interests in and title to the Purchased Interests, which represent all of Seller’s limited liability company interests in the Company.

**Consideration.** At the Closing, Buyer agrees to (a) pay to Seller the Closing Cash Payment and (b) issue to Seller (or an Affiliate of Seller designated by Seller prior to the Closing) the Buyer Common Share Consideration.

**The Closing.** The closing of the transactions contemplated by this Agreement (the “Closing”) shall take place remotely via electronic exchange of signature pages on the Closing Date or such other place, date or time as the Parties may mutually determine. Once the Closing occurs, the Closing, and all transactions to occur at the Closing, shall be deemed to have taken place at, and shall be effective as of, 12:00:01 a.m. (Eastern Time) on the Closing Date.

**Deliveries at the Closing.**

At the Closing, Seller shall have duly executed and delivered (or have caused to be duly executed and delivered) to Buyer:

an assignment agreement, dated as of the Closing Date, assigning the Purchased Interests to Buyer, substantially in the form attached hereto as Exhibit B, (the “Assignment Agreement”);

a certificate of non-foreign status, in the form provided in Treasury Regulation §1.1445-2(b)(2)(iv), issued pursuant to and in compliance with Treasury Regulation §1.1445-2(b)(2), certifying that Seller is not a foreign person within the meaning of Treasury Regulation §1.1445-2(b)(2);

the Contribution Agreement by and among Buyer, Seller, each seller named in the other Purchase Agreements, Eric Lipar, Thomas Lipar and certain Affiliates of each of them named therein, substantially in the form attached hereto as Exhibit D (the “Contribution Agreement”); and

such other agreements, documents, instruments and writings as are expressly required to be delivered by Seller on or prior to the Closing Date pursuant to this Agreement or as may be reasonably requested by Buyer to carry out the intent and purposes of this Agreement.

At the Closing, Buyer shall have paid and duly executed and delivered (or have caused to be paid and duly executed and delivered), as applicable, to Seller:

the Closing Cash Payment;

a certificate from Buyer’s registrar and transfer agent, evidencing the issuance of the Buyer Common Shares to Seller (or an Affiliate of Seller designated by Seller prior to the Closing) and bearing a conspicuous legend stating that the shares have not been registered under the Securities Act or the securities law of any state and referring to the restrictions on transferability and sale of the shares;

the Assignment Agreement;

a certificate, dated no more than five (5) days prior to the Closing Date, from the Secretary of the State of Delaware, as to Buyer's good standing;

a certificate, dated as of the Closing Date, signed by the Secretary of Buyer (i) certifying that attached thereto is a true and complete copy of the resolutions duly and validly adopted by the board of directors (or other similar governing body) of Buyer approving the execution, delivery and performance of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby, including admission of Seller as a stockholder of Buyer, and that such resolutions are in full force and effect and not revoked and (ii) certifying that attached thereto are true and complete copies of the Organizational Documents of Buyer in effect at the Closing;

the Contribution Agreement; and

such other agreements, documents, instruments and writings as are expressly required to be delivered by Buyer or its Affiliates on or prior to the Closing Date pursuant to this Agreement or as may be reasonably requested by Seller to carry out the intent and purposes of this Agreement.

**Tax Treatment of Transaction.** The Parties agree that for U.S. federal income tax purposes Buyer's purchase of the Purchased Interests shall be characterized as an exchange qualifying under Section 351 of the Code in which Seller contributed the Purchased Interests to Buyer in exchange for (a) the Buyer Common Share Consideration and (b) the Closing Cash Payment unless such characterization is contrary to applicable U.S. federal income tax Law. The Parties agree to report the transaction in accordance with this treatment in all Tax Returns unless such treatment is contrary to applicable U.S. federal income tax Law.

## SELLER'S REPRESENTATIONS AND WARRANTIES

Seller represents and warrants to Buyer as of the date of this Agreement and as of the Closing Date, as follows:

**Organization and Qualification of Seller.** Seller is duly organized and is validly existing as a limited liability company in good standing under the Laws of the State of Delaware, with requisite power and authority to own or lease its properties and conduct its business. Seller is duly qualified to transact business and in good standing in all jurisdictions in which the conduct of its business requires such qualification except where the failure to be so qualified or be in good standing would not (i) have, individually or in the aggregate, a material adverse effect on the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of Seller or (ii) prevent the consummation of the transactions contemplated hereby (the occurrence of any such effect or any such prevention described in the foregoing clauses (i) and (ii) being referred to as a "Material Adverse Effect").

**Due Authorization; Enforceability.** Seller has full right, power and authority to execute and deliver this Agreement and its Ancillary Agreements, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement has been duly and validly executed and delivered by Seller and its Ancillary Agreements shall have been duly and validly executed and delivered by Seller on or prior to the Closing Date. This Agreement constitutes a legal, valid and binding obligation of Seller, and each of its Ancillary Agreements when executed and delivered shall constitute a legal, valid and binding obligation of Seller, in each case enforceable against Seller in accordance with its terms (assuming the due authorization, valid execution and delivery of this Agreement and each Ancillary Agreement by each other Person that is or will be a party thereto) and except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar Laws in effect which affect the enforcement of creditors' rights generally and by equitable limitations on the availability of specific remedies.

**Consents and Approvals; No Conflicts.**

Each approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body or any other Person not a party to this Agreement necessary in connection with the execution and delivery by Seller of this Agreement and its Ancillary Agreements or the consummation of the transactions contemplated hereby and thereby has been obtained or made and is in full force and effect.

The execution and delivery by Seller of this Agreement and each of its Ancillary Agreements and the consummation of the transactions herein and therein contemplated, and the fulfillment of the terms hereof and thereof do not and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or give any Person any additional right (including a termination right) under, permit cancellation of, or result in the creation of any Lien upon, or result in or constitute a circumstance which, with or without notice or lapse of time or both, would constitute any of the foregoing, any indenture, mortgage, deed of trust or other agreement or instrument to which Seller is a party or by which Seller or any of its properties is bound, or of its Organizational Documents or any law, order, rule or regulation judgment, order, writ or decree applicable to Seller of any court or of any government, regulatory body or administrative agency or other governmental body having jurisdiction over Seller or any of its properties or assets, except to the extent the same would not have a Material Adverse Effect.

**Title to Purchased Interests.** Seller is the record and beneficial owner of, and has good and valid title to, the Purchased Interests free and clear of all Liens. Seller is not a party to any option, warrant, purchase right or other Contract that could require Seller to sell, transfer or otherwise dispose of any such limited liability company interests of the Company (other than this Agreement). Seller is not a party to any voting trust, proxy or other Contract with respect to the voting of any limited liability company interests of the Company.

**No Brokers or Finders.** Neither Seller nor any of the JV's is a party to any contract, agreement or understanding with any Person that would give rise to a valid claim against Seller for a brokerage commission, finder's fee or like payment in connection with the transactions contemplated by this Agreement other than the "Avila Fee" as defined in the Limited Liability Company Agreement.

**Litigation.** There is no Proceeding pending or, to the knowledge of Seller, threatened against Seller that, individually or in the aggregate, would materially impair or delay the ability of Seller to effect the Closing. Seller is not subject to any outstanding injunction, judgment, order, decree, ruling or charge that, individually or in the aggregate, would materially impair or delay the ability of Seller to effect the Closing. To the knowledge of Seller, there is no legal, governmental, administrative or regulatory Proceeding pending or threatened in writing against the Company, or to which any property of the Company is or would reasonably be expected to be subject before any court or regulatory or administrative agency or otherwise which if determined adversely to the Company would, individually or in the aggregate, have a Material Adverse Effect.

**No Foreign Tax Status.** Seller is not a "foreign person" within the meaning of Section 1445 of the Code.

**Accredited Investor; Investment Intent.** Seller is an "accredited investor" as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act. Seller is acquiring the Buyer Common Shares for its own account for investment and not with a view to, or for sale or other disposition in connection with, any distribution of all or any part thereof, except in compliance with applicable federal and state securities Laws. Seller understands that the Buyer Common Shares will not have been registered pursuant to the Securities Act or any applicable state securities Laws, that the Buyer Common Shares will be characterized as "restricted securities" under federal securities laws, that under such Laws and applicable regulations the Buyer Common Shares cannot be sold or otherwise disposed of without registration under the Securities Act or an exemption therefrom and that the certificates representing the Buyer Common Shares will bear restrictive legends stating the foregoing. Seller further acknowledges that the Buyer Common Shares are neither offered nor sold to Seller pursuant to the Prospectus.

**No Other Representations or Warranties.** Except for the representations and warranties contained in this [Article 3](#), neither Seller nor any of its Affiliates or any of their respective stockholders, trustees, members, fiduciaries or representatives, nor any other Person has made or is making any other representation or warranty of any kind or nature whatsoever, oral or written, express or implied, with respect to the Company, this Agreement, the Ancillary Agreements or the transactions contemplated hereby. Except for the representations and warranties contained in this [Article 3](#), Seller disclaims, on behalf of itself and its Affiliates, (a) any other representations or warranties, whether made by Seller, any of its Affiliates or their respective stockholders, trustees, members, fiduciaries or representatives or any other Person and (b) all liability and responsibility for any other representation, warranty, opinion, projection, forecast, advice, statement or information made, communicated or furnished. Neither Seller, any of its Affiliates, any of their respective stockholders, trustees, members, fiduciaries or representatives nor any other Person has made or is making any representations or warranties to Buyer or its Affiliates or any other Person regarding the probable success or profitability of the Company (whether before or after the Closing), including regarding the possibility or likelihood of any application, challenge, Proceeding or review, regulatory or otherwise, including any increase, decrease or plateau in the volume of product or service, or revenue derived therefrom, related to the Company's business. Neither Seller, any of its Affiliates, any of their respective stockholders, trustees, members, fiduciaries or representatives nor any other Person will have or be subject to any liability or indemnification obligation to Buyer or its Affiliates or any other Person resulting from the delivery, dissemination or any other distribution to Buyer or its Affiliates or any other Person, or the use by Buyer or its Affiliates or any other Person, of any such information provided or made available to them by or on behalf of Seller, any of its Affiliates or any of their respective stockholders, trustees, members, fiduciaries or representatives or any other Person, including any information, documents, estimates, projections, forecasts or other forward-looking information, business plans or other material provided or made available to Buyer or its Affiliates or any other Person in certain "data rooms," confidential information memoranda or management presentations in anticipation or contemplation of the transactions contemplated by this Agreement.

## **BUYER REPRESENTATIONS AND WARRANTIES**

Buyer represents and warrants to Seller as of the date of this Agreement and as of the Closing Date, except as may be set forth in the Prospectus and except as otherwise provided herein, as follows:

**Organization of Buyer, LGI Member and LGI Group.** Buyer is duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware, with requisite power and authority to own or lease its properties and conduct its business. As of the date of this Agreement, each Person in the LGI Group is duly organized and is validly existing as a corporation, limited liability company or similar entity under the laws of the jurisdiction of its organization with requisite power and authority to own or lease its properties and conduct its business. As of the Closing Date, and after giving effect to the Formation Transactions, each Person in the LGI Group shall be duly organized and validly existing as a corporation, limited liability company or similar entity in good standing under the laws of the jurisdiction of its organization with requisite power and authority to own or lease its properties and conduct its business. As of the date of this Agreement, Buyer and each Person in the LGI Group is duly qualified to transact business and is in good standing in all jurisdictions in which the conduct of its business requires such qualification except where the failure to be so qualified or be in good standing would not have a Material Adverse Effect on Buyer or any Person in the LGI Group taken as a whole. As of the Closing Date, and after giving effect to the Formation Transactions, Buyer and each Person in the LGI Group will be duly qualified to transact business and in good standing in all jurisdictions in which the conduct of its business requires such qualification except where the failure to be so qualified or be in good standing would not have a Material Adverse Effect on Buyer or any Person in the LGI Group taken as a whole. The outstanding shares of capital stock or other equity interests of Buyer are duly authorized and validly issued, are fully paid and non-assessable.

**Due Authorization; Enforceability.** Buyer has full right, power and authority to execute and deliver this Agreement and its Ancillary Agreements, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement has been duly and validly executed and delivered by Buyer and each of Buyer's Ancillary Agreements shall have been duly and validly executed and delivered by Buyer on or prior to the Closing Date. This Agreement constitutes a legal, valid and binding obligation of Buyer, and each of its Ancillary Agreements when executed and delivered shall constitute a legal, valid and binding obligation of Buyer, in each case enforceable against Buyer in accordance with its terms, in each case assuming the due authorization, valid execution and delivery of this Agreement and each Ancillary Agreement by each other Person that is or will be a party thereto and except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar Laws in effect which affect the enforcement of creditors' rights generally and by equitable limitations on the availability of specific remedies.

**Consents and Approvals; No Conflicts.**

Except as may be set forth in the Prospectus, each approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body or any other Person not a party to this Agreement necessary in connection with the execution and delivery by Buyer of this Agreement and its Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby has been obtained or made and is in full force and effect as of the date of this Agreement, or will be obtained or made and in full force and effect on or prior to the Closing Date.

The execution and delivery by Buyer of this Agreement and each of its Ancillary Agreements and the consummation of the transactions herein and therein contemplated, and the fulfillment of the terms hereof and thereof do not and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or give any Person any additional right (including a termination right) under, permit cancellation of, or result in the creation of any Lien upon, or result in or constitute a circumstance which, with or without notice or lapse of time or both, would constitute any of the foregoing, any indenture, mortgage, deed of trust or other agreement or instrument to which Buyer or any Person in the LGI Group is a party or by which Buyer or any Person in the LGI Group or any of their respective properties is bound, or of their respective Organizational Documents or any law, order, rule or regulation, judgment, order, writ or decree applicable to Buyer or any Person in the LGI Group of any court or of any government, regulatory body or administrative agency or other governmental body having jurisdiction over Buyer or any Person in the LGI Group, or any of their properties or assets, except to the extent the same would not have a Material Adverse Effect.



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**Capitalization; Valid Issuance of Buyer Common Shares.**

As of the date of the Prospectus, the information set forth under the caption “Capitalization” in the Prospectus is true and correct. The Buyer Common Shares conform to the description thereof contained in the Prospectus. The form of certificates for the Buyer Common Shares conforms to the corporate law of the jurisdiction of Buyer’s incorporation and to any requirements of Buyer’s Organizational Documents.

The Buyer Common Shares are duly authorized and when issued and paid for as contemplated herein will be validly issued, fully paid and non-assessable; and no preemptive or similar rights of stockholders exist with respect to any of the Buyer Common Shares or the issue and sale thereof. The offering and sale of the Buyer Common Shares as contemplated by this Agreement does not give rise to any rights, other than those contemplated herein, for or relating to the registration of any shares of Common Stock.

**Financial Information.** As of the date of the Prospectus: (a) The combined financial statements of the LGI Group and the consolidated financial statements of each of the JVs and each of their respective subsidiaries, together with related notes and schedules as set forth in the Prospectus, comply in all material respects with the applicable requirements of the Securities Act and present fairly the financial position and the results of operations and cash flows of Buyer and/or the respective members of the LGI Group, as the case may be, at the indicated dates and for the indicated periods; (b) such financial statements and related schedules have been prepared in accordance with GAAP, except as disclosed therein, and all adjustments necessary for a fair presentation of results for such periods have been made; (c) the summary and selected financial and statistical data included in the Prospectus present fairly the information shown therein and such data has been compiled on a basis consistent with the financial statements presented therein and the books and records of Buyer; (d) the pro forma financial statements and other pro forma financial information included in the Prospectus present fairly the information shown therein, have been prepared in accordance in all material respects with the Commission’s rules and guidelines with respect to pro forma financial statements, have been properly compiled on the pro forma bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions or circumstances referred to therein; and (e) all disclosures contained in the Prospectus regarding “non-GAAP financial measures” (as such term is defined by the rules and regulations of the Commission) comply with Regulation G of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and Item 10 of Regulation S-K under the Securities Act, to the extent applicable.

**Absence of Undisclosed Liabilities.** As of the date of the Prospectus, neither Buyer nor any Person in the LGI Group has any material liabilities or obligations, direct or contingent (including any off-balance sheet obligations or any “variable interest entities” within the meaning of Financial Accounting Standards Board Interpretation No. 46), not disclosed in the Prospectus. There are no financial statements (historical or pro forma) that are required to be included in the Prospectus that are not included as required.

**Absence of Certain Events.** Except as may be set forth in the Prospectus, and except with respect to the JV Assets, since the date of the most recent financial statements included in the Prospectus, (i) there has not been any event, occurrence or development which would give rise to a Material Adverse Effect, (ii) there has not been any material transaction entered into or any material transaction that is probable of being entered into by Buyer or any Person in the LGI Group, other than transactions in the Ordinary Course of Business and the Formation Transactions, and (iii) neither Buyer nor any Person in the LGI Group has sustained any loss or interference with its business that is material to Buyer and the LGI Group taken as a whole and that is either from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority.

**Litigation.** As of the date of the Prospectus and except as may be set forth in the Prospectus, there is no legal, governmental, administrative or regulatory Proceeding pending or, to the knowledge of Buyer, threatened in writing against Buyer, or to which any property of Buyer is, or to the knowledge of Buyer, would reasonably be expected to be, subject, before any court or regulatory or administrative agency or otherwise which if determined adversely to Buyer would, individually or in the aggregate, have a Material Adverse Effect. As of the date of the Prospectus, there are no current or pending legal, governmental, administrative or regulatory Proceedings that are required under the Securities Act to be described in the Prospectus that are not so described in the Prospectus. As of the date of the Prospectus, there are no statutes, regulations or Contracts or other documents that are required under the Act to be filed as exhibits to the Registration Statement or described in the Registration Statement or the Prospectus that are not so filed as exhibits to the Registration Statement or described in the Registration Statement or the Prospectus.

**Compliance with Laws; Permits.**

Except as may be set forth in the Prospectus and except with respect to the JV Assets, neither Buyer nor any member of the LGI Group is or with the giving of notice or lapse of time or both, will be, (i) in violation of its Organizational Documents, (ii) in violation of or in default under any agreement, lease, contract, indenture or other instrument or obligation to which it is a party or by which it, or any of its properties, is bound or (iii) in violation of any law, order, rule or regulation judgment, order, writ or decree applicable to Buyer or any Person in the LGI Group of any court or of any government, regulatory body or administrative agency or other governmental body having jurisdiction over Buyer or any Person in the LGI Group, or any of their properties or assets, except in the case of clauses (ii) and (iii), for such violations or defaults as would not, individually or in the aggregate, have a Material Adverse Effect.

Except as would not, individually or in the aggregate, have a Material Adverse Effect, Buyer (i) holds all licenses, registrations, certificates and permits from governmental authorities (collectively, “Governmental Licenses”) which are necessary to the conduct of its business, (ii) is in compliance with the terms and conditions of all Governmental Licenses, and all Governmental Licenses are valid and in full force and effect, and (iii) has not received any written notice of Proceedings relating to the revocation or modification of any Governmental License.

**Environmental Matters.** Except as may be set forth in the Prospectus and except with respect to the JV Assets: (i) Buyer and each Person in the LGI Group have complied and are in compliance, in all material respects, with all applicable federal, state, local, foreign and international laws (including the common law), statutes, rules, regulations, orders, judgments, decrees or other legally binding requirements of any court, administrative agency or other governmental authority relating to pollution or to the protection of the environment, natural resources or human health or safety, or to the manufacture, use, generation, treatment, storage, disposal, release or threatened release of hazardous or toxic substances, pollutants, contaminants or wastes, or the arrangement for such activities which are effective as of the Closing Date (“Environmental Laws”); (ii) Buyer and each Person in the LGI Group have obtained and are in compliance, in all material respects, with all permits, licenses, authorizations or other approvals required of them under Environmental Laws to conduct their respective businesses and are not subject to any action to revoke, terminate, cancel, limit, amend or appeal any such permits, licenses, authorizations or approvals; (iii) neither Buyer nor any Person in the LGI Group is a party to any judicial or administrative Proceeding (including a notice of violation) under any Environmental Laws to which a governmental authority is also a party and which involves potential monetary sanctions, unless it could reasonably be expected that such Proceeding will result in monetary sanctions of less than \$100,000; and no such Proceeding has been threatened in writing or is known by Buyer or by any Person in the LGI Group to be contemplated; (iv) neither Buyer nor any Person in the LGI Group has received written notice or is otherwise aware of any pending or threatened in writing material claim or potential liability under Environmental Laws in respect of its past or present business, operations (including the disposal of hazardous substances at any off-site location), facilities or real property (whether owned, leased or operated) or on account of any predecessor or any person whose liability under any Environmental Laws it has agreed to assume; and neither Buyer nor any Person in the LGI Group is aware of any facts or conditions that could reasonably be expected to give rise to any such claim or liability; and (v) neither Buyer nor any Person in the LGI Group is aware of any matters regarding compliance with existing or reasonably anticipated Environmental Laws, or with any liabilities or other obligations under Environmental Laws (including asset retirement obligations), that could reasonably be expected to have a material effect on the capital expenditures, earnings or competitive position of Buyer and the LGI Group.

**Intellectual Property.** Except with respect to the JV Assets and as may be set forth in the Prospectus:

Buyer owns or possesses the right to use all patents, inventions, trademarks, trade names, service marks, logos, trade dress, designs, data, database rights, Internet domain names, rights of privacy, rights of publicity, copyrights, works of authorship, license rights, trade secrets, know-how and proprietary information (including unpatented and unpatentable proprietary or confidential information, inventions, systems or procedures) and other industrial property and intellectual property rights, as well as related rights, such as the right to sue for all past, present and future infringements or misappropriations of any of the foregoing, and registrations and applications for registration of any of the foregoing (collectively, “Intellectual Property”) necessary to conduct its business as presently conducted and currently contemplated to be conducted in the future. Neither Buyer nor any Person in the LGI Group, whether through their respective products and services or the conduct of their respective businesses, has infringed, misappropriated, conflicted with or otherwise violated, or is currently infringing, misappropriating, conflicting with or otherwise violating, and none of Buyer or any Person in the LGI Group has received any communication or notice of infringement of, misappropriation of, conflict with or violation of, any Intellectual Property of any other person or entity. Neither Buyer nor any Person in the LGI Group has received any communication or notice alleging that by conducting their business as set forth in the Prospectus, such parties would infringe, misappropriate, conflict with, or violate, any of the Intellectual Property of any other Person. Buyer knows of no infringement, misappropriation or violation by others of Intellectual Property owned by or licensed to the Buyer or any Person in the LGI Group. Buyer and each Person in the LGI Group have taken all reasonable steps necessary to secure their interests in such Intellectual Property from their employees and contractors and to protect the confidentiality of all of their confidential information and trade secrets.

None of the Intellectual Property or technology (including information technology and outsourced arrangements) employed by Buyer or the LGI Group has been obtained or is being used by Buyer or the LGI Group in violation of any contractual obligation binding on Buyer or any Person in the LGI Group or any of their respective officers, directors or employees or otherwise in material violation of the rights of any Persons. Buyer and each Person in the LGI Group own or have a valid right to access and use all computer systems, networks, hardware, software, databases, websites, and equipment used to process, store, maintain and operate data, information, and functions used in connection with the business of Buyer and the LGI Group (the “Buyer IT Systems”). The Buyer IT Systems are adequate for, and operate and perform in all material respects as required in connection with, the operation of the business of Buyer and the LGI Group as currently conducted, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Buyer and each Person in the LGI Group have implemented commercially reasonable backup, security and disaster recovery technology consistent in all material respects with applicable regulatory standards and customary industry practices.

**Real Property.** As of the date of the Prospectus, except with respect to the JV Assets, and except as may be set forth in the Prospectus, Buyer and each Person in the LGI Group has good and marketable title to all of the properties and assets reflected in the financial statements hereinabove described or described in the Prospectus, subject to no lien, mortgage, pledge, charge or encumbrance of any kind except those reflected in such financial statements or described in the Prospectus or which (i) do not materially interfere with the use made and proposed to be made of such property by Buyer or (ii) would not, individually or in the aggregate, have a Material Adverse Effect. Buyer and the LGI Group occupy their leased properties under valid and binding leases (subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles) conforming in all material respects to the descriptions thereof set forth in the Prospectus.

**Employee Benefits.** (i) Each "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("**ERISA**")) for which Buyer or any member of its "Controlled Group" (defined as any organization that is a member of a controlled group of corporations within the meaning of Section 414 of the Code) would have liability (each a "**Plan**") is in compliance in all material respects with all presently applicable statutes, rules and regulations, including ERISA and the Code; (ii) with respect to each Plan subject to Title IV of ERISA (a) no "reportable event" (as defined in Section 4043 of ERISA) has occurred for which Buyer or any member of its Controlled Group would have any liability; and (b) neither Buyer nor any member of its Controlled Group has incurred or expects to incur liability under Title IV of ERISA (other than for contributions to the Plan or premiums payable to the Pension Benefit Guaranty Corporation, in each case in the ordinary course and without default); (iii) no Plan which is subject to Section 412 of the Code or Section 302 of ERISA has failed to satisfy the minimum funding standard within the meaning of such sections of the Code or ERISA; and (iv) to the knowledge of Buyer, each Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification.

**Labor Matters.** Except as may be set forth in the Prospectus, no labor disturbance by or dispute with employees of Buyer or any Person in the LGI Group exists or, to the knowledge of Buyer, is contemplated or threatened.

**Taxes.** Except with respect to the JVs, Buyer and each Person in the LGI Group has filed all material U.S. federal, state, and local tax returns which have been required to be filed and have paid all taxes indicated by such returns and all assessments received by them or any of them to the extent that such taxes have become due, except for any such taxes currently being contested in good faith, in an amount the payment of which by Buyer would not, individually or in the aggregate, have a Material Adverse Effect and for which an adequate reserve or accrual has been established in accordance with GAAP. All tax liabilities have been adequately provided for in the financial statements of Buyer, and Buyer does not know of any actual or proposed additional material tax assessments.

**Insurance.** Buyer and each Person in the LGI Group carry, or are covered by, insurance from insurers of recognized financial responsibility, in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties and as is prudent and customary for companies engaged in similar businesses; neither Buyer nor any Person in the LGI Group has been refused any coverage under insurance policies sought or applied for; and the Company and the LGI Entities have no reason to believe that they will not be able to renew their existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue their respective businesses at a cost that would not, individually or in the aggregate, have a Material Adverse Effect.

**Certain Business Practices.** Neither Buyer nor any Person in the LGI Group nor any director, officer, agent, employee, or other person associated with or acting on behalf of Buyer or any Person in the LGI Group: (i) has used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) has made any direct or indirect unlawful contribution or payment to any official of, or candidate for, or any employee of, any federal, state or foreign office from corporate funds; (iii) has made any bribe, unlawful rebate, payoff, influence payment, kickback or other unlawful payment; or (iv) is aware of or has taken any action, directly or indirectly, that would result in a violation by such Persons of the OECD Convention on Bribery of Foreign Public Officials in International Business Transactions, the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (collectively, the “FCPA”) or any similar law or regulation to which Buyer or any Person in the LGI Group, any director, officer, agent, employee, or other person associated with or acting on behalf of Buyer is subject. Buyer and the members of the LGI Group have each conducted their businesses in compliance with the FCPA and any applicable similar law or regulation and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith, except any non-compliance which would not have a Material Adverse Effect.

**No Brokers or Finders.** Except as may be described in the Prospectus, neither Buyer nor any Person in the LGI Group is a party to any contract, agreement or understanding with any Person (other than the Underwriting Agreement and the “Avila Fee” as defined in the Limited Liability Company Agreement) that would give rise to a valid claim against Buyer or any Person in the LGI Group for a brokerage commission, finder’s fee or like payment in connection with the transactions contemplated by this Agreement.

**Full Disclosure.** No representation or warranty made by Buyer in this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make any of them, in light of the circumstances under which they were made, not misleading.

## COVENANTS

**Operation of Business.** From the date of this Agreement until the Closing Date, the Company shall, and Buyer shall cause LGI Member to cause the Company to, operate and maintain its business in the Ordinary Course of Business and use best efforts to preserve intact its business organization and operations. Buyer shall cause LGI Member to continue to operate and maintain the Company in good faith and pursuant to the Limited Liability Company Agreement, including operating the Company in accordance with the business plans of the Company, making all distributions and contributions and obtaining all necessary consents and approvals (including with respect to Major Decisions (as defined therein)) thereunder, in each case, as if no IPO was anticipated. Notwithstanding anything to the contrary in this Agreement, immediately prior to the Closing, Buyer shall cause LGI Member, in its capacity as the “Managing Member” of the Company, to distribute Excess Cash (as defined in the Limited Liability Company Agreement) to the Members (as defined in the Limited Liability Company Agreement) in amounts determined in good faith in accordance with the Limited Liability Company Agreement.

**Buyer Organization.** From the date of this Agreement until the Closing Date, Buyer shall not, without the written consent of Seller or as required by Law: (a) amend or authorize amendment of its Organizational Documents; or (b) rescind or modify, or authorize rescission or modification of, any resolution adopted by its board of directors or stockholder with respect to the transactions contemplated in this Agreement.

**Additional Cooperation.** Without limiting the other provisions of this Article 5, each Party shall use commercially reasonable efforts to take all actions and to do all things necessary, proper or advisable in order to consummate and make effective the transactions contemplated by this Agreement.

**Lock-Up.**

Seller agrees that in connection with the IPO, the managing underwriter may, during the period commencing on the IPO Closing Date until the date specified by such managing underwriter (the “Lock-up Period”), restrict holders of shares of Common Stock, without the prior written consent of such managing underwriter, from (a) offering, pledging, selling, contracting to sell, granting any option or contract to purchase, purchasing any option or contract to sell, hedging the beneficial ownership of or otherwise disposing of, directly or indirectly, any shares of Common Stock or any securities convertible into, exercisable for or exchangeable for shares of Common Stock (whether such shares or any such securities are then owned by such holder or are thereafter acquired), or (b) entering into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (a) or (b) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise (the “Lock-up”).

Notwithstanding Section 5.4.1, in no event shall the Lock-up Period exceed one hundred eighty (180) days with respect to the Buyer Common Shares, except for the limited circumstances provided in the Lock-up Agreement, and, in the event and to the extent that the managing underwriter or Buyer permits varying Lock-up Periods with respect to the holders of shares of Common Stock, the Buyer Common Shares shall be subject to the shortest Lock-up Period permitted to any holder of shares of Common Stock (other than Thomas Lipar) by the managing underwriter and Buyer.

Notwithstanding anything to the contrary contained in this Section 5.4, the Buyer Common Shares shall be released from any Lock-up in the event and to the extent that the managing underwriter or Buyer permits any discretionary waiver or termination of the restrictions of any Lock-up pertaining to any officer, director or any other holder of shares of Common Stock other than Thomas Lipar.

**Release and Waiver of Claims.** Effective as of the Closing,

Subject to Article 8, Buyer, on behalf of itself and its beneficiaries and Affiliates, completely and irrevocably releases and forever discharges Seller and its Affiliates, and their respective directors, officers, managers, members, stockholders, principals, employees, agents, representatives, predecessors, successors and assigns, from any and all claims and Adverse Consequences arising out of or in any way related, directly or indirectly, to the conduct or operation of the Company prior to the Closing.

Seller, on behalf of itself and its beneficiaries and Affiliates, completely and irrevocably waives any and all claims Seller or its beneficiaries or Affiliates may have to any additional ownership in the Company or any ownership in Buyer other than the Buyer Common Shares, and Seller hereby authorizes the appropriate officers of the Company to execute and deliver such documents and take such other actions as may be required or advisable to carry out the effect of the release and waiver described in this Section 5.5.

Notwithstanding anything to the contrary in this Section 5.5, no rights of any Party arising under, or the right of any Party to enforce, this Agreement or any Ancillary Agreement, as applicable, shall be affected by this Section 5.5.

**GTIS Name.** Within 60 days after the Closing Date, Buyer shall file, or shall cause to be filed, an amendment to the Company's certificate of formation with the Secretary of State of the State of Delaware changing the Company's name to a name that does not include the phrase "GTIS" or any name confusingly or misleadingly similar thereto (the "GTIS Name"), such amendment to be effective as soon as practicable following the Closing Date. Thereafter, Buyer shall not use the GTIS Name, other than (a) in a neutral, non-trademark sense to discuss the history of the business of the Company or (b) as required by applicable Law. Buyer and its Affiliates acknowledge that they are not acquiring, directly or indirectly, any right, title or interest in and to the GTIS Name or any trademark of Seller.

**Registration of Buyer Common Shares; Participation in Future Equity Offering.** Following the Lock-Up Period and any other legally required waiting period, if Seller is unable to sell all of its Buyer Common Shares under Rule 144, or Seller is unable to sell all of its Buyer Common Shares in routine brokerage transactions within any ninety day period, then upon the written request of Seller, Buyer and Seller shall enter into a registration rights agreement providing for the registration of the Buyer Common Shares on customary and reasonable terms, including customary indemnification provisions. From and after the Closing, prior to a follow-on offering of Common Stock, Buyer shall provide written notice to Seller within twenty (20) Business Days of such offering, and Buyer shall permit Seller to sell any or all of its Buyer Common Shares in such offering if Seller notifies Buyer in writing within ten (10) Business Days of Buyer's written notice.



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## CONDITIONS TO OBLIGATION TO CLOSE.

**Conditions to Each Party's Obligation.** The obligations of each Party to consummate the transactions contemplated by this Agreement are subject to the satisfaction (or, to the extent permitted by applicable Law, the waiver by the applicable Party) of the following conditions on or before the Closing Date:

No injunction, restraint or prohibition by any court or other Governmental Authority of competent jurisdiction that prohibits the consummation of the transactions contemplated by this Agreement shall have been entered and shall continue to be in effect.

The IPO Closing shall have occurred.

All of the conditions to each party's obligations under each of the Purchase Agreements shall have been satisfied or waived (other than such conditions that by their nature are to be satisfied at the Closing) such that the transactions contemplated thereby shall be consummated simultaneously with the Closing.

Buyer shall have consummated the Formation Transactions (other than the transactions contemplated in this Agreement).

**Additional Conditions to Buyer's Obligation.** Buyer's obligation to consummate the transactions contemplated by this Agreement is further subject to the satisfaction (or the waiver by Buyer) of the following conditions on or before the Closing Date:

Each of the representations and warranties of Seller set forth in Article 3 shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date.

Seller shall have performed and complied with, in all material respects, all of the covenants and agreements in this Agreement required to be performed and complied with by Seller on or prior to the Closing Date.

Seller shall have delivered to Buyer a certificate, dated as of the Closing Date, executed by Seller, certifying as to the satisfaction of the conditions set forth in Sections 6.2.1 and 6.2.2.

Seller shall have duly executed and delivered (or have caused to be duly executed and delivered) to Buyer all of the deliveries set forth in Section 2.4.1.

**Additional Conditions to Seller's Obligation.** Seller's obligation to consummate the transactions contemplated by this Agreement is further subject to the satisfaction (or the waiver by Seller) of the following conditions on or before the Closing Date:

Each of the representations and warranties of Buyer set forth in Article 4 shall be true and correct in all material respects as of the date of this Agreement (except for those representations and warranties made as of the date of the Prospectus, which shall be true and correct in all material respects as of the date of the Prospectus) and as of the Closing Date.

Buyer shall have performed and complied with in all material respects all of the covenants and agreements in this Agreement required to be performed and complied with by Buyer on or prior to the Closing.

Buyer shall have delivered to Seller a certificate to the effect that each of the conditions specified in Sections 6.3.1 and 6.3.2 has been satisfied in all respects.

Buyer shall have duly executed and delivered (or have caused to be duly executed and delivered) to Seller all of the deliveries set forth in Section 2.4.2.

## TERMINATION

**Termination of Agreement.** This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing as provided below:

Seller, on the one hand, and Buyer, on the other hand, may terminate this Agreement by mutual consent at any time prior to the Closing.

Buyer may terminate this Agreement by giving notice to Seller: (a) in the event Seller breaches any covenant contained in this Agreement, Buyer has notified Seller of the breach, and the breach has continued without cure for a period of ten (10) days after the notice of breach; or (b) if the Closing shall not have occurred on or before February 28, 2014 (the "Outside Date"), by reason of the failure of any condition precedent under Section 6.2 (unless the failure results primarily from a breach by Buyer of any representation, warranty or covenant contained in this Agreement).

Seller may terminate this Agreement by giving notice to Buyer: (a) in the event Buyer breaches any covenant contained in this Agreement, Seller has notified Buyer of the breach, and the breach has continued without cure for a period of ten (10) days after the notice of breach; or (b) if the Closing shall not have occurred on or before the Outside Date, by reason of the failure of any condition precedent under Section 6.3 (unless the failure results primarily from a breach by Seller of any representation, warranty or covenant contained in this Agreement).

**Effect of Termination.** If any Party terminates this Agreement pursuant to Section 7.1, (a) this Agreement shall be void and of no further force and effect, (b) the transactions contemplated by this Agreement shall be abandoned without further action by any Party and (c) all rights and obligations of the Parties hereunder shall terminate without any Liability of any Party to any other Party, except for any Liability with respect to any breach of this Agreement prior to such termination and except for this Section 7.2 and Article 9, which shall survive the termination of this Agreement.

## INDEMNIFICATION

**Survival of Representations and Warranties.** All of the representations and warranties of the Parties contained in this Agreement shall survive the Closing and continue in full force and effect until the date that is eighteen (18) months after the Closing Date; provided, that the Fundamental Warranties shall survive the Closing and continue in full force until the expiration of the applicable statute of limitations. No claim may be made with respect to any alleged breach of a representation or warranty contained in this Agreement unless notice of such claim is given to Seller or Buyer, as applicable, within the period specified in the immediately preceding sentence, in which case the survival period with respect to the applicable representation and warranty, as it relates to such claim, shall be extended until such claim is resolved. The covenants and agreements of the Parties contained in this Agreement shall survive the Closing Date in accordance with their terms or, if no term is stated, indefinitely.

**Indemnification by Seller.** Seller agrees, subject to the other terms, conditions and limitations of this Article 8, to indemnify Buyer and its Affiliates and each of their respective directors, officers, employees and representatives (collectively, the “Buyer Indemnified Parties”), against, and hold the Buyer Indemnified Parties harmless from, all Adverse Consequences suffered or incurred by any Buyer Indemnified Party arising out of or related to: (a) any breach by Seller of any representation or warranty made by Seller in this Agreement or any Ancillary Agreement; or (b) any failure by Seller to perform or comply with any covenant or agreement contained in this Agreement or any Ancillary Agreement. Notwithstanding anything to the contrary contained herein, Seller shall not be liable for any Adverse Consequences to the extent such Adverse Consequences (i) arise out of any act, omission, transaction or arrangement carried out by, or on behalf of any Buyer Indemnified Party after the date hereof, (ii) would not have arisen but for any change in the operation of the Company consented to by Buyer or its Affiliates after the Closing Date or (iii) arose or were increased as a direct or indirect result of any increase in Tax rates or a change in Law occurring after the date hereof.

**Indemnification by Buyer.** Buyer agrees, subject to the other terms, conditions and limitations of this Article 8, to indemnify Seller and its Affiliates and each of their respective directors, officers, employees and representatives (collectively, the “Seller Indemnified Parties”), against, and hold the Seller Indemnified Parties harmless from, all Adverse Consequences suffered or incurred by any Seller Indemnified Party arising out of or related to: (a) any breach of any representation or warranty made by Buyer in this Agreement or any Ancillary Agreement; (b) any failure by Buyer to perform or comply with any covenant or agreement contained in this Agreement or any Ancillary Agreement; (c) the conduct or operation of the Company from and after the Closing; or (d) any Third-Party Claims made against Seller Indemnified Parties arising out of or related to the IPO and the prospectus and registration statement used in connection therewith. Notwithstanding anything to the contrary contained herein, Buyer shall not be liable for any Adverse Consequences to the extent such Adverse Consequences (i) arise out of any act, omission, transaction or arrangement carried out by, or on behalf of any Seller Indemnified Party after the date hereof, (ii) would not have arisen but for any change in the operation of the Company consented to by Seller or its Affiliates prior to the Closing Date or (iii) arose or were increased as a direct or indirect result of any increase in Tax rates or a change in Law occurring after the date hereof.

**Limitations on Indemnity.**

Seller Indemnified Parties agree not to seek recourse against, and shall not recover from Buyer on account of any Adverse Consequences pursuant to Section 8.3(a), Section 8.3(b) or Section 8.3(c) until the aggregate amount of all such Adverse Consequences exceeds two percent (2.0%) of the Purchase Price (the “Threshold”) in which event Buyer shall be responsible for the aggregate amount of all Adverse Consequences regardless of the Threshold up to the Buyer Cap Amount. The aggregate Liability of Buyer under Section 8.3(a), Section 8.3(b) or Section 8.3(c) shall not exceed the amount set forth on Exhibit A under the column “Buyer Common Share Consideration Total Value” (the “Buyer Cap Amount”).

The Buyer Indemnified Parties agree not to seek recourse against, and shall not recover from the Seller on account of any Adverse Consequences pursuant to Section 8.2 until the aggregate amount of all such Adverse Consequences exceeds the Threshold in which event Seller shall be responsible for the aggregate amount of all Adverse Consequences regardless of the Threshold up to the Purchase Price. The aggregate Liability of Seller under Section 8.2 shall not exceed the Purchase Price.

**Matters Involving Third Parties.**

If any third party notifies any Party (the “Indemnified Party”) of any matter (including any Proceeding by or in respect of such third party) (a “Third-Party Claim”) that may give rise to a claim for indemnification against any other Party (the “Indemnifying Party”) under this Article 8, then the Indemnified Party shall promptly notify each Indemnifying Party thereof; provided, that the failure of the Indemnified Party to give such prompt notice shall not relieve the Indemnifying Party of its obligations under this Article 8 except to the extent (if any) that the Indemnifying Party shall have been actually materially prejudiced thereby.

Any Indemnifying Party shall have the right to assume and thereafter conduct the defense of the Third-Party Claim at its own expense and with counsel reasonably satisfactory to the Indemnified Party; provided, that the Indemnifying Party shall not consent to the entry of any judgment or enter into any settlement with respect to any Third-Party Claim without the prior consent of the Indemnified Party unless the judgment or proposed settlement: (a) involves only the payment of money damages (all of which will be paid by the Indemnifying Party); (b) does not impose an injunction or other equitable relief upon the Indemnified Party; (c) does not include the admittance of any fault; (d) involves a dismissal of the underlying claim without prejudice (if applicable); (e) includes a full release by the plaintiff or claimant of all Indemnified Parties from any Liability; and (f) includes a provision whereby the plaintiff or claimant in the matter is prohibited from disclosing publicly any information regarding the Third-Party Claim or such relief without the Indemnified Party's prior consent. Notwithstanding the foregoing, the Indemnifying Party shall not be entitled to assume the defense of, defend, compromise or settle any such Third-Party Claim in the name of the Indemnified Party if: (i) the Indemnifying Party fails to defend or fails to prosecute the defense within a reasonable time period (not to exceed thirty (30) days from the date the Indemnified Party provides notice of such Third-Party Claim) or withdraws from such defense; (ii) the Indemnified Party shall have determined in good faith that an actual or potential conflict of interest makes representation of the Indemnifying Party and Indemnified Party by the same counsel or the counsel selected by the Indemnifying Party inappropriate; or (iii) the Third-Party Claim is a criminal Proceeding. If the Indemnified Party has assumed the defense of the Third-Party Claim, the Indemnified Party shall not consent to the entry of any judgment or enter into any settlement with respect to such Third-Party Claim without the prior consent of the Indemnifying Party (such consent not to be unreasonably withheld).

The Indemnified Party and its counsel may participate in the defense of a Third-Party Claim even if the Indemnifying Party chooses to assume and conduct the defense of such Third-Party Claim, but in such case the expenses of the Indemnified Party's additional counsel shall be paid by the Indemnified Party.

**Characterization of Indemnification Payments.** All indemnification payments under this Article 8 shall be deemed adjustments to the Purchase Price. If, contrary to the intent of the Parties as expressed in the preceding sentence, any payment made pursuant to this Article 8 is treated as taxable income of an Indemnified Party, then, subject to the other terms, conditions and limitations of this Agreement, the Indemnifying Party shall indemnify and hold harmless the Indemnified Party from any Liability for additional Taxes attributable to the receipt of such payment.

**Remedies; Exclusive Remedy.** Subject to Section 9.13, except in the case of fraud, willful misrepresentation and willful breach, the rights and remedies under this Article 8 are exclusive and in lieu of any and all other rights and remedies that the Seller Indemnified Parties may have against Buyer or the Buyer Indemnified Parties may have against Seller under this Agreement or otherwise with respect to the Company or any breach of any representation or warranty or any failure to perform any covenant or agreement set forth in this Agreement. Seller and Buyer expressly waive any and all other rights, remedies and causes of action it or its Affiliates may have against Buyer and Seller, respectively, now or in the future under any Law with respect to the transactions contemplated by this Agreement. The remedies expressly provided in this Agreement shall constitute the sole and exclusive basis for and means of recourse between Seller and Buyer with respect to the transactions contemplated by this Agreement.

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## MISCELLANEOUS

**No Third-Party Beneficiaries.** This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns; provided, that the Buyer Indemnified Parties and the Seller Indemnified Parties are intended third-party beneficiaries of Article 8.

**Entire Agreement.** This Agreement, together with any Exhibits and the Ancillary Agreements, constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements or representations by or among the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

**Succession and Assignment.** This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective personal representatives, heirs, successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written consent of the other Party.

**Counterparts.** This Agreement may be executed in one or more counterparts (including by means of facsimile or electronic means including .pdf form), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**Headings.** The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

**Notices.** All notices, requests, demands, claims, and other communications hereunder shall be in writing and shall be deemed duly given (a) when delivered personally to the recipient, (b) one (1) Business Day after being sent to the recipient by reputable overnight courier service (charges prepaid), (c) one (1) Business Day after being sent to the recipient by facsimile transmission or email if the sender on the same day sends a confirming copy of such notice by a reputable overnight courier service (charges prepaid), or (d) four (4) Business Days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, and addressed to the intended recipient as set forth below:

If to Seller:

GTIS Partners LP  
681 Schofield Road  
The Presidio  
San Francisco, CA 94129  
Attn: Thomas M. Feldstein,  
General Counsel  
Facsimile: (415) 674-4228  
Email: tfeldstein@gtispartners.com

and

GTIS Partners LP  
45 Rockefeller Plaza  
31st Floor  
New York, NY 10111  
Attn: Robert Vahradian  
Facsimile: (212) 220-5296  
Email: rvahradian@gtispartners.com

If to Buyer:

LGI Homes, Inc.  
1450 Lake Robbins Drive, Suite 430  
The Woodlands, Texas 77380  
Attn: Eric Lipar, CEO  
Facsimile: (281) 210-2601  
Email: elipar@lgihomes.com

Copy to:

Mayer Brown LLP  
71 South Wacker Drive  
Chicago, IL 60606  
Attn: David Malinger  
Facsimile: (312) 701-7711  
Email: DMalinger@mayerbrown.com

Copy to:

Winstead PC  
1100 JPMorgan Chase Tower  
600 Travis Street  
Houston, Texas 77002  
Attn: Warren Hoffman  
Facsimile: (713) 650-2400  
Email: whoffman@winstead.com

Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

**Governing Law.** This Agreement shall be governed by and construed in accordance with the Laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of New York.

**Waiver of Jury Trial.** Each Party acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each such Party hereby irrevocably and unconditionally waives any right such Party may have to a trial by jury in respect of any litigation directly or indirectly arising out of or related to this Agreement or the transactions contemplated hereby. Each Party certifies and acknowledges that it: (a) understands and has considered the implications of this waiver; (b) makes this waiver voluntarily; and (c) has been induced to enter into this Agreement by, among other things, the mutual waiver in this Section 9.8.

**Amendments and Waivers.** No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each Party. No waiver by any party of any condition or provision of this Agreement or any default, misrepresentation or breach of any representation, warranty, covenant or agreement hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the party making such a waiver, nor shall such waiver be deemed to extend to any prior or subsequent default, misrepresentation or breach of any representation, warranty, covenant or agreement hereunder, or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

**Severability.** Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

**Expenses.** Except as otherwise provided in this Agreement, each Party shall bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby; provided, that all transfer, documentary, sales, use, stamp, registration and other such Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement (“Transfer Taxes”) shall be borne by Buyer, and each Party agrees to file all necessary documentation (including all Tax Returns) with respect to such Transfer Taxes in a timely manner, and, if required by applicable Law, the Parties shall, and shall cause their Affiliates to, join in the execution of any such Tax Returns and other documentation.

**Further Assurances.** After the Closing Date, Seller shall, from time to time at Buyer’s request and expense, execute and deliver, or cause to be executed and delivered, such further instruments of conveyance, assignment and transfer or other documents, and perform such further acts and obtain such further consents, as Buyer may reasonably require in order to fully effect the conveyance and transfer to Buyer or its designees of the Purchased Interests, or to otherwise comply with the provisions of this Agreement and consummate the transactions contemplated by this Agreement and the Ancillary Agreements.



**Specific Performance.** The Parties acknowledge and agree that the failure of Buyer or Seller to perform its agreements and covenants hereunder and in the Ancillary Agreements, including its failure to take all actions as are necessary on its part to consummate the transactions contemplated hereby and thereby, will cause irreparable injury to Seller or Buyer, respectively, for which damages, even if available, will not be an adequate remedy. Accordingly, each party hereby consents to the issuance of injunctive relief (without requirement to post any bond or other security) by any court of competent jurisdiction to compel performance of each Party's obligations and to the granting by any court of the remedy of specific performance of its obligations hereunder and the terms hereof. For the avoidance of doubt, the Parties agree that Buyer or Seller may seek to compel specific performance by Seller or Buyer, respectively, for the consummation of the transactions contemplated hereunder. Notwithstanding anything to the contrary in this Agreement, if all of the conditions under Sections 6.1 and 6.2 (other than those conditions that may only be satisfied on the Closing Date, provided that such conditions are capable of being satisfied) have been satisfied on or prior to the Outside Date, or have been waived in whole or in part by Buyer prior to the Outside Date, and Buyer fails to effect the Closing in breach of its obligations hereunder, then (a) Seller shall have been caused irreparable harm, (b) money damages will be inadequate to remedy such harm, and (c) Seller shall be entitled, without the requirement of posting a bond or other security, to obtain equitable relief, including obtaining an order requiring specific performance by Buyer of the terms of this Agreement. Notwithstanding anything to the contrary in this Agreement, if all of the conditions under Sections 6.1 and 6.3 (other than those conditions that may only be satisfied on the Closing Date, provided that such conditions are capable of being satisfied) have been satisfied on or prior to the Outside Date, or have been waived in whole or in part by Seller prior to the Outside Date, and Seller fails to effect the Closing in breach of its obligations hereunder, then (a) Buyer shall have been caused irreparable harm, (b) money damages will be inadequate to remedy such harm, and (c) Buyer shall be entitled, without the requirement of posting a bond or other security, to obtain equitable relief, including obtaining an order requiring specific performance by Seller of the terms of this Agreement.

**Construction.**

The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

Any reference to any federal, state, local or foreign Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

Unless the context otherwise requires, as used in this Agreement, (a) "including" and its variants mean "including, without limitation" and its variants, and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it; (b) words defined in the singular have the parallel meaning in the plural and vice versa; (c) the terms "hereof," "herein," "hereby," "hereto," and derivative or similar words refer to this entire Agreement and any Exhibits hereto; (d) all Sections and Exhibits referred to herein are, respectively, Sections of, and Exhibits to, this Agreement; (e) words importing any gender shall include other genders; (f) a dollar figure (\$) used in this Agreement shall mean United States dollars; (g) any reference to "days" means calendar days, unless Business Days are expressly specified; and (h) the use of "or" is not intended to be exclusive unless expressly indicated otherwise.

A reference to a notice, consent or approval to be delivered under or pursuant to this Agreement means a written notice, consent or approval.

A reference to any Person includes such Person's successors and assigns to the extent such successors or assigns are permitted by the terms of the applicable agreement.

All payments under or pursuant to this Agreement shall be made by wire transfer in United States dollars in immediately available funds.

**Incorporation of Exhibits.** The Exhibits identified in this Agreement are incorporated herein by reference and made a part hereof.

\* \* \* \* \*

IN WITNESS WHEREOF, the Parties have executed this Purchase Agreement on the date first above written.

**SELLER:**

GTAM MALLARD LLC

By: /s/ Barry Ritholz  
Name: Barry Ritholz  
Title: General Counsel

**BUYER:**

LGI HOMES, INC.

By: /s/ Eric T. Lipar  
Eric T. Lipar, Chief Executive Officer

*[Signature Page to Purchase Agreement]*

**Exhibit A**

**Purchase Price Calculation**

<b><u>Transaction</u></b>	<b><u>Closing Cash Payment</u></b>	<b><u>Buyer Common Share Consideration Total Value</u></b>	<b><u>Purchase Price</u></b>
LGI-GTIS Holdings II LLC Purchase	\$3,090,113.11	\$ 377,370.00	\$3,467,483.11

## FIRST AMENDMENT TO PURCHASE AGREEMENT

THIS FIRST AMENDMENT TO PURCHASE AGREEMENT (this "Amendment") is made as of the 24th day of October, 2013, by and between GTAM Mallard LLC, a Delaware limited liability company ("Seller"), and LGI Homes, Inc., a Delaware corporation ("Buyer"). Seller and Buyer are referred to together herein as the "Parties." All capitalized terms used and not defined herein shall have the meaning ascribed to such terms in the Purchase Agreement.

WHEREAS, Seller and Buyer are parties to that certain Purchase Agreement, dated as of August 28, 2013 (the "Purchase Agreement");

WHEREAS, Seller and Buyer desire to amend the Purchase Agreement and modify certain provisions thereof as provided herein; and

WHEREAS, pursuant to Section 9.9 of the Purchase Agreement, the Purchase Agreement may be amended only in writing signed by each Party.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, the Parties hereby agree as follows:

Section 5.4.2. Section 5.4.2 of the Purchase Agreement is hereby deleted in its entirety and replaced with the following text:

"Notwithstanding Section 5.4.1, in no event shall the Lock-up Period exceed one hundred eighty (180) days with respect to the Buyer Common Shares, except for the limited circumstances provided in the Lock-up Agreement, and, in the event and to the extent that the managing underwriter or Buyer permits varying Lock-up Periods with respect to the holders of shares of Common Stock, the Buyer Common Shares shall be subject to the shortest Lock-up Period permitted to any holder of shares of Common Stock (other than (a) Thomas Lipar and (b) EDSS Holdings, LP and RE Finance Partners, Ltd., but in the case of this clause (b), only with respect to the pro rata portion of shares of Common Stock attributable to the partnership interest owned by Thomas Lipar in EDSS Holdings, LP and RE Finance Partners, Ltd., respectively) by the managing underwriter and Buyer."

Section 5.4.3. Section 5.4.3 of the Purchase Agreement is hereby deleted in its entirety and replaced with the following text:

"Notwithstanding anything to the contrary contained in this Section 5.4, the Buyer Common Shares shall be released from any Lock-up in the event and to the extent that the managing underwriter or Buyer permits any discretionary waiver or termination of the restrictions of any Lock-up pertaining to any officer, director or any other holder of shares of Common Stock other than (a) Thomas Lipar and (b) EDSS Holdings, LP and RE Finance Partners, Ltd., but in the case of this clause (b), only with respect to the pro rata portion of shares of Common Stock attributable to the partnership interest owned by Thomas Lipar in EDSS Holdings, LP and RE Finance Partners, Ltd., respectively."

Exhibit B. Exhibit B to the Purchase Agreement is hereby amended and restated in its entirety in the form attached hereto as Exhibit A.

**Full Force and Effect.** Except as expressly modified by this Amendment, all of the terms, covenants, agreements, conditions and other provisions of the Purchase Agreement shall remain in full force and effect in accordance with their respective terms. As used in the Purchase Agreement, the terms “this Agreement,” herein, hereinafter, hereunder, hereto and words of similar import shall mean and refer to, from and after the date hereof, unless the context otherwise requires, the Purchase Agreement as amended by this Amendment.

**Governing Law.** This Amendment shall be governed by and construed in accordance with the Laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of New York.

**Counterparts.** This Amendment may be executed in one or more counterparts (including by means of facsimile or electronic means including .pdf form), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Amendment on the date first above written.

**SELLER:**

GTAM MALLARD LLC

By: /s/ Barry Ritholz  
Name: Barry Ritholz  
Title: Vice President

**BUYER:**

LGI HOMES, INC.

By: /s/ Eric T. Lipar  
Eric T. Lipar, Chief Executive Officer

**PURCHASE AGREEMENT**

**BY AND BETWEEN**

**GTIS LGI LP**

**AND**

**LGI HOMES, INC.**

**August 28, 2013**



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**Exhibits**

Exhibit A	Purchase Price Calculation
Exhibit B	Form of Assignment Agreement
Exhibit C	Form of Lock-up Agreement
Exhibit D	Form of Contribution Agreement

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## PURCHASE AGREEMENT

This Purchase Agreement is entered into on August 28, 2013, by and between GTIS LGI LP, a Delaware limited partnership (“Seller”), and LGI Homes, Inc., a Delaware corporation (“Buyer”). Seller and Buyer are referred to together herein as the “Parties.”

WHEREAS, LGI Homes Group, LLC, a Texas limited liability company and Affiliate of Buyer (“LGI Member”), and Seller are the record and beneficial owners of all of the issued and outstanding limited liability company interests of LGI-GTIS Holdings III LLC, a Delaware limited liability company (the “Company”), as more fully described in the Company’s Limited Liability Company Agreement;

WHEREAS, Buyer wishes to purchase from Seller, and Seller wishes to sell to Buyer, all of Seller’s limited liability company interests in the Company (the “Purchased Interests”) on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, the Parties agree as follows:

### DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

“Adverse Consequences” means all charges, complaints, claims, Proceedings, Liabilities, injunctions, judgments, orders, decrees, rulings, awards, damages, natural resource damages, dues, penalties, fines, costs, remedial or response action costs, Taxes, Liens, losses, expenses and fees, including court costs, reasonable attorneys’ and environmental consultants’ fees and expenses of investigation and litigation related thereto, in all cases, net of any insurance recoveries or tax benefits. “Adverse Consequences” shall not include special, consequential, punitive or exemplary damages or damages for lost profits or diminution in value or any loss of goodwill or possible business after the Closing, whether actual or prospective.

“Affiliate” means any Person that, directly or indirectly, through one or more Persons, controls, is controlled by or is under common control with the Person specified, where “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract, as trustee or executor or otherwise; provided, however, that the Company shall not be considered an Affiliate of Seller.

“Agreement” means this Purchase Agreement, including all Exhibits hereto.

“Ancillary Agreement” means any contract or other agreement that is entered into between Seller (or any of its Affiliates), on the one hand, and Buyer (or any of its Affiliates), on the other hand, pursuant to this Agreement on the Closing Date, including the Assignment Agreement, the Lock-up Agreement and the Contribution Agreement. The Ancillary Agreements executed by a specified Person shall be referred to as such Person’s Ancillary Agreements or by other similar expression.

“Assets” means the assets, properties and rights (tangible and intangible) of Buyer.

“Assignment Agreement” has the meaning set forth in Section 2.4.1.

“Business Day” means any day other than (a) any Saturday or Sunday or (b) any other day on which banks located in New York, New York generally are closed or authorized by Law to be closed for business.

“Buyer” has the meaning set forth in the preface.

“Buyer Cap Amount” has the meaning set forth in Section 8.4.1.

“Buyer Common Share Consideration” means the number of shares of Common Stock equal to the amount set forth on Exhibit A under the column “Buyer Common Share Consideration Total Value,” divided by the IPO Price.

“Buyer Common Shares” means the shares of Common Stock being issued as part of the Buyer Common Share Consideration.

“Buyer Indemnified Parties” has the meaning set forth in Section 8.2.

“Buyer IT Systems” has the meaning set forth in Section 4.12.2.

“Closing” has the meaning set forth in Section 2.3.

“Closing Cash Payment” means the amount set forth on Exhibit A under the column “Closing Cash Payment”.

“Closing Date” has the meaning set forth in the Underwriting Agreement.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commission” means the Securities and Exchange Commission.

“Common Stock” means the common stock, par value \$0.01 per share, of Buyer.

“Company” has the meaning set forth in the recitals.

“Contract” means any written or oral contract, agreement, license, lease, sales order, purchase order, indenture, mortgage, note, bond, warrant, instrument, undertaking, arrangement or commitment (including all amendments, supplements and modifications thereto).

“Contribution Agreement” has the meaning set forth in Section 2.4.1.

“Environmental Law” has the meaning set forth in Section 4.11.

“ERISA” has the meaning set forth in Section 4.14.

“Exchange Act” has the meaning set forth in Section 4.6.

“FCPA” has the meaning set forth in Section 4.18.

“Formation Transactions” has the meaning set forth in the Contribution Agreement.

“Fundamental Warranties” means the representations and warranties set forth in Sections 3.1 (Organization and Qualification of Seller), 3.2 (Due Authorization; Enforceability), 3.4 (Title to Purchased Interests), 4.1 (Organization of Buyer, LGI Member and LGI Group), 4.2 (Due Authorization; Enforceability), 4.4 (Capitalization; Valid Issuance of Buyer Common Shares; Formation Transactions) and 4.16 (Taxes).

“GAAP” means United States generally accepted accounting principles in effect from time to time applied consistently throughout the periods involved.

“Governmental Authority” means any federal, state, provincial, local or foreign government, or subdivision thereof, or any entity, body or authority exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any federal, state, provincial, local or foreign government, including any quasi-governmental entity established to perform such functions, in each case having jurisdiction over the Person, property or matter in question.

“Governmental Licenses” has the meaning set forth in Section 4.10.2.

“GTIS Name” has the meaning set forth in Section 5.6.

“Indemnified Party” has the meaning set forth in Section 8.5.1.

“Indemnifying Party” has the meaning set forth in Section 8.5.1.

“Intellectual Property” has the meaning set forth in Section 4.12.1.

“IPO” means the initial underwritten issuance of Common Stock by Buyer pursuant to an effective registration statement under the Securities Act filed by Buyer with the Commission on Form S-1 (or any successor form adopted by the Commission).

“IPO Closing” means the consummation of the IPO.

“IPO Price” means the public offering price per share of Common Stock as set forth on the cover page of the Prospectus.

“JV Assets” means the Assets of the JVs.

“JVs” means the Company, LGI-GTIS Holdings LLC, a Delaware limited liability company, LGI-GTIS Holdings II LLC, a Delaware limited liability company, and LGI-GTIS Holdings IV LLC, a Delaware limited liability company.

“Law” means any law, statute, regulation, ordinance, rule, order, decree, judgment, injunction, consent decree, settlement agreement or governmental requirement enacted, promulgated, entered into, agreed or imposed by any Governmental Authority.

“LGI Group” means LGI Member; LGI Homes Corporate, LLC, a Texas limited liability company; LGI Homes, Ltd., a Texas limited partnership; LGI Homes – Sunrise Meadow, Ltd., a Texas limited partnership; LGI Homes – Canyon Crossing, Ltd., a Texas limited partnership; and LGI Homes – Deer Creek, LLC, a Texas limited liability company.

“LGI Member” has the meaning set forth in the recitals.

“Liability” means any and all debts, liability, duty or obligation of any nature, whether pecuniary or not, asserted or unasserted, accrued or unaccrued, absolute or contingent, matured or unmatured, liquidated or unliquidated, determined or determinable, incurred or consequential, known or unknown and whether due or to become due.

“Lien” means any mortgage, pledge, lien, encumbrance, collateral assignment, security interest, easement, encroachment, restriction (including restriction on use), option, deed of trust, title retention, conditional sale or other security arrangement, or any license, order or charge, or any adverse claim of title, ownership or use, or agreement of any kind restricting transfer, or any other right of any third party or encumbrance whatsoever.

“Limited Liability Company Agreement” means the limited liability company agreement of the Company, dated as of November 18, 2011, by and among LGI Member, Seller and LGI Group (as amended from time to time until the date hereof).

“Lock-up” has the meaning set forth in Section 5.4.1.

“Lock-up Agreement” means the Lock-up Agreement, dated as of the date hereof, in the form attached hereto as Exhibit C.

“Lock-up Period” has the meaning set forth in Section 5.4.1.

“Material Adverse Effect” has the meaning set forth in Section 3.1.



“Ordinary Course of Business” means the ordinary course of business consistent with past custom and practice.

“Organizational Documents” means (a) articles of incorporation and the code of regulations or bylaws of a corporation, (b) any articles of organization and operating agreements of a limited liability company, (c) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person and (d) any amendment to any of the foregoing.

“Outside Date” has the meaning set forth in Section 7.1.2.

“Party” has the meaning set forth in the preface.

“Person” means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or other business entity or Governmental Authority.

“Plan” has the meaning set forth in Section 4.14.

“Proceedings” means any judicial or administrative action, investigation, audit, claim, suit, arbitration, proceeding or other litigation.

“Prospectus” means the final prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act.

“Purchase Agreements” means the (i) Purchase Agreement for the purchase of limited liability company interests in LGI-GTIS Holdings LLC, a Delaware limited liability company, (ii) Purchase Agreement for the purchase of limited liability company interests in LGI-GTIS Holdings II LLC, a Delaware limited liability company, and (iii) Purchase Agreement for the purchase of limited liability company interests in LGI-GTIS Holdings IV LLC, a Delaware limited liability company, in each case, of even date herewith and, in each case, by and among Buyer and certain of Seller’s Affiliates.

“Purchase Price” means the amount set forth on Exhibit A under the column “Purchase Price”.

“Purchased Interests” has the meaning set forth in the recitals.

“Registration Statement” means the registration statement on Form S-1 filed with the Commission with respect to shares of Common Stock, and all amendments thereto, a draft of which has been delivered to Seller as of the date of this Agreement.

“Rule 144” means Rule 144 as promulgated by the Commission under the Securities Act.

“Securities Act” means the Securities Act of 1933, as amended, or any successor thereto, as in effect at the time of reference.

“Seller” has the meaning set forth in the preface.

“Seller Indemnified Parties” has the meaning set forth in Section 8.3.

“Tax Return” means any return, report or other information or filing required to be supplied to a Governmental Authority or Person in connection with any Taxes, including any schedule or attachment thereto or amendment thereof.

“Taxes” means all taxes, charges, fees, duties, levies or other assessments (including income, gross receipts, net proceeds, ad valorem, turnover, real and personal property (tangible and intangible), sales, use, franchise, excise, goods and services, value added, stamp, user, transfer, fuel, excess profits, occupational, interest equalization, windfall profits, severance, payroll, unemployment and social security taxes) that are imposed by any Governmental Authority, and such term includes any interest, penalties or additions to tax attributable thereto or attributable to any nonpayment thereof.

“Third-Party Claim” has the meaning set forth in Section 8.5.1.

“Threshold” has the meaning set forth in Section 8.4.1.

“Transfer Taxes” has the meaning set forth in Section 9.11.

“Treasury Regulations” means the income tax regulations, including any temporary or proposed regulations, promulgated under the Code, as such regulations may be amended from time to time.

“Underwriting Agreement” means the Underwriting Agreement to be entered into prior to the Closing Date among Buyer, Deutsche Bank Securities Inc., JMP Securities LLC, J.P. Morgan Securities LLC and as representatives of the several underwriters named therein.

## **BASIC TRANSACTION**

**Purchase and Sale of Purchased Interests.** On and subject to the terms and conditions of this Agreement, at the Closing and for the consideration specified in this Article 2, Seller will sell, convey, assign, transfer and deliver to Buyer, and Buyer will purchase and receive from Seller, free and clear of all Liens, all of Seller’s rights and interests in and title to the Purchased Interests, which represent all of Seller’s limited liability company interests in the Company.

**Consideration.** At the Closing, Buyer agrees to (a) pay to Seller the Closing Cash Payment and (b) issue to Seller (or an Affiliate of Seller designated by Seller prior to the Closing) the Buyer Common Share Consideration.

**The Closing.** The closing of the transactions contemplated by this Agreement (the “Closing”) shall take place remotely via electronic exchange of signature pages on the Closing Date or such other place, date or time as the Parties may mutually determine. Once the Closing occurs, the Closing, and all transactions to occur at the Closing, shall be deemed to have taken place at, and shall be effective as of, 12:00:01 a.m. (Eastern Time) on the Closing Date.

**Deliveries at the Closing.**

At the Closing, Seller shall have duly executed and delivered (or have caused to be duly executed and delivered) to Buyer:

an assignment agreement, dated as of the Closing Date, assigning the Purchased Interests to Buyer, substantially in the form attached hereto as Exhibit B, (the “Assignment Agreement”);

a certificate of non-foreign status, in the form provided in Treasury Regulation §1.1445-2(b)(2)(iv), issued pursuant to and in compliance with Treasury Regulation §1.1445-2(b)(2), certifying that Seller is not a foreign person within the meaning of Treasury Regulation §1.1445-2(b)(2);

the Contribution Agreement by and among Buyer, Seller, each seller named in the other Purchase Agreements, Eric Lipar, Thomas Lipar and certain Affiliates of each of them named therein, substantially in the form attached hereto as Exhibit D (the “Contribution Agreement”); and

such other agreements, documents, instruments and writings as are expressly required to be delivered by Seller on or prior to the Closing Date pursuant to this Agreement or as may be reasonably requested by Buyer to carry out the intent and purposes of this Agreement.

At the Closing, Buyer shall have paid and duly executed and delivered (or have caused to be paid and duly executed and delivered), as applicable, to Seller:

the Closing Cash Payment;

a certificate from Buyer’s registrar and transfer agent, evidencing the issuance of the Buyer Common Shares to Seller (or an Affiliate of Seller designated by Seller prior to the Closing) and bearing a conspicuous legend stating that the shares have not been registered under the Securities Act or the securities law of any state and referring to the restrictions on transferability and sale of the shares;

the Assignment Agreement;

a certificate, dated no more than five (5) days prior to the Closing Date, from the Secretary of the State of Delaware, as to Buyer's good standing;

a certificate, dated as of the Closing Date, signed by the Secretary of Buyer (i) certifying that attached thereto is a true and complete copy of the resolutions duly and validly adopted by the board of directors (or other similar governing body) of Buyer approving the execution, delivery and performance of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby, including admission of Seller as a stockholder of Buyer, and that such resolutions are in full force and effect and not revoked and (ii) certifying that attached thereto are true and complete copies of the Organizational Documents of Buyer in effect at the Closing;

the Contribution Agreement; and

such other agreements, documents, instruments and writings as are expressly required to be delivered by Buyer or its Affiliates on or prior to the Closing Date pursuant to this Agreement or as may be reasonably requested by Seller to carry out the intent and purposes of this Agreement.

**Tax Treatment of Transaction.** The Parties agree that for U.S. federal income tax purposes Buyer's purchase of the Purchased Interests shall be characterized as an exchange qualifying under Section 351 of the Code in which Seller contributed the Purchased Interests to Buyer in exchange for (a) the Buyer Common Share Consideration and (b) the Closing Cash Payment unless such characterization is contrary to applicable U.S. federal income tax Law. The Parties agree to report the transaction in accordance with this treatment in all Tax Returns unless such treatment is contrary to applicable U.S. federal income tax Law.

## SELLER'S REPRESENTATIONS AND WARRANTIES

Seller represents and warrants to Buyer as of the date of this Agreement and as of the Closing Date, as follows:

**Organization and Qualification of Seller.** Seller is duly organized and is validly existing as a limited partnership in good standing under the Laws of the State of Delaware, with requisite power and authority to own or lease its properties and conduct its business. Seller is duly qualified to transact business and in good standing in all jurisdictions in which the conduct of its business requires such qualification except where the failure to be so qualified or be in good standing would not (i) have, individually or in the aggregate, a material adverse effect on the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of Seller or (ii) prevent the consummation of the transactions contemplated hereby (the occurrence of any such effect or any such prevention described in the foregoing clauses (i) and (ii) being referred to as a "Material Adverse Effect").

**Due Authorization; Enforceability.** Seller has full right, power and authority to execute and deliver this Agreement and its Ancillary Agreements, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement has been duly and validly executed and delivered by Seller and its Ancillary Agreements shall have been duly and validly executed and delivered by Seller on or prior to the Closing Date. This Agreement constitutes a legal, valid and binding obligation of Seller, and each of its Ancillary Agreements when executed and delivered shall constitute a legal, valid and binding obligation of Seller, in each case enforceable against Seller in accordance with its terms (assuming the due authorization, valid execution and delivery of this Agreement and each Ancillary Agreement by each other Person that is or will be a party thereto) and except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar Laws in effect which affect the enforcement of creditors' rights generally and by equitable limitations on the availability of specific remedies.

**Consents and Approvals; No Conflicts.**

Each approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body or any other Person not a party to this Agreement necessary in connection with the execution and delivery by Seller of this Agreement and its Ancillary Agreements or the consummation of the transactions contemplated hereby and thereby has been obtained or made and is in full force and effect.

The execution and delivery by Seller of this Agreement and each of its Ancillary Agreements and the consummation of the transactions herein and therein contemplated, and the fulfillment of the terms hereof and thereof do not and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or give any Person any additional right (including a termination right) under, permit cancellation of, or result in the creation of any Lien upon, or result in or constitute a circumstance which, with or without notice or lapse of time or both, would constitute any of the foregoing, any indenture, mortgage, deed of trust or other agreement or instrument to which Seller is a party or by which Seller or any of its properties is bound, or of its Organizational Documents or any law, order, rule or regulation judgment, order, writ or decree applicable to Seller of any court or of any government, regulatory body or administrative agency or other governmental body having jurisdiction over Seller or any of its properties or assets, except to the extent the same would not have a Material Adverse Effect.

**Title to Purchased Interests.** Seller is the record and beneficial owner of, and has good and valid title to, the Purchased Interests free and clear of all Liens. Seller is not a party to any option, warrant, purchase right or other Contract that could require Seller to sell, transfer or otherwise dispose of any such limited liability company interests of the Company (other than this Agreement). Seller is not a party to any voting trust, proxy or other Contract with respect to the voting of any limited liability company interests of the Company.

**No Brokers or Finders.** Neither Seller nor any of the JV's is a party to any contract, agreement or understanding with any Person that would give rise to a valid claim against Seller for a brokerage commission, finder's fee or like payment in connection with the transactions contemplated by this Agreement other than the "Avila Fee" as defined in the Limited Liability Company Agreement.

**Litigation.** There is no Proceeding pending or, to the knowledge of Seller, threatened against Seller that, individually or in the aggregate, would materially impair or delay the ability of Seller to effect the Closing. Seller is not subject to any outstanding injunction, judgment, order, decree, ruling or charge that, individually or in the aggregate, would materially impair or delay the ability of Seller to effect the Closing. To the knowledge of Seller, there is no legal, governmental, administrative or regulatory Proceeding pending or threatened in writing against the Company, or to which any property of the Company is or would reasonably be expected to be subject before any court or regulatory or administrative agency or otherwise which if determined adversely to the Company would, individually or in the aggregate, have a Material Adverse Effect.

**No Foreign Tax Status.** Seller is not a "foreign person" within the meaning of Section 1445 of the Code.

**Accredited Investor; Investment Intent.** Seller is an "accredited investor" as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act. Seller is acquiring the Buyer Common Shares for its own account for investment and not with a view to, or for sale or other disposition in connection with, any distribution of all or any part thereof, except in compliance with applicable federal and state securities Laws. Seller understands that the Buyer Common Shares will not have been registered pursuant to the Securities Act or any applicable state securities Laws, that the Buyer Common Shares will be characterized as "restricted securities" under federal securities laws, that under such Laws and applicable regulations the Buyer Common Shares cannot be sold or otherwise disposed of without registration under the Securities Act or an exemption therefrom and that the certificates representing the Buyer Common Shares will bear restrictive legends stating the foregoing. Seller further acknowledges that the Buyer Common Shares are neither offered nor sold to Seller pursuant to the Prospectus.

**No Other Representations or Warranties.** Except for the representations and warranties contained in this [Article 3](#), neither Seller nor any of its Affiliates or any of their respective stockholders, trustees, members, fiduciaries or representatives, nor any other Person has made or is making any other representation or warranty of any kind or nature whatsoever, oral or written, express or implied, with respect to the Company, this Agreement, the Ancillary Agreements or the transactions contemplated hereby. Except for the representations and warranties contained in this [Article 3](#), Seller disclaims, on behalf of itself and its Affiliates, (a) any other representations or warranties, whether made by Seller, any of its Affiliates or their respective stockholders, trustees, members, fiduciaries or representatives or any other Person and (b) all liability and responsibility for any other representation, warranty, opinion, projection, forecast, advice, statement or information made, communicated or furnished. Neither Seller, any of its Affiliates, any of their respective stockholders, trustees, members, fiduciaries or representatives nor any other Person has made or is making any representations or warranties to Buyer or its Affiliates or any other Person regarding the probable success or profitability of the Company (whether before or after the Closing), including regarding the possibility or likelihood of any application, challenge, Proceeding or review, regulatory or otherwise, including any increase, decrease or plateau in the volume of product or service, or revenue derived therefrom, related to the Company's business. Neither Seller, any of its Affiliates, any of their respective stockholders, trustees, members, fiduciaries or representatives nor any other Person will have or be subject to any liability or indemnification obligation to Buyer or its Affiliates or any other Person resulting from the delivery, dissemination or any other distribution to Buyer or its Affiliates or any other Person, or the use by Buyer or its Affiliates or any other Person, of any such information provided or made available to them by or on behalf of Seller, any of its Affiliates or any of their respective stockholders, trustees, members, fiduciaries or representatives or any other Person, including any information, documents, estimates, projections, forecasts or other forward-looking information, business plans or other material provided or made available to Buyer or its Affiliates or any other Person in certain "data rooms," confidential information memoranda or management presentations in anticipation or contemplation of the transactions contemplated by this Agreement.

## **BUYER REPRESENTATIONS AND WARRANTIES**

Buyer represents and warrants to Seller as of the date of this Agreement and as of the Closing Date, except as may be set forth in the Prospectus and except as otherwise provided herein, as follows:

**Organization of Buyer, LGI Member and LGI Group.** Buyer is duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware, with requisite power and authority to own or lease its properties and conduct its business. As of the date of this Agreement, each Person in the LGI Group is duly organized and is validly existing as a corporation, limited liability company or similar entity under the laws of the jurisdiction of its organization with requisite power and authority to own or lease its properties and conduct its business. As of the Closing Date, and after giving effect to the Formation Transactions, each Person in the LGI Group shall be duly organized and validly existing as a corporation, limited liability company or similar entity in good standing under the laws of the jurisdiction of its organization with requisite power and authority to own or lease its properties and conduct its business. As of the date of this Agreement, Buyer and each Person in the LGI Group is duly qualified to transact business and is in good standing in all jurisdictions in which the conduct of its business requires such qualification except where the failure to be so qualified or be in good standing would not have a Material Adverse Effect on Buyer or any Person in the LGI Group taken as a whole. As of the Closing Date, and after giving effect to the Formation Transactions, Buyer and each Person in the LGI Group will be duly qualified to transact business and in good standing in all jurisdictions in which the conduct of its business requires such qualification except where the failure to be so qualified or be in good standing would not have a Material Adverse Effect on Buyer or any Person in the LGI Group taken as a whole. The outstanding shares of capital stock or other equity interests of Buyer are duly authorized and validly issued, are fully paid and non-assessable.

**Due Authorization; Enforceability.** Buyer has full right, power and authority to execute and deliver this Agreement and its Ancillary Agreements, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement has been duly and validly executed and delivered by Buyer and each of Buyer's Ancillary Agreements shall have been duly and validly executed and delivered by Buyer on or prior to the Closing Date. This Agreement constitutes a legal, valid and binding obligation of Buyer, and each of its Ancillary Agreements when executed and delivered shall constitute a legal, valid and binding obligation of Buyer, in each case enforceable against Buyer in accordance with its terms, in each case assuming the due authorization, valid execution and delivery of this Agreement and each Ancillary Agreement by each other Person that is or will be a party thereto and except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar Laws in effect which affect the enforcement of creditors' rights generally and by equitable limitations on the availability of specific remedies.

**Consents and Approvals; No Conflicts.**

Except as may be set forth in the Prospectus, each approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body or any other Person not a party to this Agreement necessary in connection with the execution and delivery by Buyer of this Agreement and its Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby has been obtained or made and is in full force and effect as of the date of this Agreement, or will be obtained or made and in full force and effect on or prior to the Closing Date.

The execution and delivery by Buyer of this Agreement and each of its Ancillary Agreements and the consummation of the transactions herein and therein contemplated, and the fulfillment of the terms hereof and thereof do not and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or give any Person any additional right (including a termination right) under, permit cancellation of, or result in the creation of any Lien upon, or result in or constitute a circumstance which, with or without notice or lapse of time or both, would constitute any of the foregoing, any indenture, mortgage, deed of trust or other agreement or instrument to which Buyer or any Person in the LGI Group is a party or by which Buyer or any Person in the LGI Group or any of their respective properties is bound, or of their respective Organizational Documents or any law, order, rule or regulation, judgment, order, writ or decree applicable to Buyer or any Person in the LGI Group of any court or of any government, regulatory body or administrative agency or other governmental body having jurisdiction over Buyer or any Person in the LGI Group, or any of their properties or assets, except to the extent the same would not have a Material Adverse Effect.



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**Capitalization; Valid Issuance of Buyer Common Shares.**

As of the date of the Prospectus, the information set forth under the caption “Capitalization” in the Prospectus is true and correct. The Buyer Common Shares conform to the description thereof contained in the Prospectus. The form of certificates for the Buyer Common Shares conforms to the corporate law of the jurisdiction of Buyer’s incorporation and to any requirements of Buyer’s Organizational Documents.

The Buyer Common Shares are duly authorized and when issued and paid for as contemplated herein will be validly issued, fully paid and non-assessable; and no preemptive or similar rights of stockholders exist with respect to any of the Buyer Common Shares or the issue and sale thereof. The offering and sale of the Buyer Common Shares as contemplated by this Agreement does not give rise to any rights, other than those contemplated herein, for or relating to the registration of any shares of Common Stock.

**Financial Information.** As of the date of the Prospectus: (a) The combined financial statements of the LGI Group and the consolidated financial statements of each of the JVs and each of their respective subsidiaries, together with related notes and schedules as set forth in the Prospectus, comply in all material respects with the applicable requirements of the Securities Act and present fairly the financial position and the results of operations and cash flows of Buyer and/or the respective members of the LGI Group, as the case may be, at the indicated dates and for the indicated periods; (b) such financial statements and related schedules have been prepared in accordance with GAAP, except as disclosed therein, and all adjustments necessary for a fair presentation of results for such periods have been made; (c) the summary and selected financial and statistical data included in the Prospectus present fairly the information shown therein and such data has been compiled on a basis consistent with the financial statements presented therein and the books and records of Buyer; (d) the pro forma financial statements and other pro forma financial information included in the Prospectus present fairly the information shown therein, have been prepared in accordance in all material respects with the Commission’s rules and guidelines with respect to pro forma financial statements, have been properly compiled on the pro forma bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions or circumstances referred to therein; and (e) all disclosures contained in the Prospectus regarding “non-GAAP financial measures” (as such term is defined by the rules and regulations of the Commission) comply with Regulation G of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and Item 10 of Regulation S-K under the Securities Act, to the extent applicable.

**Absence of Undisclosed Liabilities.** As of the date of the Prospectus, neither Buyer nor any Person in the LGI Group has any material liabilities or obligations, direct or contingent (including any off-balance sheet obligations or any “variable interest entities” within the meaning of Financial Accounting Standards Board Interpretation No. 46), not disclosed in the Prospectus. There are no financial statements (historical or pro forma) that are required to be included in the Prospectus that are not included as required.

**Absence of Certain Events.** Except as may be set forth in the Prospectus, and except with respect to the JV Assets, since the date of the most recent financial statements included in the Prospectus, (i) there has not been any event, occurrence or development which would give rise to a Material Adverse Effect, (ii) there has not been any material transaction entered into or any material transaction that is probable of being entered into by Buyer or any Person in the LGI Group, other than transactions in the Ordinary Course of Business and the Formation Transactions, and (iii) neither Buyer nor any Person in the LGI Group has sustained any loss or interference with its business that is material to Buyer and the LGI Group taken as a whole and that is either from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority.

**Litigation.** As of the date of the Prospectus and except as may be set forth in the Prospectus, there is no legal, governmental, administrative or regulatory Proceeding pending or, to the knowledge of Buyer, threatened in writing against Buyer, or to which any property of Buyer is, or to the knowledge of Buyer, would reasonably be expected to be, subject, before any court or regulatory or administrative agency or otherwise which if determined adversely to Buyer would, individually or in the aggregate, have a Material Adverse Effect. As of the date of the Prospectus, there are no current or pending legal, governmental, administrative or regulatory Proceedings that are required under the Securities Act to be described in the Prospectus that are not so described in the Prospectus. As of the date of the Prospectus, there are no statutes, regulations or Contracts or other documents that are required under the Act to be filed as exhibits to the Registration Statement or described in the Registration Statement or the Prospectus that are not so filed as exhibits to the Registration Statement or described in the Registration Statement or the Prospectus.

**Compliance with Laws; Permits.**

Except as may be set forth in the Prospectus and except with respect to the JV Assets, neither Buyer nor any member of the LGI Group is or with the giving of notice or lapse of time or both, will be, (i) in violation of its Organizational Documents, (ii) in violation of or in default under any agreement, lease, contract, indenture or other instrument or obligation to which it is a party or by which it, or any of its properties, is bound or (iii) in violation of any law, order, rule or regulation judgment, order, writ or decree applicable to Buyer or any Person in the LGI Group of any court or of any government, regulatory body or administrative agency or other governmental body having jurisdiction over Buyer or any Person in the LGI Group, or any of their properties or assets, except in the case of clauses (ii) and (iii), for such violations or defaults as would not, individually or in the aggregate, have a Material Adverse Effect.

Except as would not, individually or in the aggregate, have a Material Adverse Effect, Buyer (i) holds all licenses, registrations, certificates and permits from governmental authorities (collectively, “Governmental Licenses”) which are necessary to the conduct of its business, (ii) is in compliance with the terms and conditions of all Governmental Licenses, and all Governmental Licenses are valid and in full force and effect, and (iii) has not received any written notice of Proceedings relating to the revocation or modification of any Governmental License.

**Environmental Matters.** Except as may be set forth in the Prospectus and except with respect to the JV Assets: (i) Buyer and each Person in the LGI Group have complied and are in compliance, in all material respects, with all applicable federal, state, local, foreign and international laws (including the common law), statutes, rules, regulations, orders, judgments, decrees or other legally binding requirements of any court, administrative agency or other governmental authority relating to pollution or to the protection of the environment, natural resources or human health or safety, or to the manufacture, use, generation, treatment, storage, disposal, release or threatened release of hazardous or toxic substances, pollutants, contaminants or wastes, or the arrangement for such activities which are effective as of the Closing Date (“Environmental Laws”); (ii) Buyer and each Person in the LGI Group have obtained and are in compliance, in all material respects, with all permits, licenses, authorizations or other approvals required of them under Environmental Laws to conduct their respective businesses and are not subject to any action to revoke, terminate, cancel, limit, amend or appeal any such permits, licenses, authorizations or approvals; (iii) neither Buyer nor any Person in the LGI Group is a party to any judicial or administrative Proceeding (including a notice of violation) under any Environmental Laws to which a governmental authority is also a party and which involves potential monetary sanctions, unless it could reasonably be expected that such Proceeding will result in monetary sanctions of less than \$100,000; and no such Proceeding has been threatened in writing or is known by Buyer or by any Person in the LGI Group to be contemplated; (iv) neither Buyer nor any Person in the LGI Group has received written notice or is otherwise aware of any pending or threatened in writing material claim or potential liability under Environmental Laws in respect of its past or present business, operations (including the disposal of hazardous substances at any off-site location), facilities or real property (whether owned, leased or operated) or on account of any predecessor or any person whose liability under any Environmental Laws it has agreed to assume; and neither Buyer nor any Person in the LGI Group is aware of any facts or conditions that could reasonably be expected to give rise to any such claim or liability; and (v) neither Buyer nor any Person in the LGI Group is aware of any matters regarding compliance with existing or reasonably anticipated Environmental Laws, or with any liabilities or other obligations under Environmental Laws (including asset retirement obligations), that could reasonably be expected to have a material effect on the capital expenditures, earnings or competitive position of Buyer and the LGI Group.

**Intellectual Property.** Except with respect to the JV Assets and as may be set forth in the Prospectus:

Buyer owns or possesses the right to use all patents, inventions, trademarks, trade names, service marks, logos, trade dress, designs, data, database rights, Internet domain names, rights of privacy, rights of publicity, copyrights, works of authorship, license rights, trade secrets, know-how and proprietary information (including unpatented and unpatentable proprietary or confidential information, inventions, systems or procedures) and other industrial property and intellectual property rights, as well as related rights, such as the right to sue for all past, present and future infringements or misappropriations of any of the foregoing, and registrations and applications for registration of any of the foregoing (collectively, “Intellectual Property”) necessary to conduct its business as presently conducted and currently contemplated to be conducted in the future. Neither Buyer nor any Person in the LGI Group, whether through their respective products and services or the conduct of their respective businesses, has infringed, misappropriated, conflicted with or otherwise violated, or is currently infringing, misappropriating, conflicting with or otherwise violating, and none of Buyer or any Person in the LGI Group has received any communication or notice of infringement of, misappropriation of, conflict with or violation of, any Intellectual Property of any other person or entity. Neither Buyer nor any Person in the LGI Group has received any communication or notice alleging that by conducting their business as set forth in the Prospectus, such parties would infringe, misappropriate, conflict with, or violate, any of the Intellectual Property of any other Person. Buyer knows of no infringement, misappropriation or violation by others of Intellectual Property owned by or licensed to the Buyer or any Person in the LGI Group. Buyer and each Person in the LGI Group have taken all reasonable steps necessary to secure their interests in such Intellectual Property from their employees and contractors and to protect the confidentiality of all of their confidential information and trade secrets.

None of the Intellectual Property or technology (including information technology and outsourced arrangements) employed by Buyer or the LGI Group has been obtained or is being used by Buyer or the LGI Group in violation of any contractual obligation binding on Buyer or any Person in the LGI Group or any of their respective officers, directors or employees or otherwise in material violation of the rights of any Persons. Buyer and each Person in the LGI Group own or have a valid right to access and use all computer systems, networks, hardware, software, databases, websites, and equipment used to process, store, maintain and operate data, information, and functions used in connection with the business of Buyer and the LGI Group (the “Buyer IT Systems”). The Buyer IT Systems are adequate for, and operate and perform in all material respects as required in connection with, the operation of the business of Buyer and the LGI Group as currently conducted, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Buyer and each Person in the LGI Group have implemented commercially reasonable backup, security and disaster recovery technology consistent in all material respects with applicable regulatory standards and customary industry practices.

**Real Property.** As of the date of the Prospectus, except with respect to the JV Assets, and except as may be set forth in the Prospectus, Buyer and each Person in the LGI Group has good and marketable title to all of the properties and assets reflected in the financial statements hereinabove described or described in the Prospectus, subject to no lien, mortgage, pledge, charge or encumbrance of any kind except those reflected in such financial statements or described in the Prospectus or which (i) do not materially interfere with the use made and proposed to be made of such property by Buyer or (ii) would not, individually or in the aggregate, have a Material Adverse Effect. Buyer and the LGI Group occupy their leased properties under valid and binding leases (subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles) conforming in all material respects to the descriptions thereof set forth in the Prospectus.

**Employee Benefits.** (i) Each "employee benefit plan" (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA")) for which Buyer or any member of its "Controlled Group" (defined as any organization that is a member of a controlled group of corporations within the meaning of Section 414 of the Code) would have liability (each a "Plan") is in compliance in all material respects with all presently applicable statutes, rules and regulations, including ERISA and the Code; (ii) with respect to each Plan subject to Title IV of ERISA (a) no "reportable event" (as defined in Section 4043 of ERISA) has occurred for which Buyer or any member of its Controlled Group would have any liability; and (b) neither Buyer nor any member of its Controlled Group has incurred or expects to incur liability under Title IV of ERISA (other than for contributions to the Plan or premiums payable to the Pension Benefit Guaranty Corporation, in each case in the ordinary course and without default); (iii) no Plan which is subject to Section 412 of the Code or Section 302 of ERISA has failed to satisfy the minimum funding standard within the meaning of such sections of the Code or ERISA; and (iv) to the knowledge of Buyer, each Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification.

**Labor Matters.** Except as may be set forth in the Prospectus, no labor disturbance by or dispute with employees of Buyer or any Person in the LGI Group exists or, to the knowledge of Buyer, is contemplated or threatened.

**Taxes.** Except with respect to the JVs, Buyer and each Person in the LGI Group has filed all material U.S. federal, state, and local tax returns which have been required to be filed and have paid all taxes indicated by such returns and all assessments received by them or any of them to the extent that such taxes have become due, except for any such taxes currently being contested in good faith, in an amount the payment of which by Buyer would not, individually or in the aggregate, have a Material Adverse Effect and for which an adequate reserve or accrual has been established in accordance with GAAP. All tax liabilities have been adequately provided for in the financial statements of Buyer, and Buyer does not know of any actual or proposed additional material tax assessments.

**Insurance.** Buyer and each Person in the LGI Group carry, or are covered by, insurance from insurers of recognized financial responsibility, in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties and as is prudent and customary for companies engaged in similar businesses; neither Buyer nor any Person in the LGI Group has been refused any coverage under insurance policies sought or applied for; and the Company and the LGI Entities have no reason to believe that they will not be able to renew their existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue their respective businesses at a cost that would not, individually or in the aggregate, have a Material Adverse Effect.

**Certain Business Practices.** Neither Buyer nor any Person in the LGI Group nor any director, officer, agent, employee, or other person associated with or acting on behalf of Buyer or any Person in the LGI Group: (i) has used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) has made any direct or indirect unlawful contribution or payment to any official of, or candidate for, or any employee of, any federal, state or foreign office from corporate funds; (iii) has made any bribe, unlawful rebate, payoff, influence payment, kickback or other unlawful payment; or (iv) is aware of or has taken any action, directly or indirectly, that would result in a violation by such Persons of the OECD Convention on Bribery of Foreign Public Officials in International Business Transactions, the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (collectively, the “FCPA”) or any similar law or regulation to which Buyer or any Person in the LGI Group, any director, officer, agent, employee, or other person associated with or acting on behalf of Buyer is subject. Buyer and the members of the LGI Group have each conducted their businesses in compliance with the FCPA and any applicable similar law or regulation and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith, except any non-compliance which would not have a Material Adverse Effect.

**No Brokers or Finders.** Except as may be described in the Prospectus, neither Buyer nor any Person in the LGI Group is a party to any contract, agreement or understanding with any Person (other than the Underwriting Agreement and the “Avila Fee” as defined in the Limited Liability Company Agreement) that would give rise to a valid claim against Buyer or any Person in the LGI Group for a brokerage commission, finder’s fee or like payment in connection with the transactions contemplated by this Agreement.

**Full Disclosure.** No representation or warranty made by Buyer in this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make any of them, in light of the circumstances under which they were made, not misleading.

## COVENANTS

**Operation of Business.** From the date of this Agreement until the Closing Date, the Company shall, and Buyer shall cause LGI Member to cause the Company to, operate and maintain its business in the Ordinary Course of Business and use best efforts to preserve intact its business organization and operations. Buyer shall cause LGI Member to continue to operate and maintain the Company in good faith and pursuant to the Limited Liability Company Agreement, including operating the Company in accordance with the business plans of the Company, making all distributions and contributions and obtaining all necessary consents and approvals (including with respect to Major Decisions (as defined therein)) thereunder, in each case, as if no IPO was anticipated. Notwithstanding anything to the contrary in this Agreement, immediately prior to the Closing, Buyer shall cause LGI Member, in its capacity as the “Managing Member” of the Company, to distribute Excess Cash (as defined in the Limited Liability Company Agreement) to the Members (as defined in the Limited Liability Company Agreement) in amounts determined in good faith in accordance with the Limited Liability Company Agreement.

**Buyer Organization.** From the date of this Agreement until the Closing Date, Buyer shall not, without the written consent of Seller or as required by Law: (a) amend or authorize amendment of its Organizational Documents; or (b) rescind or modify, or authorize rescission or modification of, any resolution adopted by its board of directors or stockholder with respect to the transactions contemplated in this Agreement.

**Additional Cooperation.** Without limiting the other provisions of this Article 5, each Party shall use commercially reasonable efforts to take all actions and to do all things necessary, proper or advisable in order to consummate and make effective the transactions contemplated by this Agreement.

**Lock-Up.**

Seller agrees that in connection with the IPO, the managing underwriter may, during the period commencing on the IPO Closing Date until the date specified by such managing underwriter (the “Lock-up Period”), restrict holders of shares of Common Stock, without the prior written consent of such managing underwriter, from (a) offering, pledging, selling, contracting to sell, granting any option or contract to purchase, purchasing any option or contract to sell, hedging the beneficial ownership of or otherwise disposing of, directly or indirectly, any shares of Common Stock or any securities convertible into, exercisable for or exchangeable for shares of Common Stock (whether such shares or any such securities are then owned by such holder or are thereafter acquired), or (b) entering into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (a) or (b) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise (the “Lock-up”).

Notwithstanding Section 5.4.1, in no event shall the Lock-up Period exceed one hundred eighty (180) days with respect to the Buyer Common Shares, except for the limited circumstances provided in the Lock-up Agreement, and, in the event and to the extent that the managing underwriter or Buyer permits varying Lock-up Periods with respect to the holders of shares of Common Stock, the Buyer Common Shares shall be subject to the shortest Lock-up Period permitted to any holder of shares of Common Stock (other than Thomas Lipar) by the managing underwriter and Buyer.

Notwithstanding anything to the contrary contained in this Section 5.4, the Buyer Common Shares shall be released from any Lock-up in the event and to the extent that the managing underwriter or Buyer permits any discretionary waiver or termination of the restrictions of any Lock-up pertaining to any officer, director or any other holder of shares of Common Stock other than Thomas Lipar.

**Release and Waiver of Claims.** Effective as of the Closing,

Subject to Article 8, Buyer, on behalf of itself and its beneficiaries and Affiliates, completely and irrevocably releases and forever discharges Seller and its Affiliates, and their respective directors, officers, managers, members, stockholders, principals, employees, agents, representatives, predecessors, successors and assigns, from any and all claims and Adverse Consequences arising out of or in any way related, directly or indirectly, to the conduct or operation of the Company prior to the Closing.

Seller, on behalf of itself and its beneficiaries and Affiliates, completely and irrevocably waives any and all claims Seller or its beneficiaries or Affiliates may have to any additional ownership in the Company or any ownership in Buyer other than the Buyer Common Shares, and Seller hereby authorizes the appropriate officers of the Company to execute and deliver such documents and take such other actions as may be required or advisable to carry out the effect of the release and waiver described in this Section 5.5.

Notwithstanding anything to the contrary in this Section 5.5, no rights of any Party arising under, or the right of any Party to enforce, this Agreement or any Ancillary Agreement, as applicable, shall be affected by this Section 5.5.

**GTIS Name.** Within 60 days after the Closing Date, Buyer shall file, or shall cause to be filed, an amendment to the Company's certificate of formation with the Secretary of State of the State of Delaware changing the Company's name to a name that does not include the phrase "GTIS" or any name confusingly or misleadingly similar thereto (the "GTIS Name"), such amendment to be effective as soon as practicable following the Closing Date. Thereafter, Buyer shall not use the GTIS Name, other than (a) in a neutral, non-trademark sense to discuss the history of the business of the Company or (b) as required by applicable Law. Buyer and its Affiliates acknowledge that they are not acquiring, directly or indirectly, any right, title or interest in and to the GTIS Name or any trademark of Seller.

**Registration of Buyer Common Shares; Participation in Future Equity Offering.** Following the Lock-Up Period and any other legally required waiting period, if Seller is unable to sell all of its Buyer Common Shares under Rule 144, or Seller is unable to sell all of its Buyer Common Shares in routine brokerage transactions within any ninety day period, then upon the written request of Seller, Buyer and Seller shall enter into a registration rights agreement providing for the registration of the Buyer Common Shares on customary and reasonable terms, including customary indemnification provisions. From and after the Closing, prior to a follow-on offering of Common Stock, Buyer shall provide written notice to Seller within twenty (20) Business Days of such offering, and Buyer shall permit Seller to sell any or all of its Buyer Common Shares in such offering if Seller notifies Buyer in writing within ten (10) Business Days of Buyer's written notice.



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## CONDITIONS TO OBLIGATION TO CLOSE.

**Conditions to Each Party's Obligation.** The obligations of each Party to consummate the transactions contemplated by this Agreement are subject to the satisfaction (or, to the extent permitted by applicable Law, the waiver by the applicable Party) of the following conditions on or before the Closing Date:

No injunction, restraint or prohibition by any court or other Governmental Authority of competent jurisdiction that prohibits the consummation of the transactions contemplated by this Agreement shall have been entered and shall continue to be in effect.

The IPO Closing shall have occurred.

All of the conditions to each party's obligations under each of the Purchase Agreements shall have been satisfied or waived (other than such conditions that by their nature are to be satisfied at the Closing) such that the transactions contemplated thereby shall be consummated simultaneously with the Closing.

Buyer shall have consummated the Formation Transactions (other than the transactions contemplated in this Agreement).

**Additional Conditions to Buyer's Obligation.** Buyer's obligation to consummate the transactions contemplated by this Agreement is further subject to the satisfaction (or the waiver by Buyer) of the following conditions on or before the Closing Date:

Each of the representations and warranties of Seller set forth in Article 3 shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date.

Seller shall have performed and complied with, in all material respects, all of the covenants and agreements in this Agreement required to be performed and complied with by Seller on or prior to the Closing Date.

Seller shall have delivered to Buyer a certificate, dated as of the Closing Date, executed by Seller, certifying as to the satisfaction of the conditions set forth in Sections 6.2.1 and 6.2.2.

Seller shall have duly executed and delivered (or have caused to be duly executed and delivered) to Buyer all of the deliveries set forth in Section 2.4.1.

**Additional Conditions to Seller's Obligation.** Seller's obligation to consummate the transactions contemplated by this Agreement is further subject to the satisfaction (or the waiver by Seller) of the following conditions on or before the Closing Date:

Each of the representations and warranties of Buyer set forth in Article 4 shall be true and correct in all material respects as of the date of this Agreement (except for those representations and warranties made as of the date of the Prospectus, which shall be true and correct in all material respects as of the date of the Prospectus) and as of the Closing Date.

Buyer shall have performed and complied with in all material respects all of the covenants and agreements in this Agreement required to be performed and complied with by Buyer on or prior to the Closing.

Buyer shall have delivered to Seller a certificate to the effect that each of the conditions specified in Sections 6.3.1 and 6.3.2 has been satisfied in all respects.

Buyer shall have duly executed and delivered (or have caused to be duly executed and delivered) to Seller all of the deliveries set forth in Section 2.4.2.

## TERMINATION

**Termination of Agreement.** This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing as provided below:

Seller, on the one hand, and Buyer, on the other hand, may terminate this Agreement by mutual consent at any time prior to the Closing.

Buyer may terminate this Agreement by giving notice to Seller: (a) in the event Seller breaches any covenant contained in this Agreement, Buyer has notified Seller of the breach, and the breach has continued without cure for a period of ten (10) days after the notice of breach; or (b) if the Closing shall not have occurred on or before February 28, 2014 (the "Outside Date"), by reason of the failure of any condition precedent under Section 6.2 (unless the failure results primarily from a breach by Buyer of any representation, warranty or covenant contained in this Agreement).

Seller may terminate this Agreement by giving notice to Buyer: (a) in the event Buyer breaches any covenant contained in this Agreement, Seller has notified Buyer of the breach, and the breach has continued without cure for a period of ten (10) days after the notice of breach; or (b) if the Closing shall not have occurred on or before the Outside Date, by reason of the failure of any condition precedent under Section 6.3 (unless the failure results primarily from a breach by Seller of any representation, warranty or covenant contained in this Agreement).

**Effect of Termination.** If any Party terminates this Agreement pursuant to Section 7.1, (a) this Agreement shall be void and of no further force and effect, (b) the transactions contemplated by this Agreement shall be abandoned without further action by any Party and (c) all rights and obligations of the Parties hereunder shall terminate without any Liability of any Party to any other Party, except for any Liability with respect to any breach of this Agreement prior to such termination and except for this Section 7.2 and Article 9, which shall survive the termination of this Agreement.

## INDEMNIFICATION

**Survival of Representations and Warranties.** All of the representations and warranties of the Parties contained in this Agreement shall survive the Closing and continue in full force and effect until the date that is eighteen (18) months after the Closing Date; provided, that the Fundamental Warranties shall survive the Closing and continue in full force until the expiration of the applicable statute of limitations. No claim may be made with respect to any alleged breach of a representation or warranty contained in this Agreement unless notice of such claim is given to Seller or Buyer, as applicable, within the period specified in the immediately preceding sentence, in which case the survival period with respect to the applicable representation and warranty, as it relates to such claim, shall be extended until such claim is resolved. The covenants and agreements of the Parties contained in this Agreement shall survive the Closing Date in accordance with their terms or, if no term is stated, indefinitely.

**Indemnification by Seller.** Seller agrees, subject to the other terms, conditions and limitations of this Article 8, to indemnify Buyer and its Affiliates and each of their respective directors, officers, employees and representatives (collectively, the “Buyer Indemnified Parties”), against, and hold the Buyer Indemnified Parties harmless from, all Adverse Consequences suffered or incurred by any Buyer Indemnified Party arising out of or related to: (a) any breach by Seller of any representation or warranty made by Seller in this Agreement or any Ancillary Agreement; or (b) any failure by Seller to perform or comply with any covenant or agreement contained in this Agreement or any Ancillary Agreement. Notwithstanding anything to the contrary contained herein, Seller shall not be liable for any Adverse Consequences to the extent such Adverse Consequences (i) arise out of any act, omission, transaction or arrangement carried out by, or on behalf of any Buyer Indemnified Party after the date hereof, (ii) would not have arisen but for any change in the operation of the Company consented to by Buyer or its Affiliates after the Closing Date or (iii) arose or were increased as a direct or indirect result of any increase in Tax rates or a change in Law occurring after the date hereof.

**Indemnification by Buyer.** Buyer agrees, subject to the other terms, conditions and limitations of this Article 8, to indemnify Seller and its Affiliates and each of their respective directors, officers, employees and representatives (collectively, the “Seller Indemnified Parties”), against, and hold the Seller Indemnified Parties harmless from, all Adverse Consequences suffered or incurred by any Seller Indemnified Party arising out of or related to: (a) any breach of any representation or warranty made by Buyer in this Agreement or any Ancillary Agreement; (b) any failure by Buyer to perform or comply with any covenant or agreement contained in this Agreement or any Ancillary Agreement; (c) the conduct or operation of the Company from and after the Closing; or (d) any Third-Party Claims made against Seller Indemnified Parties arising out of or related to the IPO and the prospectus and registration statement used in connection therewith. Notwithstanding anything to the contrary contained herein, Buyer shall not be liable for any Adverse Consequences to the extent such Adverse Consequences (i) arise out of any act, omission, transaction or arrangement carried out by, or on behalf of any Seller Indemnified Party after the date hereof, (ii) would not have arisen but for any change in the operation of the Company consented to by Seller or its Affiliates prior to the Closing Date or (iii) arose or were increased as a direct or indirect result of any increase in Tax rates or a change in Law occurring after the date hereof.

**Limitations on Indemnity.**

Seller Indemnified Parties agree not to seek recourse against, and shall not recover from Buyer on account of any Adverse Consequences pursuant to Section 8.3(a), Section 8.3(b) or Section 8.3(c) until the aggregate amount of all such Adverse Consequences exceeds two percent (2.0%) of the Purchase Price (the “Threshold”) in which event Buyer shall be responsible for the aggregate amount of all Adverse Consequences regardless of the Threshold up to the Buyer Cap Amount. The aggregate Liability of Buyer under Section 8.3(a), Section 8.3(b) or Section 8.3(c) shall not exceed the amount set forth on Exhibit A under the column “Buyer Common Share Consideration Total Value” (the “Buyer Cap Amount”).

The Buyer Indemnified Parties agree not to seek recourse against, and shall not recover from the Seller on account of any Adverse Consequences pursuant to Section 8.2 until the aggregate amount of all such Adverse Consequences exceeds the Threshold in which event Seller shall be responsible for the aggregate amount of all Adverse Consequences regardless of the Threshold up to the Purchase Price. The aggregate Liability of Seller under Section 8.2 shall not exceed the Purchase Price.

**Matters Involving Third Parties.**

If any third party notifies any Party (the “Indemnified Party”) of any matter (including any Proceeding by or in respect of such third party) (a “Third-Party Claim”) that may give rise to a claim for indemnification against any other Party (the “Indemnifying Party”) under this Article 8, then the Indemnified Party shall promptly notify each Indemnifying Party thereof; provided, that the failure of the Indemnified Party to give such prompt notice shall not relieve the Indemnifying Party of its obligations under this Article 8 except to the extent (if any) that the Indemnifying Party shall have been actually materially prejudiced thereby.

Any Indemnifying Party shall have the right to assume and thereafter conduct the defense of the Third-Party Claim at its own expense and with counsel reasonably satisfactory to the Indemnified Party; provided, that the Indemnifying Party shall not consent to the entry of any judgment or enter into any settlement with respect to any Third-Party Claim without the prior consent of the Indemnified Party unless the judgment or proposed settlement: (a) involves only the payment of money damages (all of which will be paid by the Indemnifying Party); (b) does not impose an injunction or other equitable relief upon the Indemnified Party; (c) does not include the admittance of any fault; (d) involves a dismissal of the underlying claim without prejudice (if applicable); (e) includes a full release by the plaintiff or claimant of all Indemnified Parties from any Liability; and (f) includes a provision whereby the plaintiff or claimant in the matter is prohibited from disclosing publicly any information regarding the Third-Party Claim or such relief without the Indemnified Party's prior consent. Notwithstanding the foregoing, the Indemnifying Party shall not be entitled to assume the defense of, defend, compromise or settle any such Third-Party Claim in the name of the Indemnified Party if: (i) the Indemnifying Party fails to defend or fails to prosecute the defense within a reasonable time period (not to exceed thirty (30) days from the date the Indemnified Party provides notice of such Third-Party Claim) or withdraws from such defense; (ii) the Indemnified Party shall have determined in good faith that an actual or potential conflict of interest makes representation of the Indemnifying Party and Indemnified Party by the same counsel or the counsel selected by the Indemnifying Party inappropriate; or (iii) the Third-Party Claim is a criminal Proceeding. If the Indemnified Party has assumed the defense of the Third-Party Claim, the Indemnified Party shall not consent to the entry of any judgment or enter into any settlement with respect to such Third-Party Claim without the prior consent of the Indemnifying Party (such consent not to be unreasonably withheld).

The Indemnified Party and its counsel may participate in the defense of a Third-Party Claim even if the Indemnifying Party chooses to assume and conduct the defense of such Third-Party Claim, but in such case the expenses of the Indemnified Party's additional counsel shall be paid by the Indemnified Party.

**Characterization of Indemnification Payments.** All indemnification payments under this Article 8 shall be deemed adjustments to the Purchase Price. If, contrary to the intent of the Parties as expressed in the preceding sentence, any payment made pursuant to this Article 8 is treated as taxable income of an Indemnified Party, then, subject to the other terms, conditions and limitations of this Agreement, the Indemnifying Party shall indemnify and hold harmless the Indemnified Party from any Liability for additional Taxes attributable to the receipt of such payment.

**Remedies; Exclusive Remedy.** Subject to Section 9.13, except in the case of fraud, willful misrepresentation and willful breach, the rights and remedies under this Article 8 are exclusive and in lieu of any and all other rights and remedies that the Seller Indemnified Parties may have against Buyer or the Buyer Indemnified Parties may have against Seller under this Agreement or otherwise with respect to the Company or any breach of any representation or warranty or any failure to perform any covenant or agreement set forth in this Agreement. Seller and Buyer expressly waive any and all other rights, remedies and causes of action it or its Affiliates may have against Buyer and Seller, respectively, now or in the future under any Law with respect to the transactions contemplated by this Agreement. The remedies expressly provided in this Agreement shall constitute the sole and exclusive basis for and means of recourse between Seller and Buyer with respect to the transactions contemplated by this Agreement.

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## MISCELLANEOUS

**No Third-Party Beneficiaries.** This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns; provided, that the Buyer Indemnified Parties and the Seller Indemnified Parties are intended third-party beneficiaries of Article 8.

**Entire Agreement.** This Agreement, together with any Exhibits and the Ancillary Agreements, constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements or representations by or among the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

**Succession and Assignment.** This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective personal representatives, heirs, successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written consent of the other Party.

**Counterparts.** This Agreement may be executed in one or more counterparts (including by means of facsimile or electronic means including .pdf form), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**Headings.** The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

**Notices.** All notices, requests, demands, claims, and other communications hereunder shall be in writing and shall be deemed duly given (a) when delivered personally to the recipient, (b) one (1) Business Day after being sent to the recipient by reputable overnight courier service (charges prepaid), (c) one (1) Business Day after being sent to the recipient by facsimile transmission or email if the sender on the same day sends a confirming copy of such notice by a reputable overnight courier service (charges prepaid), or (d) four (4) Business Days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, and addressed to the intended recipient as set forth below:

If to Seller:

GTIS Partners LP  
681 Schofield Road  
The Presidio  
San Francisco, CA 94129  
Attn: Thomas M. Feldstein,  
General Counsel  
Facsimile: (415) 674-4228  
Email: tfeldstein@gtispartners.com

and

GTIS Partners LP  
45 Rockefeller Plaza  
31<sup>st</sup> Floor  
New York, NY 10111  
Attn: Robert Vahradian  
Facsimile: (212) 220-5296  
Email: rvahradian@gtispartners.com

If to Buyer:

LGI Homes, Inc.  
1450 Lake Robbins Drive, Suite 430  
The Woodlands, Texas 77380  
Attn: Eric Lipar, CEO  
Facsimile: (281) 210-2601  
Email: elipar@lghomes.com

Copy to:

Mayer Brown LLP  
71 South Wacker Drive  
Chicago, IL 60606  
Attn: David Malinger  
Facsimile: (312) 701-7711  
Email: DMalinger@mayerbrown.com

Copy to:

Winstead PC  
1100 JPMorgan Chase Tower  
600 Travis Street  
Houston, Texas 77002  
Attn: Warren Hoffman  
Facsimile: (713) 650-2400  
Email: whoffman@winstead.com

Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

**Governing Law.** This Agreement shall be governed by and construed in accordance with the Laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of New York.

**Waiver of Jury Trial.** Each Party acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each such Party hereby irrevocably and unconditionally waives any right such Party may have to a trial by jury in respect of any litigation directly or indirectly arising out of or related to this Agreement or the transactions contemplated hereby. Each Party certifies and acknowledges that it: (a) understands and has considered the implications of this waiver; (b) makes this waiver voluntarily; and (c) has been induced to enter into this Agreement by, among other things, the mutual waiver in this Section 9.8.

**Amendments and Waivers.** No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each Party. No waiver by any party of any condition or provision of this Agreement or any default, misrepresentation or breach of any representation, warranty, covenant or agreement hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the party making such a waiver, nor shall such waiver be deemed to extend to any prior or subsequent default, misrepresentation or breach of any representation, warranty, covenant or agreement hereunder, or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

**Severability.** Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

**Expenses.** Except as otherwise provided in this Agreement, each Party shall bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby; provided, that all transfer, documentary, sales, use, stamp, registration and other such Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement ("Transfer Taxes") shall be borne by Buyer, and each Party agrees to file all necessary documentation (including all Tax Returns) with respect to such Transfer Taxes in a timely manner, and, if required by applicable Law, the Parties shall, and shall cause their Affiliates to, join in the execution of any such Tax Returns and other documentation.

**Further Assurances.** After the Closing Date, Seller shall, from time to time at Buyer's request and expense, execute and deliver, or cause to be executed and delivered, such further instruments of conveyance, assignment and transfer or other documents, and perform such further acts and obtain such further consents, as Buyer may reasonably require in order to fully effect the conveyance and transfer to Buyer or its designees of the Purchased Interests, or to otherwise comply with the provisions of this Agreement and consummate the transactions contemplated by this Agreement and the Ancillary Agreements.



**Specific Performance.** The Parties acknowledge and agree that the failure of Buyer or Seller to perform its agreements and covenants hereunder and in the Ancillary Agreements, including its failure to take all actions as are necessary on its part to consummate the transactions contemplated hereby and thereby, will cause irreparable injury to Seller or Buyer, respectively, for which damages, even if available, will not be an adequate remedy. Accordingly, each party hereby consents to the issuance of injunctive relief (without requirement to post any bond or other security) by any court of competent jurisdiction to compel performance of each Party's obligations and to the granting by any court of the remedy of specific performance of its obligations hereunder and the terms hereof. For the avoidance of doubt, the Parties agree that Buyer or Seller may seek to compel specific performance by Seller or Buyer, respectively, for the consummation of the transactions contemplated hereunder. Notwithstanding anything to the contrary in this Agreement, if all of the conditions under Sections 6.1 and 6.2 (other than those conditions that may only be satisfied on the Closing Date, provided that such conditions are capable of being satisfied) have been satisfied on or prior to the Outside Date, or have been waived in whole or in part by Buyer prior to the Outside Date, and Buyer fails to effect the Closing in breach of its obligations hereunder, then (a) Seller shall have been caused irreparable harm, (b) money damages will be inadequate to remedy such harm, and (c) Seller shall be entitled, without the requirement of posting a bond or other security, to obtain equitable relief, including obtaining an order requiring specific performance by Buyer of the terms of this Agreement. Notwithstanding anything to the contrary in this Agreement, if all of the conditions under Sections 6.1 and 6.3 (other than those conditions that may only be satisfied on the Closing Date, provided that such conditions are capable of being satisfied) have been satisfied on or prior to the Outside Date, or have been waived in whole or in part by Seller prior to the Outside Date, and Seller fails to effect the Closing in breach of its obligations hereunder, then (a) Buyer shall have been caused irreparable harm, (b) money damages will be inadequate to remedy such harm, and (c) Buyer shall be entitled, without the requirement of posting a bond or other security, to obtain equitable relief, including obtaining an order requiring specific performance by Seller of the terms of this Agreement.

**Construction.**

The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

Any reference to any federal, state, local or foreign Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

Unless the context otherwise requires, as used in this Agreement, (a) "including" and its variants mean "including, without limitation" and its variants, and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it; (b) words defined in the singular have the parallel meaning in the plural and vice versa; (c) the terms "hereof," "herein," "hereby," "hereto," and derivative or similar words refer to this entire Agreement and any Exhibits hereto; (d) all Sections and Exhibits referred to herein are, respectively, Sections of, and Exhibits to, this Agreement; (e) words importing any gender shall include other genders; (f) a dollar figure (\$) used in this Agreement shall mean United States dollars; (g) any reference to "days" means calendar days, unless Business Days are expressly specified; and (h) the use of "or" is not intended to be exclusive unless expressly indicated otherwise.

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A reference to a notice, consent or approval to be delivered under or pursuant to this Agreement means a written notice, consent or approval.

A reference to any Person includes such Person's successors and assigns to the extent such successors or assigns are permitted by the terms of the applicable agreement.

All payments under or pursuant to this Agreement shall be made by wire transfer in United States dollars in immediately available funds.

**Incorporation of Exhibits.** The Exhibits identified in this Agreement are incorporated herein by reference and made a part hereof.

\* \* \* \* \*

IN WITNESS WHEREOF, the Parties have executed this Purchase Agreement on the date first above written.

**SELLER:**

GTIS LGI LP

By: /s/ Thomas M. Feldstein  
Name: Thomas M. Feldstein  
Title: General Counsel

**BUYER:**

LGI HOMES, INC.

By: /s/ Eric T. Lipar  
Eric T. Lipar, Chief Executive Officer

*[Signature Page to Purchase Agreement]*

**Exhibit A**

**Purchase Price Calculation**

<b><u>Transaction</u></b>	<b><u>Closing Cash Payment</u></b>	<b><u>Buyer Common Share Consideration Total Value</u></b>	<b><u>Purchase Price</u></b>
LGI-GTIS Holdings III LLC Purchase	\$1,847,914.17	\$ 225,670.50	\$2,073,584.67

## **FIRST AMENDMENT TO PURCHASE AGREEMENT**

THIS FIRST AMENDMENT TO PURCHASE AGREEMENT (this "Amendment") is made as of the 24th day of October, 2013, by and between GTIS LGI LP, a Delaware limited partnership ("Seller"), and LGI Homes, Inc., a Delaware corporation ("Buyer"). Seller and Buyer are referred to together herein as the "Parties." All capitalized terms used and not defined herein shall have the meaning ascribed to such terms in the Purchase Agreement.

WHEREAS, Seller and Buyer are parties to that certain Purchase Agreement, dated as of August 28, 2013 (the "Purchase Agreement");

WHEREAS, Seller and Buyer desire to amend the Purchase Agreement and modify certain provisions thereof as provided herein; and

WHEREAS, pursuant to Section 9.9 of the Purchase Agreement, the Purchase Agreement may be amended only in writing signed by each Party.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, the Parties hereby agree as follows:

Section 5.4.2. Section 5.4.2 of the Purchase Agreement is hereby deleted in its entirety and replaced with the following text:

"Notwithstanding Section 5.4.1, in no event shall the Lock-up Period exceed one hundred eighty (180) days with respect to the Buyer Common Shares, except for the limited circumstances provided in the Lock-up Agreement, and, in the event and to the extent that the managing underwriter or Buyer permits varying Lock-up Periods with respect to the holders of shares of Common Stock, the Buyer Common Shares shall be subject to the shortest Lock-up Period permitted to any holder of shares of Common Stock (other than (a) Thomas Lipar and (b) EDSS Holdings, LP and RE Finance Partners, Ltd., but in the case of this clause (b), only with respect to the pro rata portion of shares of Common Stock attributable to the partnership interest owned by Thomas Lipar in EDSS Holdings, LP and RE Finance Partners, Ltd., respectively) by the managing underwriter and Buyer."

Section 5.4.3. Section 5.4.3 of the Purchase Agreement is hereby deleted in its entirety and replaced with the following text:

"Notwithstanding anything to the contrary contained in this Section 5.4, the Buyer Common Shares shall be released from any Lock-up in the event and to the extent that the managing underwriter or Buyer permits any discretionary waiver or termination of the restrictions of any Lock-up pertaining to any officer, director or any other holder of shares of Common Stock other than (a) Thomas Lipar and (b) EDSS Holdings, LP and RE Finance Partners, Ltd., but in the case of this clause (b), only with respect to the pro rata portion of shares of Common Stock attributable to the partnership interest owned by Thomas Lipar in EDSS Holdings, LP and RE Finance Partners, Ltd., respectively."

Exhibit B. Exhibit B to the Purchase Agreement is hereby amended and restated in its entirety in the form attached hereto as Exhibit A.

**Full Force and Effect.** Except as expressly modified by this Amendment, all of the terms, covenants, agreements, conditions and other provisions of the Purchase Agreement shall remain in full force and effect in accordance with their respective terms. As used in the Purchase Agreement, the terms “this Agreement,” herein, hereinafter, hereunder, hereto and words of similar import shall mean and refer to, from and after the date hereof, unless the context otherwise requires, the Purchase Agreement as amended by this Amendment.

**Governing Law.** This Amendment shall be governed by and construed in accordance with the Laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of New York.

**Counterparts.** This Amendment may be executed in one or more counterparts (including by means of facsimile or electronic means including .pdf form), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Amendment on the date first above written.

**SELLER:**

GTIS LGI LP

By: /s/ Thomas M. Feldstein  
Name: Thomas M. Feldstein  
Title: General Counsel

**BUYER:**

LGI HOMES, INC.

By: /s/ Eric T. Lipar  
Eric T. Lipar, Chief Executive Officer

**PURCHASE AGREEMENT**

**BY AND BETWEEN**

**GTIS US RESIDENTIAL STRATEGIES FUND LP**

**AND**

**LGI IV BLOCKER LLC**

**AND**

**LGI HOMES, INC.**

**August 28, 2013**



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Exhibit B	Form of Assignment Agreement
Exhibit C	Form of Lock-up Agreement
Exhibit D	Form of Contribution Agreement

## PURCHASE AGREEMENT

This Purchase Agreement is entered into on August 28, 2013, by and between GTIS US RESIDENTIAL STRATEGIES FUND LP, a Delaware limited partnership, and LGI IV BLOCKER LLC, a Delaware limited liability company (together, “Seller”), and LGI Homes, Inc., a Delaware corporation (“Buyer”). Seller and Buyer are referred to together herein as the “Parties.”

WHEREAS, LGI Homes Group, LLC, a Texas limited liability company and Affiliate of Buyer (“LGI Member”), and Seller are the record and beneficial owners of all of the issued and outstanding limited liability company interests of LGI-GTIS Holdings IV LLC, a Delaware limited liability company (the “Company”), as more fully described in the Company’s Limited Liability Company Agreement;

WHEREAS, Buyer wishes to purchase from Seller, and Seller wishes to sell to Buyer, all of Seller’s limited liability company interests in the Company (the “Purchased Interests”) on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein made, and in consideration of the representations, warranties and covenants herein contained, the Parties agree as follows:

### DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

“Adverse Consequences” means all charges, complaints, claims, Proceedings, Liabilities, injunctions, judgments, orders, decrees, rulings, awards, damages, natural resource damages, dues, penalties, fines, costs, remedial or response action costs, Taxes, Liens, losses, expenses and fees, including court costs, reasonable attorneys’ and environmental consultants’ fees and expenses of investigation and litigation related thereto, in all cases, net of any insurance recoveries or tax benefits. “Adverse Consequences” shall not include special, consequential, punitive or exemplary damages or damages for lost profits or diminution in value or any loss of goodwill or possible business after the Closing, whether actual or prospective.

“Affiliate” means any Person that, directly or indirectly, through one or more Persons, controls, is controlled by or is under common control with the Person specified, where “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract, as trustee or executor or otherwise; provided, however, that the Company shall not be considered an Affiliate of Seller.

“Agreement” means this Purchase Agreement, including all Exhibits hereto.

“Ancillary Agreement” means any contract or other agreement that is entered into between Seller (or any of its Affiliates), on the one hand, and Buyer (or any of its Affiliates), on the other hand, pursuant to this Agreement on the Closing Date, including the Assignment Agreement, the Lock-up Agreement and the Contribution Agreement. The Ancillary Agreements executed by a specified Person shall be referred to as such Person’s Ancillary Agreements or by other similar expression.

“Assets” means the assets, properties and rights (tangible and intangible) of Buyer.

“Assignment Agreement” has the meaning set forth in Section 2.4.1.

“Business Day” means any day other than (a) any Saturday or Sunday or (b) any other day on which banks located in New York, New York generally are closed or authorized by Law to be closed for business.

“Buyer” has the meaning set forth in the preface.

“Buyer Cap Amount” has the meaning set forth in Section 8.4.1.

“Buyer Common Share Consideration” means the number of shares of Common Stock equal to the amount set forth on Exhibit A under the column “Buyer Common Share Consideration Total Value,” divided by the IPO Price.

“Buyer Common Shares” means the shares of Common Stock being issued as part of the Buyer Common Share Consideration.

“Buyer Indemnified Parties” has the meaning set forth in Section 8.2.

“Buyer IT Systems” has the meaning set forth in Section 4.12.2.

“Closing” has the meaning set forth in Section 2.3.

“Closing Cash Payment” means the amount set forth on Exhibit A under the column “Closing Cash Payment”.

“Closing Date” has the meaning set forth in the Underwriting Agreement.

“Code” means the Internal Revenue Code of 1986, as amended.

“Commission” means the Securities and Exchange Commission.

“Common Stock” means the common stock, par value \$0.01 per share, of Buyer.

“Company” has the meaning set forth in the recitals.

“Contract” means any written or oral contract, agreement, license, lease, sales order, purchase order, indenture, mortgage, note, bond, warrant, instrument, undertaking, arrangement or commitment (including all amendments, supplements and modifications thereto).

“Contribution Agreement” has the meaning set forth in Section 2.4.1.

“Environmental Law” has the meaning set forth in Section 4.11.

“ERISA” has the meaning set forth in Section 4.14.

“Exchange Act” has the meaning set forth in Section 4.6.

“FCPA” has the meaning set forth in Section 4.18.

“Formation Transactions” has the meaning set forth in the Contribution Agreement.

“Fundamental Warranties” means the representations and warranties set forth in Sections 3.1 (Organization and Qualification of Seller), 3.2 (Due Authorization; Enforceability), 3.4 (Title to Purchased Interests), 4.1 (Organization of Buyer, LGI Member and LGI Group), 4.2 (Due Authorization; Enforceability), 4.4 (Capitalization; Valid Issuance of Buyer Common Shares; Formation Transactions) and 4.16 (Taxes).

“GAAP” means United States generally accepted accounting principles in effect from time to time applied consistently throughout the periods involved.

“Governmental Authority” means any federal, state, provincial, local or foreign government, or subdivision thereof, or any entity, body or authority exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any federal, state, provincial, local or foreign government, including any quasi-governmental entity established to perform such functions, in each case having jurisdiction over the Person, property or matter in question.

“Governmental Licenses” has the meaning set forth in Section 4.10.2.

“GTIS Name” has the meaning set forth in Section 5.6.

“Indemnified Party” has the meaning set forth in Section 8.5.1.

“Indemnifying Party” has the meaning set forth in Section 8.5.1.

“Intellectual Property” has the meaning set forth in Section 4.12.1.

“IPO” means the initial underwritten issuance of Common Stock by Buyer pursuant to an effective registration statement under the Securities Act filed by Buyer with the Commission on Form S-1 (or any successor form adopted by the Commission).

“IPO Closing” means the consummation of the IPO.

“IPO Price” means the public offering price per share of Common Stock as set forth on the cover page of the Prospectus.

“JV Assets” means the Assets of the JVs.

“JVs” means the Company, LGI-GTIS Holdings LLC, a Delaware limited liability company, LGI-GTIS Holdings II LLC, a Delaware limited liability company, and LGI-GTIS Holdings III LLC, a Delaware limited liability company.

“Law” means any law, statute, regulation, ordinance, rule, order, decree, judgment, injunction, consent decree, settlement agreement or governmental requirement enacted, promulgated, entered into, agreed or imposed by any Governmental Authority.

“LGI Group” means LGI Member; LGI Homes Corporate, LLC, a Texas limited liability company; LGI Homes, Ltd., a Texas limited partnership; LGI Homes – Sunrise Meadow, Ltd., a Texas limited partnership; LGI Homes – Canyon Crossing, Ltd., a Texas limited partnership; and LGI Homes – Deer Creek, LLC, a Texas limited liability company.

“LGI Member” has the meaning set forth in the recitals.

“Liability” means any and all debts, liability, duty or obligation of any nature, whether pecuniary or not, asserted or unasserted, accrued or unaccrued, absolute or contingent, matured or unmatured, liquidated or unliquidated, determined or determinable, incurred or consequential, known or unknown and whether due or to become due.

“Lien” means any mortgage, pledge, lien, encumbrance, collateral assignment, security interest, easement, encroachment, restriction (including restriction on use), option, deed of trust, title retention, conditional sale or other security arrangement, or any license, order or charge, or any adverse claim of title, ownership or use, or agreement of any kind restricting transfer, or any other right of any third party or encumbrance whatsoever.

“Limited Liability Company Agreement” means the limited liability company agreement of the Company, dated as of October 31, 2012 (as amended from time to time until the date hereof), by and among LGI Member, Seller, LGI Homes – Chateau Woods, LLC, a Texas limited liability company; LGI Homes – Texas, LLC, a Texas limited liability company; LGI Homes – FW, LLC, a Texas limited liability company; LGI Homes – Presidential Glen, LLC, a Texas limited liability company; LGI Homes – Quail Run, LLC, a Texas limited liability company; LGI Homes – Woodland Creek, LLC, a Texas limited liability company; LGI Homes – Lakes of Mongolia, LLC, a Texas limited liability company; LGI Homes – Decker Oaks, LLC, a Texas limited liability company; LGI Homes – Stewart’s Forest, LLC, a Texas limited liability company; LGI Homes – Florida, LLC, a Florida limited liability company; LGI Homes – AZ Sales, LLC, an Arizona limited liability company; LGI Homes – AZ Construction, LLC, an Arizona limited liability company; LGI Homes – Glennwilde, LLC, an Arizona limited liability company; and LGI Homes – San Tan Heights, an Arizona limited liability company.



“Lock-up” has the meaning set forth in Section 5.4.1.

“Lock-up Agreement” means the Lock-up Agreement, dated as of the date hereof, in the form attached hereto as Exhibit C.

“Lock-up Period” has the meaning set forth in Section 5.4.1.

“Material Adverse Effect” has the meaning set forth in Section 3.1.

“Ordinary Course of Business” means the ordinary course of business consistent with past custom and practice.

“Organizational Documents” means (a) articles of incorporation and the code of regulations or bylaws of a corporation, (b) any articles of organization and operating agreements of a limited liability company, (c) any charter or similar document adopted or filed in connection with the creation, formation, or organization of a Person and (d) any amendment to any of the foregoing.

“Outside Date” has the meaning set forth in Section 7.1.2.

“Party” has the meaning set forth in the preface.

“Person” means any individual, partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or other business entity or Governmental Authority.

“Plan” has the meaning set forth in Section 4.14.

“Proceedings” means any judicial or administrative action, investigation, audit, claim, suit, arbitration, proceeding or other litigation.

“Prospectus” means the final prospectus filed with the Commission pursuant to Rule 424(b) under the Securities Act.

“Purchase Agreements” means the (i) Purchase Agreement for the purchase of limited liability company interests in LGI-GTIS Holdings LLC, a Delaware limited liability company, (ii) Purchase Agreement for the purchase of limited liability company interests in LGI-GTIS Holdings II LLC, a Delaware limited liability company, and (iii) Purchase Agreement for the purchase of limited liability company interests in LGI-GTIS Holdings III LLC, a Delaware limited liability company, in each case, of even date herewith and, in each case, by and among Buyer and certain of Seller’s Affiliates.

“Purchase Price” means the amount set forth on Exhibit A under the column “Purchase Price”.

“Purchased Interests” has the meaning set forth in the recitals.

“Registration Statement” means the registration statement on Form S-1 filed with the Commission with respect to shares of Common Stock, and all amendments thereto, a draft of which has been delivered to Seller as of the date of this Agreement.

“Rule 144” means Rule 144 as promulgated by the Commission under the Securities Act.

“Securities Act” means the Securities Act of 1933, as amended, or any successor thereto, as in effect at the time of reference.

“Seller” has the meaning set forth in the preface.

“Seller Indemnified Parties” has the meaning set forth in Section 8.3.

“Tax Return” means any return, report or other information or filing required to be supplied to a Governmental Authority or Person in connection with any Taxes, including any schedule or attachment thereto or amendment thereof.

“Taxes” means all taxes, charges, fees, duties, levies or other assessments (including income, gross receipts, net proceeds, ad valorem, turnover, real and personal property (tangible and intangible), sales, use, franchise, excise, goods and services, value added, stamp, user, transfer, fuel, excess profits, occupational, interest equalization, windfall profits, severance, payroll, unemployment and social security taxes) that are imposed by any Governmental Authority, and such term includes any interest, penalties or additions to tax attributable thereto or attributable to any nonpayment thereof.

“Third-Party Claim” has the meaning set forth in Section 8.5.1.

“Threshold” has the meaning set forth in Section 8.4.1.

“Transfer Taxes” has the meaning set forth in Section 9.11.

“Treasury Regulations” means the income tax regulations, including any temporary or proposed regulations, promulgated under the Code, as such regulations may be amended from time to time.

“Underwriting Agreement” means the Underwriting Agreement to be entered into prior to the Closing Date among Buyer, Deutsche Bank Securities Inc., JMP Securities LLC, J.P. Morgan Securities LLC and as representatives of the several underwriters named therein.

## BASIC TRANSACTION

**Purchase and Sale of Purchased Interests.** On and subject to the terms and conditions of this Agreement, at the Closing and for the consideration specified in this Article 2, Seller will sell, convey, assign, transfer and deliver to Buyer, and Buyer will purchase and receive from Seller, free and clear of all Liens, all of Seller's rights and interests in and title to the Purchased Interests, which represent all of Seller's limited liability company interests in the Company.

**Consideration.** At the Closing, Buyer agrees to (a) pay to Seller the Closing Cash Payment and (b) issue to Seller (or an Affiliate of Seller designated by Seller prior to the Closing) the Buyer Common Share Consideration.

**The Closing.** The closing of the transactions contemplated by this Agreement (the "Closing") shall take place remotely via electronic exchange of signature pages on the Closing Date or such other place, date or time as the Parties may mutually determine. Once the Closing occurs, the Closing, and all transactions to occur at the Closing, shall be deemed to have taken place at, and shall be effective as of, 12:00:01 a.m. (Eastern Time) on the Closing Date.

### **Deliveries at the Closing.**

At the Closing, Seller shall have duly executed and delivered (or have caused to be duly executed and delivered) to Buyer:

an assignment agreement, dated as of the Closing Date, assigning the Purchased Interests to Buyer, substantially in the form attached hereto as Exhibit B, (the "Assignment Agreement");

a certificate of non-foreign status, in the form provided in Treasury Regulation §1.1445-2(b)(2)(iv), issued pursuant to and in compliance with Treasury Regulation §1.1445-2(b)(2), certifying that Seller is not a foreign person within the meaning of Treasury Regulation §1.1445-2(b)(2);

the Contribution Agreement by and among Buyer, Seller, each seller named in the other Purchase Agreements, Eric Lipar, Thomas Lipar and certain Affiliates of each of them named therein, substantially in the form attached hereto as Exhibit D (the "Contribution Agreement"); and

such other agreements, documents, instruments and writings as are expressly required to be delivered by Seller on or prior to the Closing Date pursuant to this Agreement or as may be reasonably requested by Buyer to carry out the intent and purposes of this Agreement.

At the Closing, Buyer shall have paid and duly executed and delivered (or have caused to be paid and duly executed and delivered), as applicable, to Seller:

the Closing Cash Payment;

a certificate from Buyer's registrar and transfer agent, evidencing the issuance of the Buyer Common Shares to Seller (or an Affiliate of Seller designated by Seller prior to the Closing) and bearing a conspicuous legend stating that the shares have not been registered under the Securities Act or the securities law of any state and referring to the restrictions on transferability and sale of the shares;

the Assignment Agreement;

a certificate, dated no more than five (5) days prior to the Closing Date, from the Secretary of the State of Delaware, as to Buyer's good standing;

a certificate, dated as of the Closing Date, signed by the Secretary of Buyer (i) certifying that attached thereto is a true and complete copy of the resolutions duly and validly adopted by the board of directors (or other similar governing body) of Buyer approving the execution, delivery and performance of this Agreement and the Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby, including admission of Seller as a stockholder of Buyer, and that such resolutions are in full force and effect and not revoked and (ii) certifying that attached thereto are true and complete copies of the Organizational Documents of Buyer in effect at the Closing;

the Contribution Agreement; and

such other agreements, documents, instruments and writings as are expressly required to be delivered by Buyer or its Affiliates on or prior to the Closing Date pursuant to this Agreement or as may be reasonably requested by Seller to carry out the intent and purposes of this Agreement.

**Tax Treatment of Transaction.** The Parties agree that for U.S. federal income tax purposes Buyer's purchase of the Purchased Interests shall be characterized as an exchange qualifying under Section 351 of the Code in which Seller contributed the Purchased Interests to Buyer in exchange for (a) the Buyer Common Share Consideration and (b) the Closing Cash Payment unless such characterization is contrary to applicable U.S. federal income tax Law. The Parties agree to report the transaction in accordance with this treatment in all Tax Returns unless such treatment is contrary to applicable U.S. federal income tax Law.

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## SELLER'S REPRESENTATIONS AND WARRANTIES

Seller represents and warrants to Buyer as of the date of this Agreement and as of the Closing Date, as follows:

**Organization and Qualification of Seller.** Seller is duly organized and is validly existing as a limited partnership or limited liability company agreement in good standing under the Laws of the State of Delaware, with requisite power and authority to own or lease its properties and conduct its business. Seller is duly qualified to transact business and in good standing in all jurisdictions in which the conduct of its business requires such qualification except where the failure to be so qualified or be in good standing would not (i) have, individually or in the aggregate, a material adverse effect on the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of Seller or (ii) prevent the consummation of the transactions contemplated hereby (the occurrence of any such effect or any such prevention described in the foregoing clauses (i) and (ii) being referred to as a “Material Adverse Effect”).

**Due Authorization; Enforceability.** Seller has full right, power and authority to execute and deliver this Agreement and its Ancillary Agreements, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement has been duly and validly executed and delivered by Seller and its Ancillary Agreements shall have been duly and validly executed and delivered by Seller on or prior to the Closing Date. This Agreement constitutes a legal, valid and binding obligation of Seller, and each of its Ancillary Agreements when executed and delivered shall constitute a legal, valid and binding obligation of Seller, in each case enforceable against Seller in accordance with its terms (assuming the due authorization, valid execution and delivery of this Agreement and each Ancillary Agreement by each other Person that is or will be a party thereto) and except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar Laws in effect which affect the enforcement of creditors' rights generally and by equitable limitations on the availability of specific remedies.

### **Consents and Approvals; No Conflicts.**

Each approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body or any other Person not a party to this Agreement necessary in connection with the execution and delivery by Seller of this Agreement and its Ancillary Agreements or the consummation of the transactions contemplated hereby and thereby has been obtained or made and is in full force and effect.

The execution and delivery by Seller of this Agreement and each of its Ancillary Agreements and the consummation of the transactions herein and therein contemplated, and the fulfillment of the terms hereof and thereof do not and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or give any Person any additional right (including a termination right) under, permit cancellation of, or result in the creation of any Lien upon, or result in or constitute a circumstance which, with or without notice or lapse of time or both, would constitute any of the foregoing, any indenture, mortgage, deed of trust or other agreement or instrument to which Seller is a party or by which Seller or any of its properties is bound, or of its Organizational Documents or any law, order, rule or regulation judgment, order, writ or decree applicable to Seller of any court or of any government, regulatory body or administrative agency or other governmental body having jurisdiction over Seller or any of its properties or assets, except to the extent the same would not have a Material Adverse Effect.

**Title to Purchased Interests.** Seller is the record and beneficial owner of, and has good and valid title to, the Purchased Interests free and clear of all Liens. Seller is not a party to any option, warrant, purchase right or other Contract that could require Seller to sell, transfer or otherwise dispose of any such limited liability company interests of the Company (other than this Agreement). Seller is not a party to any voting trust, proxy or other Contract with respect to the voting of any limited liability company interests of the Company.

**No Brokers or Finders.** Neither Seller nor any of the JV's is a party to any contract, agreement or understanding with any Person that would give rise to a valid claim against Seller for a brokerage commission, finder's fee or like payment in connection with the transactions contemplated by this Agreement other than the "Avila Fee" as defined in the Limited Liability Company Agreement.

**Litigation.** There is no Proceeding pending or, to the knowledge of Seller, threatened against Seller that, individually or in the aggregate, would materially impair or delay the ability of Seller to effect the Closing. Seller is not subject to any outstanding injunction, judgment, order, decree, ruling or charge that, individually or in the aggregate, would materially impair or delay the ability of Seller to effect the Closing. To the knowledge of Seller, there is no legal, governmental, administrative or regulatory Proceeding pending or threatened in writing against the Company, or to which any property of the Company is or would reasonably be expected to be subject before any court or regulatory or administrative agency or otherwise which if determined adversely to the Company would, individually or in the aggregate, have a Material Adverse Effect.

**No Foreign Tax Status.** Seller is not a "foreign person" within the meaning of Section 1445 of the Code.

**Accredited Investor; Investment Intent.** Seller is an “accredited investor” as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act. Seller is acquiring the Buyer Common Shares for its own account for investment and not with a view to, or for sale or other disposition in connection with, any distribution of all or any part thereof, except in compliance with applicable federal and state securities Laws. Seller understands that the Buyer Common Shares will not have been registered pursuant to the Securities Act or any applicable state securities Laws, that the Buyer Common Shares will be characterized as “restricted securities” under federal securities laws, that under such Laws and applicable regulations the Buyer Common Shares cannot be sold or otherwise disposed of without registration under the Securities Act or an exemption therefrom and that the certificates representing the Buyer Common Shares will bear restrictive legends stating the foregoing. Seller further acknowledges that the Buyer Common Shares are neither offered nor sold to Seller pursuant to the Prospectus.

**No Other Representations or Warranties.** Except for the representations and warranties contained in this [Article 3](#), neither Seller nor any of its Affiliates or any of their respective stockholders, trustees, members, fiduciaries or representatives, nor any other Person has made or is making any other representation or warranty of any kind or nature whatsoever, oral or written, express or implied, with respect to the Company, this Agreement, the Ancillary Agreements or the transactions contemplated hereby. Except for the representations and warranties contained in this [Article 3](#), Seller disclaims, on behalf of itself and its Affiliates, (a) any other representations or warranties, whether made by Seller, any of its Affiliates or their respective stockholders, trustees, members, fiduciaries or representatives or any other Person and (b) all liability and responsibility for any other representation, warranty, opinion, projection, forecast, advice, statement or information made, communicated or furnished. Neither Seller, any of its Affiliates, any of their respective stockholders, trustees, members, fiduciaries or representatives nor any other Person has made or is making any representations or warranties to Buyer or its Affiliates or any other Person regarding the probable success or profitability of the Company (whether before or after the Closing), including regarding the possibility or likelihood of any application, challenge, Proceeding or review, regulatory or otherwise, including any increase, decrease or plateau in the volume of product or service, or revenue derived therefrom, related to the Company’s business. Neither Seller, any of its Affiliates, any of their respective stockholders, trustees, members, fiduciaries or representatives nor any other Person will have or be subject to any liability or indemnification obligation to Buyer or its Affiliates or any other Person resulting from the delivery, dissemination or any other distribution to Buyer or its Affiliates or any other Person, or the use by Buyer or its Affiliates or any other Person, of any such information provided or made available to them by or on behalf of Seller, any of its Affiliates or any of their respective stockholders, trustees, members, fiduciaries or representatives or any other Person, including any information, documents, estimates, projections, forecasts or other forward-looking information, business plans or other material provided or made available to Buyer or its Affiliates or any other Person in certain “data rooms,” confidential information memoranda or management presentations in anticipation or contemplation of the transactions contemplated by this Agreement.

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## BUYER REPRESENTATIONS AND WARRANTIES

Buyer represents and warrants to Seller as of the date of this Agreement and as of the Closing Date, except as may be set forth in the Prospectus and except as otherwise provided herein, as follows:

**Organization of Buyer, LGI Member and LGI Group.** Buyer is duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware, with requisite power and authority to own or lease its properties and conduct its business. As of the date of this Agreement, each Person in the LGI Group is duly organized and is validly existing as a corporation, limited liability company or similar entity under the laws of the jurisdiction of its organization with requisite power and authority to own or lease its properties and conduct its business. As of the Closing Date, and after giving effect to the Formation Transactions, each Person in the LGI Group shall be duly organized and validly existing as a corporation, limited liability company or similar entity in good standing under the laws of the jurisdiction of its organization with requisite power and authority to own or lease its properties and conduct its business. As of the date of this Agreement, Buyer and each Person in the LGI Group is duly qualified to transact business and is in good standing in all jurisdictions in which the conduct of its business requires such qualification except where the failure to be so qualified or be in good standing would not have a Material Adverse Effect on Buyer or any Person in the LGI Group taken as a whole. As of the Closing Date, and after giving effect to the Formation Transactions, Buyer and each Person in the LGI Group will be duly qualified to transact business and in good standing in all jurisdictions in which the conduct of its business requires such qualification except where the failure to be so qualified or be in good standing would not have a Material Adverse Effect on Buyer or any Person in the LGI Group taken as a whole. The outstanding shares of capital stock or other equity interests of Buyer are duly authorized and validly issued, are fully paid and non-assessable.

**Due Authorization; Enforceability.** Buyer has full right, power and authority to execute and deliver this Agreement and its Ancillary Agreements, to perform its obligations hereunder and thereunder and to consummate the transactions contemplated hereby and thereby. This Agreement has been duly and validly executed and delivered by Buyer and each of Buyer's Ancillary Agreements shall have been duly and validly executed and delivered by Buyer on or prior to the Closing Date. This Agreement constitutes a legal, valid and binding obligation of Buyer, and each of its Ancillary Agreements when executed and delivered shall constitute a legal, valid and binding obligation of Buyer, in each case enforceable against Buyer in accordance with its terms, in each case assuming the due authorization, valid execution and delivery of this Agreement and each Ancillary Agreement by each other Person that is or will be a party thereto and except as such enforceability may be limited by applicable bankruptcy, insolvency, moratorium, reorganization or similar Laws in effect which affect the enforcement of creditors' rights generally and by equitable limitations on the availability of specific remedies.



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**Consents and Approvals; No Conflicts.**

Except as may be set forth in the Prospectus, each approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body or any other Person not a party to this Agreement necessary in connection with the execution and delivery by Buyer of this Agreement and its Ancillary Agreements and the consummation of the transactions contemplated hereby and thereby has been obtained or made and is in full force and effect as of the date of this Agreement, or will be obtained or made and in full force and effect on or prior to the Closing Date.

The execution and delivery by Buyer of this Agreement and each of its Ancillary Agreements and the consummation of the transactions herein and therein contemplated, and the fulfillment of the terms hereof and thereof do not and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or give any Person any additional right (including a termination right) under, permit cancellation of, or result in the creation of any Lien upon, or result in or constitute a circumstance which, with or without notice or lapse of time or both, would constitute any of the foregoing, any indenture, mortgage, deed of trust or other agreement or instrument to which Buyer or any Person in the LGI Group is a party or by which Buyer or any Person in the LGI Group or any of their respective properties is bound, or of their respective Organizational Documents or any law, order, rule or regulation, judgment, order, writ or decree applicable to Buyer or any Person in the LGI Group of any court or of any government, regulatory body or administrative agency or other governmental body having jurisdiction over Buyer or any Person in the LGI Group, or any of their properties or assets, except to the extent the same would not have a Material Adverse Effect.

**Capitalization; Valid Issuance of Buyer Common Shares.**

As of the date of the Prospectus, the information set forth under the caption “Capitalization” in the Prospectus is true and correct. The Buyer Common Shares conform to the description thereof contained in the Prospectus. The form of certificates for the Buyer Common Shares conforms to the corporate law of the jurisdiction of Buyer’s incorporation and to any requirements of Buyer’s Organizational Documents.

The Buyer Common Shares are duly authorized and when issued and paid for as contemplated herein will be validly issued, fully paid and non-assessable; and no preemptive or similar rights of stockholders exist with respect to any of the Buyer Common Shares or the issue and sale thereof. The offering and sale of the Buyer Common Shares as contemplated by this Agreement does not give rise to any rights, other than those contemplated herein, for or relating to the registration of any shares of Common Stock.

**Financial Information.** As of the date of the Prospectus: (a) The combined financial statements of the LGI Group and the consolidated financial statements of each of the JVs and each of their respective subsidiaries, together with related notes and schedules as set forth in the Prospectus, comply in all material respects with the applicable requirements of the Securities Act and present fairly the financial position and the results of operations and cash flows of Buyer and/or the respective members of the LGI Group, as the case may be, at the indicated dates and for the indicated periods; (b) such financial statements and related schedules have been prepared in accordance with GAAP, except as disclosed therein, and all adjustments necessary for a fair presentation of results for such periods have been made; (c) the summary and selected financial and statistical data included in the Prospectus present fairly the information shown therein and such data has been compiled on a basis consistent with the financial statements presented therein and the books and records of Buyer; (d) the pro forma financial statements and other pro forma financial information included in the Prospectus present fairly the information shown therein, have been prepared in accordance in all material respects with the Commission's rules and guidelines with respect to pro forma financial statements, have been properly compiled on the pro forma bases described therein, and the assumptions used in the preparation thereof are reasonable and the adjustments used therein are appropriate to give effect to the transactions or circumstances referred to therein; and (e) all disclosures contained in the Prospectus regarding "non-GAAP financial measures" (as such term is defined by the rules and regulations of the Commission) comply with Regulation G of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and Item 10 of Regulation S-K under the Securities Act, to the extent applicable.

**Absence of Undisclosed Liabilities.** As of the date of the Prospectus, neither Buyer nor any Person in the LGI Group has any material liabilities or obligations, direct or contingent (including any off-balance sheet obligations or any "variable interest entities" within the meaning of Financial Accounting Standards Board Interpretation No. 46), not disclosed in the Prospectus. There are no financial statements (historical or pro forma) that are required to be included in the Prospectus that are not included as required.

**Absence of Certain Events.** Except as may be set forth in the Prospectus, and except with respect to the JV Assets, since the date of the most recent financial statements included in the Prospectus, (i) there has not been any event, occurrence or development which would give rise to a Material Adverse Effect, (ii) there has not been any material transaction entered into or any material transaction that is probable of being entered into by Buyer or any Person in the LGI Group, other than transactions in the Ordinary Course of Business and the Formation Transactions, and (iii) neither Buyer nor any Person in the LGI Group has sustained any loss or interference with its business that is material to Buyer and the LGI Group taken as a whole and that is either from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor disturbance or dispute or any action, order or decree of any court or arbitrator or governmental or regulatory authority.

**Litigation.** As of the date of the Prospectus and except as may be set forth in the Prospectus, there is no legal, governmental, administrative or regulatory Proceeding pending or, to the knowledge of Buyer, threatened in writing against Buyer, or to which any property of Buyer is, or to the knowledge of Buyer, would reasonably be expected to be, subject, before any court or regulatory or administrative agency or otherwise which if determined adversely to Buyer would, individually or in the aggregate, have a Material Adverse Effect. As of the date of the Prospectus, there are no current or pending legal, governmental, administrative or regulatory Proceedings that are required under the Securities Act to be described in the Prospectus that are not so described in the Prospectus. As of the date of the Prospectus, there are no statutes, regulations or Contracts or other documents that are required under the Act to be filed as exhibits to the Registration Statement or described in the Registration Statement or the Prospectus that are not so filed as exhibits to the Registration Statement or described in the Registration Statement or the Prospectus.

**Compliance with Laws; Permits.**

Except as may be set forth in the Prospectus and except with respect to the JV Assets, neither Buyer nor any member of the LGI Group is or with the giving of notice or lapse of time or both, will be, (i) in violation of its Organizational Documents, (ii) in violation of or in default under any agreement, lease, contract, indenture or other instrument or obligation to which it is a party or by which it, or any of its properties, is bound or (iii) in violation of any law, order, rule or regulation judgment, order, writ or decree applicable to Buyer or any Person in the LGI Group of any court or of any government, regulatory body or administrative agency or other governmental body having jurisdiction over Buyer or any Person in the LGI Group, or any of their properties or assets, except in the case of clauses (ii) and (iii), for such violations or defaults as would not, individually or in the aggregate, have a Material Adverse Effect.

Except as would not, individually or in the aggregate, have a Material Adverse Effect, Buyer (i) holds all licenses, registrations, certificates and permits from governmental authorities (collectively, “Governmental Licenses”) which are necessary to the conduct of its business, (ii) is in compliance with the terms and conditions of all Governmental Licenses, and all Governmental Licenses are valid and in full force and effect, and (iii) has not received any written notice of Proceedings relating to the revocation or modification of any Governmental License.

**Environmental Matters.** Except as may be set forth in the Prospectus and except with respect to the JV Assets: (i) Buyer and each Person in the LGI Group have complied and are in compliance, in all material respects, with all applicable federal, state, local, foreign and international laws (including the common law), statutes, rules, regulations, orders, judgments, decrees or other legally binding requirements of any court, administrative agency or other governmental authority relating to pollution or to the protection of the environment, natural resources or human health or safety, or to the manufacture, use, generation, treatment, storage, disposal, release or threatened release of hazardous or toxic substances, pollutants, contaminants or wastes, or the arrangement for such activities which are effective as of the Closing Date ("Environmental Laws"); (ii) Buyer and each Person in the LGI Group have obtained and are in compliance, in all material respects, with all permits, licenses, authorizations or other approvals required of them under Environmental Laws to conduct their respective businesses and are not subject to any action to revoke, terminate, cancel, limit, amend or appeal any such permits, licenses, authorizations or approvals; (iii) neither Buyer nor any Person in the LGI Group is a party to any judicial or administrative Proceeding (including a notice of violation) under any Environmental Laws to which a governmental authority is also a party and which involves potential monetary sanctions, unless it could reasonably be expected that such Proceeding will result in monetary sanctions of less than \$100,000; and no such Proceeding has been threatened in writing or is known by Buyer or by any Person in the LGI Group to be contemplated; (iv) neither Buyer nor any Person in the LGI Group has received written notice or is otherwise aware of any pending or threatened in writing material claim or potential liability under Environmental Laws in respect of its past or present business, operations (including the disposal of hazardous substances at any off-site location), facilities or real property (whether owned, leased or operated) or on account of any predecessor or any person whose liability under any Environmental Laws it has agreed to assume; and neither Buyer nor any Person in the LGI Group is aware of any facts or conditions that could reasonably be expected to give rise to any such claim or liability; and (v) neither Buyer nor any Person in the LGI Group is aware of any matters regarding compliance with existing or reasonably anticipated Environmental Laws, or with any liabilities or other obligations under Environmental Laws (including asset retirement obligations), that could reasonably be expected to have a material effect on the capital expenditures, earnings or competitive position of Buyer and the LGI Group.

**Intellectual Property.** Except with respect to the JV Assets and as may be set forth in the Prospectus:

Buyer owns or possesses the right to use all patents, inventions, trademarks, trade names, service marks, logos, trade dress, designs, data, database rights, Internet domain names, rights of privacy, rights of publicity, copyrights, works of authorship, license rights, trade secrets, know-how and proprietary information (including unpatented and unpatentable proprietary or confidential information, inventions, systems or procedures) and other industrial property and intellectual property rights, as well as related rights, such as the right to sue for all past, present and future infringements or misappropriations of any of the foregoing, and registrations and applications for registration of any of the foregoing (collectively, "Intellectual Property") necessary to conduct its business as presently conducted and currently contemplated to be conducted in the future. Neither Buyer nor any Person in the LGI Group, whether through their respective products and services or the conduct of their respective businesses, has infringed, misappropriated, conflicted with or otherwise violated, or is currently infringing, misappropriating, conflicting with or otherwise violating, and none of Buyer or any Person in the LGI Group has received any communication or notice of infringement of, misappropriation of, conflict with or violation of, any Intellectual Property of any other person or entity. Neither Buyer nor any Person in the LGI Group has received any communication or notice alleging that by conducting their business as set forth in the Prospectus, such parties would infringe, misappropriate, conflict with, or violate, any of the Intellectual Property of any other Person. Buyer knows of no infringement, misappropriation or violation by others of Intellectual Property owned by or licensed to the Buyer or any Person in the LGI Group. Buyer and each Person in the LGI Group have taken all reasonable steps necessary to secure their interests in such Intellectual Property from their employees and contractors and to protect the confidentiality of all of their confidential information and trade secrets.

None of the Intellectual Property or technology (including information technology and outsourced arrangements) employed by Buyer or the LGI Group has been obtained or is being used by Buyer or the LGI Group in violation of any contractual obligation binding on Buyer or any Person in the LGI Group or any of their respective officers, directors or employees or otherwise in material violation of the rights of any Persons. Buyer and each Person in the LGI Group own or have a valid right to access and use all computer systems, networks, hardware, software, databases, websites, and equipment used to process, store, maintain and operate data, information, and functions used in connection with the business of Buyer and the LGI Group (the “Buyer IT Systems”). The Buyer IT Systems are adequate for, and operate and perform in all material respects as required in connection with, the operation of the business of Buyer and the LGI Group as currently conducted, except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Buyer and each Person in the LGI Group have implemented commercially reasonable backup, security and disaster recovery technology consistent in all material respects with applicable regulatory standards and customary industry practices.

**Real Property.** As of the date of the Prospectus, except with respect to the JV Assets, and except as may be set forth in the Prospectus, Buyer and each Person in the LGI Group has good and marketable title to all of the properties and assets reflected in the financial statements hereinabove described or described in the Prospectus, subject to no lien, mortgage, pledge, charge or encumbrance of any kind except those reflected in such financial statements or described in the Prospectus or which (i) do not materially interfere with the use made and proposed to be made of such property by Buyer or (ii) would not, individually or in the aggregate, have a Material Adverse Effect. Buyer and the LGI Group occupy their leased properties under valid and binding leases (subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors’ rights and to general equity principles) conforming in all material respects to the descriptions thereof set forth in the Prospectus.

**Employee Benefits.** (i) Each “employee benefit plan” (within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder (“ERISA”)) for which Buyer or any member of its “Controlled Group” (defined as any organization that is a member of a controlled group of corporations within the meaning of Section 414 of the Code) would have liability (each a “Plan”) is in compliance in all material respects with all presently applicable statutes, rules and regulations, including ERISA and the Code; (ii) with respect to each Plan subject to Title IV of ERISA (a) no “reportable event” (as defined in Section 4043 of ERISA) has occurred for which Buyer or any member of its Controlled Group would have any liability; and (b) neither Buyer nor any member of its Controlled Group has incurred or expects to incur liability under Title IV of ERISA (other than for contributions to the Plan or premiums payable to the Pension Benefit Guaranty Corporation, in each case in the ordinary course and without default); (iii) no Plan which is subject to Section 412 of the Code or Section 302 of ERISA has failed to satisfy the minimum funding standard within the meaning of such sections of the Code or ERISA; and (iv) to the knowledge of Buyer, each Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification.

**Labor Matters.** Except as may be set forth in the Prospectus, no labor disturbance by or dispute with employees of Buyer or any Person in the LGI Group exists or, to the knowledge of Buyer, is contemplated or threatened.

**Taxes.** Except with respect to the JVs, Buyer and each Person in the LGI Group has filed all material U.S. federal, state, and local tax returns which have been required to be filed and have paid all taxes indicated by such returns and all assessments received by them or any of them to the extent that such taxes have become due, except for any such taxes currently being contested in good faith, in an amount the payment of which by Buyer would not, individually or in the aggregate, have a Material Adverse Effect and for which an adequate reserve or accrual has been established in accordance with GAAP. All tax liabilities have been adequately provided for in the financial statements of Buyer, and Buyer does not know of any actual or proposed additional material tax assessments.

**Insurance.** Buyer and each Person in the LGI Group carry, or are covered by, insurance from insurers of recognized financial responsibility, in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties and as is prudent and customary for companies engaged in similar businesses; neither Buyer nor any Person in the LGI Group has been refused any coverage under insurance policies sought or applied for; and the Company and the LGI Entities have no reason to believe that they will not be able to renew their existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue their respective businesses at a cost that would not, individually or in the aggregate, have a Material Adverse Effect.

**Certain Business Practices.** Neither Buyer nor any Person in the LGI Group nor any director, officer, agent, employee, or other person associated with or acting on behalf of Buyer or any Person in the LGI Group: (i) has used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) has made any direct or indirect unlawful contribution or payment to any official of, or candidate for, or any employee of, any federal, state or foreign office from corporate funds; (iii) has made any bribe, unlawful rebate, payoff, influence payment, kickback or other unlawful payment; or (iv) is aware of or has taken any action, directly or indirectly, that would result in a violation by such Persons of the OECD Convention on Bribery of Foreign Public Officials in International Business Transactions, the Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder (collectively, the “FCPA”) or any similar law or regulation to which Buyer or any Person in the LGI Group, any director, officer, agent, employee, or other person associated with or acting on behalf of Buyer is subject. Buyer and the members of the LGI Group have each conducted their businesses in compliance with the FCPA and any applicable similar law or regulation and have instituted and maintain policies and procedures designed to ensure, and which are reasonably expected to continue to ensure, continued compliance therewith, except any non-compliance which would not have a Material Adverse Effect.

**No Brokers or Finders.** Except as may be described in the Prospectus, neither Buyer nor any Person in the LGI Group is a party to any contract, agreement or understanding with any Person (other than the Underwriting Agreement and the “Avila Fee” as defined in the Limited Liability Company Agreement) that would give rise to a valid claim against Buyer or any Person in the LGI Group for a brokerage commission, finder’s fee or like payment in connection with the transactions contemplated by this Agreement.

**Full Disclosure.** No representation or warranty made by Buyer in this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary to make any of them, in light of the circumstances under which they were made, not misleading.

## COVENANTS

**Operation of Business.** From the date of this Agreement until the Closing Date, the Company shall, and Buyer shall cause LGI Member to cause the Company to, operate and maintain its business in the Ordinary Course of Business and use best efforts to preserve intact its business organization and operations. Buyer shall cause LGI Member to continue to operate and maintain the Company in good faith and pursuant to the Limited Liability Company Agreement, including operating the Company in accordance with the business plans of the Company, making all distributions and contributions and obtaining all necessary consents and approvals (including with respect to Major Decisions (as defined therein)) thereunder, in each case, as if no IPO was anticipated. Notwithstanding anything to the contrary in this Agreement, immediately prior to the Closing, Buyer shall cause LGI Member, in its capacity as the “Managing Member” of the Company, to distribute Excess Cash (as defined in the Limited Liability Company Agreement) to the Members (as defined in the Limited Liability Company Agreement) in amounts determined in good faith in accordance with the Limited Liability Company Agreement.

**Buyer Organization.** From the date of this Agreement until the Closing Date, Buyer shall not, without the written consent of Seller or as required by Law: (a) amend or authorize amendment of its Organizational Documents; or (b) rescind or modify, or authorize rescission or modification of, any resolution adopted by its board of directors or stockholder with respect to the transactions contemplated in this Agreement.

**Additional Cooperation.** Without limiting the other provisions of this Article 5, each Party shall use commercially reasonable efforts to take all actions and to do all things necessary, proper or advisable in order to consummate and make effective the transactions contemplated by this Agreement.

## **Lock-Up.**

Seller agrees that in connection with the IPO, the managing underwriter may, during the period commencing on the IPO Closing Date until the date specified by such managing underwriter (the “Lock-up Period”), restrict holders of shares of Common Stock, without the prior written consent of such managing underwriter, from (a) offering, pledging, selling, contracting to sell, granting any option or contract to purchase, purchasing any option or contract to sell, hedging the beneficial ownership of or otherwise disposing of, directly or indirectly, any shares of Common Stock or any securities convertible into, exercisable for or exchangeable for shares of Common Stock (whether such shares or any such securities are then owned by such holder or are thereafter acquired), or (b) entering into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such securities, whether any such transaction described in clause (a) or (b) above is to be settled by delivery of Common Stock or such other securities, in cash or otherwise (the “Lock-up”).

Notwithstanding Section 5.4.1, in no event shall the Lock-up Period exceed one hundred eighty (180) days with respect to the Buyer Common Shares, except for the limited circumstances provided in the Lock-up Agreement, and, in the event and to the extent that the managing underwriter or Buyer permits varying Lock-up Periods with respect to the holders of shares of Common Stock, the Buyer Common Shares shall be subject to the shortest Lock-up Period permitted to any holder of shares of Common Stock (other than Thomas Lipar) by the managing underwriter and Buyer.

Notwithstanding anything to the contrary contained in this Section 5.4, the Buyer Common Shares shall be released from any Lock-up in the event and to the extent that the managing underwriter or Buyer permits any discretionary waiver or termination of the restrictions of any Lock-up pertaining to any officer, director or any other holder of shares of Common Stock other than Thomas Lipar.

### **Release and Waiver of Claims.** Effective as of the Closing,

Subject to Article 8, Buyer, on behalf of itself and its beneficiaries and Affiliates, completely and irrevocably releases and forever discharges Seller and its Affiliates, and their respective directors, officers, managers, members, stockholders, principals, employees, agents, representatives, predecessors, successors and assigns, from any and all claims and Adverse Consequences arising out of or in any way related, directly or indirectly, to the conduct or operation of the Company prior to the Closing.

Seller, on behalf of itself and its beneficiaries and Affiliates, completely and irrevocably waives any and all claims Seller or its beneficiaries or Affiliates may have to any additional ownership in the Company or any ownership in Buyer other than the Buyer Common Shares, and Seller hereby authorizes the appropriate officers of the Company to execute and deliver such documents and take such other actions as may be required or advisable to carry out the effect of the release and waiver described in this Section 5.5.



Notwithstanding anything to the contrary in this Section 5.5, no rights of any Party arising under, or the right of any Party to enforce, this Agreement or any Ancillary Agreement, as applicable, shall be affected by this Section 5.5.

**GTIS Name.** Within 60 days after the Closing Date, Buyer shall file, or shall cause to be filed, an amendment to the Company's certificate of formation with the Secretary of State of the State of Delaware changing the Company's name to a name that does not include the phrase "GTIS" or any name confusingly or misleadingly similar thereto (the "**GTIS Name**"), such amendment to be effective as soon as practicable following the Closing Date. Thereafter, Buyer shall not use the GTIS Name, other than (a) in a neutral, non-trademark sense to discuss the history of the business of the Company or (b) as required by applicable Law. Buyer and its Affiliates acknowledge that they are not acquiring, directly or indirectly, any right, title or interest in and to the GTIS Name or any trademark of Seller.

**Registration of Buyer Common Shares; Participation in Future Equity Offering.** Following the Lock-Up Period and any other legally required waiting period, if Seller is unable to sell all of its Buyer Common Shares under Rule 144, or Seller is unable to sell all of its Buyer Common Shares in routine brokerage transactions within any ninety day period, then upon the written request of Seller, Buyer and Seller shall enter into a registration rights agreement providing for the registration of the Buyer Common Shares on customary and reasonable terms, including customary indemnification provisions. From and after the Closing, prior to a follow-on offering of Common Stock, Buyer shall provide written notice to Seller within twenty (20) Business Days of such offering, and Buyer shall permit Seller to sell any or all of its Buyer Common Shares in such offering if Seller notifies Buyer in writing within ten (10) Business Days of Buyer's written notice.

## **CONDITIONS TO OBLIGATION TO CLOSE.**

**Conditions to Each Party's Obligation.** The obligations of each Party to consummate the transactions contemplated by this Agreement are subject to the satisfaction (or, to the extent permitted by applicable Law, the waiver by the applicable Party) of the following conditions on or before the Closing Date:

No injunction, restraint or prohibition by any court or other Governmental Authority of competent jurisdiction that prohibits the consummation of the transactions contemplated by this Agreement shall have been entered and shall continue to be in effect.

The IPO Closing shall have occurred.

All of the conditions to each party's obligations under each of the Purchase Agreements shall have been satisfied or waived (other than such conditions that by their nature are to be satisfied at the Closing) such that the transactions contemplated thereby shall be consummated simultaneously with the Closing.

Buyer shall have consummated the Formation Transactions (other than the transactions contemplated in this Agreement).

**Additional Conditions to Buyer's Obligation.** Buyer's obligation to consummate the transactions contemplated by this Agreement is further subject to the satisfaction (or the waiver by Buyer) of the following conditions on or before the Closing Date:

Each of the representations and warranties of Seller set forth in Article 3 shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date.

Seller shall have performed and complied with, in all material respects, all of the covenants and agreements in this Agreement required to be performed and complied with by Seller on or prior to the Closing Date.

Seller shall have delivered to Buyer a certificate, dated as of the Closing Date, executed by Seller, certifying as to the satisfaction of the conditions set forth in Sections 6.2.1 and 6.2.2.

Seller shall have duly executed and delivered (or have caused to be duly executed and delivered) to Buyer all of the deliveries set forth in Section 2.4.1.

**Additional Conditions to Seller's Obligation.** Seller's obligation to consummate the transactions contemplated by this Agreement is further subject to the satisfaction (or the waiver by Seller) of the following conditions on or before the Closing Date:

Each of the representations and warranties of Buyer set forth in Article 4 shall be true and correct in all material respects as of the date of this Agreement (except for those representations and warranties made as of the date of the Prospectus, which shall be true and correct in all material respects as of the date of the Prospectus) and as of the Closing Date.

Buyer shall have performed and complied with in all material respects all of the covenants and agreements in this Agreement required to be performed and complied with by Buyer on or prior to the Closing.

Buyer shall have delivered to Seller a certificate to the effect that each of the conditions specified in Sections 6.3.1 and 6.3.2 has been satisfied in all respects.

Buyer shall have duly executed and delivered (or have caused to be duly executed and delivered) to Seller all of the deliveries set forth in Section 2.4.2.

## TERMINATION

**Termination of Agreement.** This Agreement may be terminated and the transactions contemplated hereby may be abandoned at any time prior to the Closing as provided below:

Seller, on the one hand, and Buyer, on the other hand, may terminate this Agreement by mutual consent at any time prior to the Closing.

Buyer may terminate this Agreement by giving notice to Seller: (a) in the event Seller breaches any covenant contained in this Agreement, Buyer has notified Seller of the breach, and the breach has continued without cure for a period of ten (10) days after the notice of breach; or (b) if the Closing shall not have occurred on or before February 28, 2014 (the “Outside Date”), by reason of the failure of any condition precedent under Section 6.2 (unless the failure results primarily from a breach by Buyer of any representation, warranty or covenant contained in this Agreement).

Seller may terminate this Agreement by giving notice to Buyer: (a) in the event Buyer breaches any covenant contained in this Agreement, Seller has notified Buyer of the breach, and the breach has continued without cure for a period of ten (10) days after the notice of breach; or (b) if the Closing shall not have occurred on or before the Outside Date, by reason of the failure of any condition precedent under Section 6.3 (unless the failure results primarily from a breach by Seller of any representation, warranty or covenant contained in this Agreement).

**Effect of Termination.** If any Party terminates this Agreement pursuant to Section 7.1, (a) this Agreement shall be void and of no further force and effect, (b) the transactions contemplated by this Agreement shall be abandoned without further action by any Party and (c) all rights and obligations of the Parties hereunder shall terminate without any Liability of any Party to any other Party, except for any Liability with respect to any breach of this Agreement prior to such termination and except for this Section 7.2 and Article 9, which shall survive the termination of this Agreement.

## INDEMNIFICATION

**Survival of Representations and Warranties.** All of the representations and warranties of the Parties contained in this Agreement shall survive the Closing and continue in full force and effect until the date that is eighteen (18) months after the Closing Date; provided, that the Fundamental Warranties shall survive the Closing and continue in full force until the expiration of the applicable statute of limitations. No claim may be made with respect to any alleged breach of a representation or warranty contained in this Agreement unless notice of such claim is given to Seller or Buyer, as applicable, within the period specified in the immediately preceding sentence, in which case the survival period with respect to the applicable representation and warranty, as it relates to such claim, shall be extended until such claim is resolved. The covenants and agreements of the Parties contained in this Agreement shall survive the Closing Date in accordance with their terms or, if no term is stated, indefinitely.

**Indemnification by Seller.** Seller agrees, subject to the other terms, conditions and limitations of this Article 8, to indemnify Buyer and its Affiliates and each of their respective directors, officers, employees and representatives (collectively, the “Buyer Indemnified Parties”), against, and hold the Buyer Indemnified Parties harmless from, all Adverse Consequences suffered or incurred by any Buyer Indemnified Party arising out of or related to: (a) any breach by Seller of any representation or warranty made by Seller in this Agreement or any Ancillary Agreement; or (b) any failure by Seller to perform or comply with any covenant or agreement contained in this Agreement or any Ancillary Agreement. Notwithstanding anything to the contrary contained herein, Seller shall not be liable for any Adverse Consequences to the extent such Adverse Consequences (i) arise out of any act, omission, transaction or arrangement carried out by, or on behalf of any Buyer Indemnified Party after the date hereof, (ii) would not have arisen but for any change in the operation of the Company consented to by Buyer or its Affiliates after the Closing Date or (iii) arose or were increased as a direct or indirect result of any increase in Tax rates or a change in Law occurring after the date hereof.

**Indemnification by Buyer.** Buyer agrees, subject to the other terms, conditions and limitations of this Article 8, to indemnify Seller and its Affiliates and each of their respective directors, officers, employees and representatives (collectively, the “Seller Indemnified Parties”), against, and hold the Seller Indemnified Parties harmless from, all Adverse Consequences suffered or incurred by any Seller Indemnified Party arising out of or related to: (a) any breach of any representation or warranty made by Buyer in this Agreement or any Ancillary Agreement; (b) any failure by Buyer to perform or comply with any covenant or agreement contained in this Agreement or any Ancillary Agreement; (c) the conduct or operation of the Company from and after the Closing; or (d) any Third-Party Claims made against Seller Indemnified Parties arising out of or related to the IPO and the prospectus and registration statement used in connection therewith. Notwithstanding anything to the contrary contained herein, Buyer shall not be liable for any Adverse Consequences to the extent such Adverse Consequences (i) arise out of any act, omission, transaction or arrangement carried out by, or on behalf of any Seller Indemnified Party after the date hereof, (ii) would not have arisen but for any change in the operation of the Company consented to by Seller or its Affiliates prior to the Closing Date or (iii) arose or were increased as a direct or indirect result of any increase in Tax rates or a change in Law occurring after the date hereof.

**Limitations on Indemnity.**

Seller Indemnified Parties agree not to seek recourse against, and shall not recover from Buyer on account of any Adverse Consequences pursuant to Section 8.3(a), Section 8.3(b) or Section 8.3(c) until the aggregate amount of all such Adverse Consequences exceeds two percent (2.0%) of the Purchase Price (the “Threshold”) in which event Buyer shall be responsible for the aggregate amount of all Adverse Consequences regardless of the Threshold up to the Buyer Cap Amount. The aggregate Liability of Buyer under Section 8.3(a), Section 8.3(b) or Section 8.3(c) shall not exceed the amount set forth on Exhibit A under the column “Buyer Common Share Consideration Total Value” (the “Buyer Cap Amount”).

The Buyer Indemnified Parties agree not to seek recourse against, and shall not recover from the Seller on account of any Adverse Consequences pursuant to Section 8.2 until the aggregate amount of all such Adverse Consequences exceeds the Threshold in which event Seller shall be responsible for the aggregate amount of all Adverse Consequences regardless of the Threshold up to the Purchase Price. The aggregate Liability of Seller under Section 8.2 shall not exceed the Purchase Price.

#### **Matters Involving Third Parties.**

If any third party notifies any Party (the “Indemnified Party”) of any matter (including any Proceeding by or in respect of such third party) (a “Third-Party Claim”) that may give rise to a claim for indemnification against any other Party (the “Indemnifying Party”) under this Article 8, then the Indemnified Party shall promptly notify each Indemnifying Party thereof; provided, that the failure of the Indemnified Party to give such prompt notice shall not relieve the Indemnifying Party of its obligations under this Article 8 except to the extent (if any) that the Indemnifying Party shall have been actually materially prejudiced thereby.

Any Indemnifying Party shall have the right to assume and thereafter conduct the defense of the Third-Party Claim at its own expense and with counsel reasonably satisfactory to the Indemnified Party; provided, that the Indemnifying Party shall not consent to the entry of any judgment or enter into any settlement with respect to any Third-Party Claim without the prior consent of the Indemnified Party unless the judgment or proposed settlement: (a) involves only the payment of money damages (all of which will be paid by the Indemnifying Party); (b) does not impose an injunction or other equitable relief upon the Indemnified Party; (c) does not include the admittance of any fault; (d) involves a dismissal of the underlying claim without prejudice (if applicable); (e) includes a full release by the plaintiff or claimant of all Indemnified Parties from any Liability; and (f) includes a provision whereby the plaintiff or claimant in the matter is prohibited from disclosing publicly any information regarding the Third-Party Claim or such relief without the Indemnified Party’s prior consent. Notwithstanding the foregoing, the Indemnifying Party shall not be entitled to assume the defense of, defend, compromise or settle any such Third-Party Claim in the name of the Indemnified Party if: (i) the Indemnifying Party fails to defend or fails to prosecute the defense within a reasonable time period (not to exceed thirty (30) days from the date the Indemnified Party provides notice of such Third-Party Claim) or withdraws from such defense; (ii) the Indemnified Party shall have determined in good faith that an actual or potential conflict of interest makes representation of the Indemnifying Party and Indemnified Party by the same counsel or the counsel selected by the Indemnifying Party inappropriate; or (iii) the Third-Party Claim is a criminal Proceeding. If the Indemnified Party has assumed the defense of the Third-Party Claim, the Indemnified Party shall not consent to the entry of any judgment or enter into any settlement with respect to such Third-Party Claim without the prior consent of the Indemnifying Party (such consent not to be unreasonably withheld).

The Indemnified Party and its counsel may participate in the defense of a Third-Party Claim even if the Indemnifying Party chooses to assume and conduct the defense of such Third-Party Claim, but in such case the expenses of the Indemnified Party's additional counsel shall be paid by the Indemnified Party.

**Characterization of Indemnification Payments.** All indemnification payments under this Article 8 shall be deemed adjustments to the Purchase Price. If, contrary to the intent of the Parties as expressed in the preceding sentence, any payment made pursuant to this Article 8 is treated as taxable income of an Indemnified Party, then, subject to the other terms, conditions and limitations of this Agreement, the Indemnifying Party shall indemnify and hold harmless the Indemnified Party from any Liability for additional Taxes attributable to the receipt of such payment.

**Remedies; Exclusive Remedy.** Subject to Section 9.13, except in the case of fraud, willful misrepresentation and willful breach, the rights and remedies under this Article 8 are exclusive and in lieu of any and all other rights and remedies that the Seller Indemnified Parties may have against Buyer or the Buyer Indemnified Parties may have against Seller under this Agreement or otherwise with respect to the Company or any breach of any representation or warranty or any failure to perform any covenant or agreement set forth in this Agreement. Seller and Buyer expressly waive any and all other rights, remedies and causes of action it or its Affiliates may have against Buyer and Seller, respectively, now or in the future under any Law with respect to the transactions contemplated by this Agreement. The remedies expressly provided in this Agreement shall constitute the sole and exclusive basis for and means of recourse between Seller and Buyer with respect to the transactions contemplated by this Agreement.

## MISCELLANEOUS

**No Third-Party Beneficiaries.** This Agreement shall not confer any rights or remedies upon any Person other than the Parties and their respective successors and permitted assigns; provided, that the Buyer Indemnified Parties and the Seller Indemnified Parties are intended third-party beneficiaries of Article 8.

**Entire Agreement.** This Agreement, together with any Exhibits and the Ancillary Agreements, constitutes the entire agreement among the Parties and supersedes any prior understandings, agreements or representations by or among the Parties, written or oral, to the extent they relate in any way to the subject matter hereof.

**Succession and Assignment.** This Agreement shall be binding upon and inure to the benefit of the Parties named herein and their respective personal representatives, heirs, successors and permitted assigns. No Party may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written consent of the other Party.

**Counterparts.** This Agreement may be executed in one or more counterparts (including by means of facsimile or electronic means including .pdf form), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**Headings.** The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement.

**Notices.** All notices, requests, demands, claims, and other communications hereunder shall be in writing and shall be deemed duly given (a) when delivered personally to the recipient, (b) one (1) Business Day after being sent to the recipient by reputable overnight courier service (charges prepaid), (c) one (1) Business Day after being sent to the recipient by facsimile transmission or email if the sender on the same day sends a confirming copy of such notice by a reputable overnight courier service (charges prepaid), or (d) four (4) Business Days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, and addressed to the intended recipient as set forth below:

If to Seller:

GTIS Partners LP  
681 Schofield Road  
The Presidio  
San Francisco, CA 94129  
Attn: Thomas M. Feldstein,  
General Counsel  
Facsimile: (415) 674-4228  
Email: tfeldstein@gtispartners.com

and

GTIS Partners LP  
45 Rockefeller Plaza  
31st Floor  
New York, NY 10111  
Attn: Robert Vahradian  
Facsimile: (212) 220-5296  
Email: rvahradian@gtispartners.com

If to Buyer:

LGI Homes, Inc.  
1450 Lake Robbins Drive, Suite 430  
The Woodlands, Texas 77380  
Attn: Eric Lipar, CEO  
Facsimile: (281) 210-2601  
Email: elipar@lgihomes.com

Copy to:

Mayer Brown LLP  
71 South Wacker Drive  
Chicago, IL 60606  
Attn: David Malinger  
Facsimile: (312) 701-7711  
Email: DMalinger@mayerbrown.com

Copy to:

Winstead PC  
1100 JPMorgan Chase Tower  
600 Travis Street  
Houston, Texas 77002  
Attn: Warren Hoffman  
Facsimile: (713) 650-2400  
Email: whoffman@winstead.com

Any Party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other Party notice in the manner herein set forth.

**Governing Law.** This Agreement shall be governed by and construed in accordance with the Laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of New York.

**Waiver of Jury Trial.** Each Party acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each such Party hereby irrevocably and unconditionally waives any right such Party may have to a trial by jury in respect of any litigation directly or indirectly arising out of or related to this Agreement or the transactions contemplated hereby. Each Party certifies and acknowledges that it: (a) understands and has considered the implications of this waiver; (b) makes this waiver voluntarily; and (c) has been induced to enter into this Agreement by, among other things, the mutual waiver in this Section 9.8.



**Amendments and Waivers.** No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by each Party. No waiver by any party of any condition or provision of this Agreement or any default, misrepresentation or breach of any representation, warranty, covenant or agreement hereunder, whether intentional or not, shall be valid unless the same shall be in writing and signed by the party making such a waiver, nor shall such waiver be deemed to extend to any prior or subsequent default, misrepresentation or breach of any representation, warranty, covenant or agreement hereunder, or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

**Severability.** Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions hereof or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction.

**Expenses.** Except as otherwise provided in this Agreement, each Party shall bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby; provided, that all transfer, documentary, sales, use, stamp, registration and other such Taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the transactions contemplated by this Agreement (“Transfer Taxes”) shall be borne by Buyer, and each Party agrees to file all necessary documentation (including all Tax Returns) with respect to such Transfer Taxes in a timely manner, and, if required by applicable Law, the Parties shall, and shall cause their Affiliates to, join in the execution of any such Tax Returns and other documentation.

**Further Assurances.** After the Closing Date, Seller shall, from time to time at Buyer’s request and expense, execute and deliver, or cause to be executed and delivered, such further instruments of conveyance, assignment and transfer or other documents, and perform such further acts and obtain such further consents, as Buyer may reasonably require in order to fully effect the conveyance and transfer to Buyer or its designees of the Purchased Interests, or to otherwise comply with the provisions of this Agreement and consummate the transactions contemplated by this Agreement and the Ancillary Agreements.

**Specific Performance.** The Parties acknowledge and agree that the failure of Buyer or Seller to perform its agreements and covenants hereunder and in the Ancillary Agreements, including its failure to take all actions as are necessary on its part to consummate the transactions contemplated hereby and thereby, will cause irreparable injury to Seller or Buyer, respectively, for which damages, even if available, will not be an adequate remedy. Accordingly, each party hereby consents to the issuance of injunctive relief (without requirement to post any bond or other security) by any court of competent jurisdiction to compel performance of each Party's obligations and to the granting by any court of the remedy of specific performance of its obligations hereunder and the terms hereof. For the avoidance of doubt, the Parties agree that Buyer or Seller may seek to compel specific performance by Seller or Buyer, respectively, for the consummation of the transactions contemplated hereunder. Notwithstanding anything to the contrary in this Agreement, if all of the conditions under Sections 6.1 and 6.2 (other than those conditions that may only be satisfied on the Closing Date, provided that such conditions are capable of being satisfied) have been satisfied on or prior to the Outside Date, or have been waived in whole or in part by Buyer prior to the Outside Date, and Buyer fails to effect the Closing in breach of its obligations hereunder, then (a) Seller shall have been caused irreparable harm, (b) money damages will be inadequate to remedy such harm, and (c) Seller shall be entitled, without the requirement of posting a bond or other security, to obtain equitable relief, including obtaining an order requiring specific performance by Buyer of the terms of this Agreement. Notwithstanding anything to the contrary in this Agreement, if all of the conditions under Sections 6.1 and 6.3 (other than those conditions that may only be satisfied on the Closing Date, provided that such conditions are capable of being satisfied) have been satisfied on or prior to the Outside Date, or have been waived in whole or in part by Seller prior to the Outside Date, and Seller fails to effect the Closing in breach of its obligations hereunder, then (a) Buyer shall have been caused irreparable harm, (b) money damages will be inadequate to remedy such harm, and (c) Buyer shall be entitled, without the requirement of posting a bond or other security, to obtain equitable relief, including obtaining an order requiring specific performance by Seller of the terms of this Agreement.

**Construction.**

The Parties have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

Any reference to any federal, state, local or foreign Law shall be deemed also to refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

Unless the context otherwise requires, as used in this Agreement, (a) "including" and its variants mean "including, without limitation" and its variants, and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it; (b) words defined in the singular have the parallel meaning in the plural and vice versa; (c) the terms "hereof," "herein," "hereby," "hereto," and derivative or similar words refer to this entire Agreement and any Exhibits hereto; (d) all Sections and Exhibits referred to herein are, respectively, Sections of, and Exhibits to, this Agreement; (e) words importing any gender shall include other genders; (f) a dollar figure (\$) used in this Agreement shall mean United States dollars; (g) any reference to "days" means calendar days, unless Business Days are expressly specified; and (h) the use of "or" is not intended to be exclusive unless expressly indicated otherwise.

A reference to a notice, consent or approval to be delivered under or pursuant to this Agreement means a written notice, consent or approval.

A reference to any Person includes such Person's successors and assigns to the extent such successors or assigns are permitted by the terms of the applicable agreement.

All payments under or pursuant to this Agreement shall be made by wire transfer in United States dollars in immediately available funds.

**Incorporation of Exhibits.** The Exhibits identified in this Agreement are incorporated herein by reference and made a part hereof.

\* \* \* \* \*

IN WITNESS WHEREOF, the Parties have executed this Purchase Agreement on the date first above written.

**SELLER:**

GTIS US RESIDENTIAL STRATEGIES FUND LP

By: /s/ Robert K. Vahradian

Name: Robert K. Vahradian

Title: Vice President

LGI IV BLOCKER LLC

By: /s/ Robert K. Vahradian

Name: Robert K. Vahradian

Title: Vice President

**BUYER:**

LGI HOMES, INC.

By: /s/ Eric T. Lipar

Eric T. Lipar, Chief Executive Officer

*[Signature Page to Purchase Agreement]*

**Exhibit A**

**Purchase Price Calculation**

<b><u>Transaction</u></b>	<b><u>Closing Cash Payment</u></b>	<b><u>Buyer Common Share Consideration Total Value</u></b>	<b><u>Purchase Price</u></b>
LGI-GTIS Holdings IV LLC Purchase	\$27,936,044.90	\$ 3,411,598.50	\$31,347,643.40

## FIRST AMENDMENT TO PURCHASE AGREEMENT

THIS FIRST AMENDMENT TO PURCHASE AGREEMENT (this "Amendment") is made as of the 24th day of October, 2013, by and between GTIS US Residential Strategies Fund LP, a Delaware limited partnership, and LGI IV Blocker LLC, a Delaware limited liability company (together, "Seller"), and LGI Homes, Inc., a Delaware corporation ("Buyer"). Seller and Buyer are referred to together herein as the "Parties." All capitalized terms used and not defined herein shall have the meaning ascribed to such terms in the Purchase Agreement.

WHEREAS, Seller and Buyer are parties to that certain Purchase Agreement, dated as of August 28, 2013 (the "Purchase Agreement");

WHEREAS, Seller and Buyer desire to amend the Purchase Agreement and modify certain provisions thereof as provided herein; and

WHEREAS, pursuant to Section 9.9 of the Purchase Agreement, the Purchase Agreement may be amended only in writing signed by each Party.

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties, covenants and agreements herein contained, and intending to be legally bound hereby, the Parties hereby agree as follows:

Section 5.4.2. Section 5.4.2 of the Purchase Agreement is hereby deleted in its entirety and replaced with the following text:

"Notwithstanding Section 5.4.1, in no event shall the Lock-up Period exceed one hundred eighty (180) days with respect to the Buyer Common Shares, except for the limited circumstances provided in the Lock-up Agreement, and, in the event and to the extent that the managing underwriter or Buyer permits varying Lock-up Periods with respect to the holders of shares of Common Stock, the Buyer Common Shares shall be subject to the shortest Lock-up Period permitted to any holder of shares of Common Stock (other than (a) Thomas Lipar and (b) EDSS Holdings, LP and RE Finance Partners, Ltd., but in the case of this clause (b), only with respect to the pro rata portion of shares of Common Stock attributable to the partnership interest owned by Thomas Lipar in EDSS Holdings, LP and RE Finance Partners, Ltd., respectively) by the managing underwriter and Buyer."

Section 5.4.3. Section 5.4.3 of the Purchase Agreement is hereby deleted in its entirety and replaced with the following text:

"Notwithstanding anything to the contrary contained in this Section 5.4, the Buyer Common Shares shall be released from any Lock-up in the event and to the extent that the managing underwriter or Buyer permits any discretionary waiver or termination of the restrictions of any Lock-up pertaining to any officer, director or any other holder of shares of Common Stock other than (a) Thomas Lipar and (b) EDSS Holdings, LP and RE Finance Partners, Ltd., but in the case of this clause (b), only with respect to the pro rata portion of shares of Common Stock attributable to the partnership interest owned by Thomas Lipar in EDSS Holdings, LP and RE Finance Partners, Ltd., respectively."

Exhibit B. Exhibit B to the Purchase Agreement is hereby amended and restated in its entirety in the form attached hereto as Exhibit A.

**Full Force and Effect.** Except as expressly modified by this Amendment, all of the terms, covenants, agreements, conditions and other provisions of the Purchase Agreement shall remain in full force and effect in accordance with their respective terms. As used in the Purchase Agreement, the terms “this Agreement,” herein, hereinafter, hereunder, hereto and words of similar import shall mean and refer to, from and after the date hereof, unless the context otherwise requires, the Purchase Agreement as amended by this Amendment.

**Governing Law.** This Amendment shall be governed by and construed in accordance with the Laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of the Laws of any jurisdiction other than the State of New York.

**Counterparts.** This Amendment may be executed in one or more counterparts (including by means of facsimile or electronic means including .pdf form), each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Amendment on the date first above written.

**SELLER:**

GTIS US RESIDENTIAL STRATEGIES FUND LP

By: /s/ Robert K. Vahradian  
Name: Robert K. Vahradian  
Title: Vice President

LGI IV BLOCKER LLC

By: /s/ Robert K. Vahradian  
Name: Robert K. Vahradian  
Title: Vice President

**BUYER:**

LGI HOMES, INC.

By: /s/ Eric T. Lipar  
Eric T. Lipar, Chief Executive Officer



## CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT ( “**Agreement**”), effective as of the 13<sup>th</sup> day of November, 2013 (the “**Effective Date**”), is entered into by and among LGI Homes, Inc., a Delaware corporation (“**LGIH**”) and the parties whose names are set forth on Schedule I attached hereto (collectively, the “**Investors**”).

### RECITALS

GTIS LGI I, LP, a Delaware limited partnership (“**GTIS I**”) owns certain interests in LGI-GTIS Holdings, LLC, a Delaware limited liability company (“**LGI/GTIS JV1**”);

GTAM Mallard, LLC, a Delaware limited liability company (“**GTIS II**”) owns certain interests in LGI-GTIS Holdings II, LLC, a Delaware limited liability company (“**LGI/GTIS JV2**”);

GTIS LGI LP, a Delaware limited partnership (“**GTIS III**”) owns certain interests in LGI-GTIS Holdings III LLC, a Delaware limited liability company (“**LGI/GTIS JV3**”);

GTIS US Residential Strategies Fund LP, a Delaware limited partnership, and LGI IV Blocker LLC, a Delaware limited liability company (together, “**GTIS IV**” and together with GTIS I, GTIS II and GTIS III, the “**GTIS Members**” and each individually, a “**GTIS Member**”), together owns certain interests in LGI-GTIS Holdings IV LLC, a Delaware limited liability company (“**LGI/GTIS JV4**” and together with LGI/GTIS JV1, LGI/GTIS JV2 and LGI/GTIS JV3, the “**LGI/GTIS JV’s**”);

Thomas E. Lipar, a Texas resident (“**Tom**”), Eric T. Lipar, a Texas resident (“**Eric**”), and RE Finance Partners, Ltd., a Texas limited partnership (“**RE**”), together own all of the outstanding equity interests in LGI Homes Corporate, LLC, a Texas limited liability company (“**Corporate**”);

LGI Investment Fund II, LP, a Texas limited partnership (“**Fund II**”), and EDSS Holdings, LP, a Texas limited partnership (“**EDSS**”), own 49.875% and 50.125%, respectively, of LGI Homes Group, LLC, a Texas limited liability company (“**Group**”);

LGI Investment Fund III, LP, a Texas limited partnership (“**Fund III**”) owns certain interests in LGI Fund III Holdings, LLC, a Texas limited liability company (“**Fund III Holdings**”);

Tom beneficially owns 100% of each of LGI Homes, Ltd., a Texas limited partnership (“**LGI Homes**”), LGI Homes – Sunrise Meadow, Ltd., a Texas limited partnership (“**Sunrise Meadow**”) and LGI Homes – Canyon Crossing, Ltd., a Texas limited partnership (“**Canyon Crossing**” and together with LGI Homes and Sunrise Meadow, the “**Holdings Affiliates**”);

Tom owns 90% and Eric owns 10% of LGI Homes – Deer Creek, LLC, a Texas limited liability company (“**Deer Creek**”);

The board of directors of LGIH has approved the filing of a registration statement for an initial public offering (the “**IPO**”) of its common stock, par value \$0.01 per share (“**Shares**”), and to effectuate such offering, desires to acquire all of the equity interests, directly or indirectly, of the LGI/GTIS JV’s, Corporate, Group, Fund III Holdings, the Holdings Affiliates and Deer Creek (together, the “**Predecessors**”);

To effectuate the aforesaid transactions (the “**Formation Transactions**”), LGIH and the Investors desire to enter into this Agreement and the Assignment Agreements (defined below) pursuant to which the Investors shall contribute all of their ownership and other interests in the Predecessors to LGIH in exchange for Shares in the amounts set forth on Schedule I hereto; and

The parties hereto intend that the Formation Transactions, together with the IPO, collectively qualify for tax treatment under Section 351 of the United States Internal Revenue Code of 1986, as amended.

NOW, THEREFORE, in consideration of the above stated recitals and for other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the parties agree as follows:

1. Assignment Agreements – Effective Date. The following parties shall enter into the following agreements (collectively with the GTIS Agreements identified in Section 2, the “**Assignment Agreements**”) on or about the Effective Date, each of which shall be effective as of the Closing Date (as defined in the Underwriting Agreement relating to the IPO to be entered into among LGIH, Deutsche Bank Securities Inc., JMP Securities LLC, J.P. Morgan Securities LLC and as representatives of the several underwriters named therein (the “**Underwriting Agreement**”)):

Tom, Eric, RE and LGIH shall enter into an Assignment, Assumption and Admission Agreement pursuant to which LGIH shall acquire all of the limited liability company membership interests in Corporate in exchange for the issuance of Shares to Tom, Eric and RE;

Fund II, EDSS and LGIH shall enter into an Assignment, Assumption and Admission Agreement pursuant to which LGIH shall acquire all of the limited liability company membership interests in Group in exchange for the issuance of Shares to Fund II and EDSS;

Fund III and LGIH shall enter into an Assignment, Assumption, Joinder and Admission Agreement pursuant to which LGIH shall acquire all of Fund III’s limited liability company membership interests in Fund III Holdings in exchange for the issuance of Shares to Fund III;

Tom, the Holdings Affiliates, their respective general partners and LGIH shall enter into a series of transactions pursuant to which (i) the Holdings Affiliates shall all convert from Texas limited partnerships into Texas limited liability companies, and (ii) the owners of each Holdings Affiliate shall enter into an agreement or series of agreements with LGIH pursuant to which LGIH shall acquire all of the outstanding equity interests in the Holdings Affiliates in exchange for the issuance of Shares to Tom and the payment of a nominal amount of cash to the general partners of each of the Holdings Affiliates; and

Tom, Eric and LGIH shall enter into an Assignment, Assumption and Admission Agreement pursuant to which LGIH shall acquire all of the limited liability company membership interests in Deer Creek in exchange for the payment of a nominal amount of cash to Tom and Eric.

2. Assignment Agreements – GTIS. The following parties have entered into the following agreements (collectively, the “**GTIS Agreements**”) to be effective as of the Closing Date (as defined in the Underwriting Agreement):

each GTIS Member has entered into a Purchase Agreement with LGIH pursuant to which LGIH shall acquire all of the GTIS Members’ equity ownership interests in the LGI/GTIS JV’s in exchange for cash and the issuance of Shares to the respective GTIS Member.

Tax Treatment of Formation Transactions. LGIH and the Investors intend for the Formation Transactions, together with the issuance of LGIH’s Shares to the public in connection with the IPO, (i) to be part of the same common plan, (ii) to occur simultaneously, and (iii) to be treated for all relevant income tax purposes as an exchange governed by the provisions of Section 351 of the United States Internal Revenue Code of 1986, as amended. LGIH and the Investors agree to report the Formation Transactions to all applicable state and federal taxing authorities, for all purposes, consistent with such intent, unless such tax treatment is contrary to any applicable law, rule or regulation.

Closing. The closing of the transactions contemplated by this Agreement (the “**Closing**”) shall take place at such locations, dates and times as the parties to the respective Assignment Agreements may determine. At the Closing, all of the following shall be effected:

each Investor shall execute and deliver such Assignment Agreements as are necessary to effectuate the transfer, sale, assignment, or conveyance of such Investor’s membership, partnership, ownership and other interests in the Predecessors to LGIH in a form reasonably satisfactory to LGIH; and

LGIH shall deliver, or cause to be delivered to each Investor, the LGIH Shares to be issued to such Investor as described on Schedule I, and/or cash, if applicable, pursuant to the respective Assignment Agreement.

Representations and Warranties of LGIH. LGIH hereby represents and warrants to each Investor that:

the execution, delivery, and performance of this Agreement by LGIH has been duly authorized by LGIH; and

when executed, this Agreement constitutes a valid and binding obligation of LGIH, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws affecting creditors’ rights generally and limitations on the availability of equitable remedies.

Representations and Warranties of Investors. Each Investor represents and warrants to LGIH with respect to itself that:

the execution, delivery, and performance of this Agreement by the Investor has been duly authorized by the Investor;

when executed, this Agreement constitutes a valid and binding obligation of the Investor, enforceable against the Investor in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws affecting creditors' rights generally and limitations on the availability of equitable remedies;

each Investor is (i) an "accredited investor" as such term is defined in Rule 501(a) promulgated under the Securities Act of 1933, as amended (the "**Securities Act**"), (ii) sophisticated in financial matters and able to evaluate the risks and benefits of the investment in the Shares, (iii) able to bear the risk of his, her or its investment in the Shares for an indefinite period of time, and (iv) aware that transfer of the Shares may not be possible because the Shares have not been registered under the Securities Act or any applicable state securities laws and, therefore, cannot be sold unless subsequently registered under the Securities Act and such applicable state securities laws or an exemption from such registration is available; and

it is entitled to contribute and transfer to LGIH its full legal and beneficial membership, partnership, ownership or other interest in the Predecessor(s) to be contributed to LGIH pursuant to Section 1 or 2 of this Agreement, as applicable, free and clear of all liens, claims and encumbrances.

Miscellaneous.

Successors and Assigns. Except as otherwise provided herein, this Agreement and the rights and obligations of the parties hereunder shall inure to the benefit of, and be binding upon, the parties' respective permitted successors, assigns and legal representatives.

Entire Agreement. This Agreement and the Assignment Agreements (and, in the case of the LGI/GTIS JV's, the Purchase Agreements and the exhibits thereto) contain the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede any prior and contemporaneous arrangement or understanding with respect to said subject matter. There are no oral agreements among the parties hereto with respect to the subject matter of this Agreement or the Assignment Agreements.

Amendments and Waivers. Any term of this Agreement may be amended or waived only with the written consent of all of the parties. Any amendment or waiver effected in accordance with this Section 7.3 shall be binding upon the parties and each of their respective permitted successors and assigns.

Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

Governing Law. This Agreement, and any dispute relating to this Agreement, whether in tort, in contract, or otherwise, shall be governed by the laws of the State of Texas without giving effect to any choice or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas.

Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be enforceable, and all of which together shall constitute one instrument.

Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

*[This space intentionally left blank.]*

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the Effective Date.

**LGI HOMES, INC.,**  
a Delaware corporation

By: /s/ Eric T. Lipar  
Eric T. Lipar, Chief Executive Officer

**EDSS PARTNERS, LP**  
a Texas limited partnership

By: EDSS Management, Inc.,  
A Texas corporation

By: /s/ Eric T. Lipar  
Eric T. Lipar, President

**LGI INVESTMENT FUND II, LP**  
a Texas limited partnership

By: LGI Fund II GP, LLC,  
A Texas limited liability company

By: /s/ Eric T. Lipar  
Eric T. Lipar, Manager

**LGI INVESTMENT FUND III, LP**  
a Texas limited partnership

By: LGI Fund III GP, LLC,  
A Texas limited liability company

By: /s/ Eric T. Lipar  
Eric T. Lipar, Sole Member

/s/ Eric T. Lipar  
Eric T. Lipar, Individually

**GTIS LGI I LP**  
a Delaware limited partnership

By: GTIS REOF I Domestic LLC, a Delaware Limited Liability Company

By: /s/ Steven J. Gorey  
Name: Steven J. Gorey  
Title: Vice President

**GTAM MALLARD LLC**  
a Delaware limited liability company

By: GoldenTree Asset Management LP

By: /s/ Peter Alderman  
Name: Peter Alderman  
Title: Vice President

**GTIS LGI LP**  
a Delaware limited liability company

By: /s/ Steven J. Gorey  
Name: Steven J. Gorey  
Title: Vice President

**LGI IV BLOCKER, LLC**  
a Delaware limited liability company

By: /s/ Steven J. Gorey  
Name: Steven J. Gorey  
Title: Vice President

**GTIS US RESIDENTIAL STRATEGIES FUND, LP**, a  
Delaware limited partnership

By: GTIS US Residential Strategies Fund GP LLC  
its general partner

By: /s/ Steven J. Gorey  
Name: Steven J. Gorey  
Title: Vice President

**RE FINANCE PARTNERS, LTD.**  
a Texas limited partnership

By: Lipar Group, Inc.  
A Texas corporation

By: /s/ Thomas E. Lipar  
Thomas E. Lipar, President

/s/ Thomas E. Lipar  
Thomas E. Lipar, Individually

[Counterpart Signature Page to Contribution Agreement]



**SCHEDULE I****LGI Homes, Inc.  
Beneficial Ownership Table**

<b><u>Investor Names</u></b>	<b><u>Interests Being Contributed</u></b>	<b><u>Shares in LGIH Received</u></b>
GTIS I	LGI/GTIS JV1	44,124
GTIS II	LGI/GTIS JV2	34,306
GTIS III	LGI/GTIS JV3	20,516
GTIS IV (or its affiliate(s) designated by GTIS IV)	LGI/GTIS JV4	310,145
EDSS Holdings, LP	Group	2,339,297
LGI Investment Fund II, LP	Group	2,327,629
LGI Investment Fund III, LP	Fund III Holdings	2,161,580
RE Finance Partners, Ltd.	Corporate	368,723
Thomas E. Lipar	Interests in multiple Predecessors	2,283,772
Eric T. Lipar	Interests in multiple Predecessors	522,357

# **ASSIGNMENT, ASSUMPTION AND ADMISSION AGREEMENT**

(Thomas E. Lipar, Eric T. Lipar and RE Finance Partners, Ltd. to LGI Homes, Inc.)

This Assignment, Assumption and Admission Agreement (“**Agreement**”) is made to be effective as of the 13th day of November, 2013 (the “**Effective Date**”), by and among Thomas E. Lipar (“**Tom**”), Eric T. Lipar (“**Eric**”), both Texas residents, and RE Finance Partners, Ltd., a Texas limited partnership (“**RE Finance**” and collectively with Tom and Eric, “**Assignors**”), and LGI Homes, Inc., a Delaware corporation (“**Assignee**”). Capitalized terms not otherwise defined in this Agreement shall have the meanings ascribed to them in the Company Agreement (defined below).

## **RECITALS**

A. Tom and Eric are the Managers and together with RE Finance, Members of LGI Homes Corporate, LLC, a Texas limited liability company (“**Corporate**”), and collectively own 100% of the Membership Interests of Corporate pursuant to the Company Agreement dated March 4, 2010, as it may be amended from time to time (the “**Company Agreement**”).

B. Assignors wish to assign all right, title and interest in all of their Membership Interests in Corporate to Assignee (the “**Assigned Interests**”) in exchange for 1,567,072 shares of common stock in Assignee issued to Tom, 522,357 shares of common stock in Assignee issued to Eric, and 368,723 shares of common stock in Assignee issued to RE Finance.

C. Assignee desires to accept the Assigned Interests and be admitted to Corporate as a substituted Member, to assume all of the obligations as the sole Member of Corporate, and as of the Effective Date, in lieu of joining the Company Agreement, to adopt and execute the Amended and Restated Company Agreement attached to this Agreement as Exhibit A (the “**Restated Company Agreement**”).

D. Pursuant to Article 15 of the Company Agreement, the consent of all Members is required to approve a Transfer of Membership Interests and to admit substituted Members, and by their execution below, Assignors hereby consent to the Transfers set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**Assignment.** Assignors hereby sell, transfer, convey and assign, as of the Effective Date, the Assigned Interests to Assignee in exchange for 1,567,072 shares of common stock in Assignee issued to Tom, 522,357 shares of common stock in Assignee issued to Eric, and 368,723 shares of common stock in Assignee issued to RE Finance (together, the “**Shares**”).

**Assumption.** Assignee hereby agrees to (i) issue the Shares to the Assignors, (ii) assume and undertake to perform and discharge all of the obligations accruing from and after the Effective Date that are attributable to the Assigned Interests. Assignors hereby agree to indemnify and hold Assignee harmless with respect to obligations and liabilities attributable to the Assigned Interests which accrued on or before the Effective Date.

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***Representations and Warranties.***

Each Assignor represents and warrants to and for the benefit of Assignee that (i) he or it has full power and authority to execute and deliver this Agreement and to perform his or its obligations hereunder; (ii) this Agreement constitutes the valid and legally binding obligation of each Assignor, enforceable in accordance with its terms and conditions; (iii) the aggregate Assigned Interests represent all of the Membership Interests in Corporate; (iv) the Assigned Interests are conveyed to Assignee free and clear of all liens, claims and encumbrances; (v) each Assignor is an “accredited investor” as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the “**Securities Act**”); (vi) each Assignor is acquiring his or its respective Shares for its own account for investment and not with a view to, or for sale or other disposition in connection with, any distribution of all or any part thereof, except in compliance with applicable federal and state securities laws; (vii) each Assignor understands that the Shares issued to him or it will not have been registered pursuant to the Securities Act or any applicable state securities laws, that such Shares will be characterized as “restricted securities” under federal securities laws, that under such laws and applicable regulations such Shares cannot be sold or otherwise disposed of without registration under the Securities Act or an exemption therefrom and that the certificates representing such Shares will bear restrictive legends stating the foregoing.

Assignee represents and warrants to and for the benefit of Assignors that (i) it has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder; (ii) this Agreement constitutes the valid and legally binding obligation of Assignee, enforceable in accordance with its terms and conditions; and (iii) the Shares are duly authorized, validly issued, fully paid and non-assessable.

***Waiver of Legal Opinion.*** Tom and Eric, as the Managers of Corporate, hereby expressly waive the delivery of a legal opinion by Assignors or Assignee pursuant to Section 15.4(b) of the Company Agreement.

***Admission of Assignee as Substitute Member.*** As of the Effective Date, Assignee is admitted as the sole Member of Corporate, with all of the rights, privileges and obligations accruing to a Member of Corporate.

***Amended and Restated Company Agreement.*** Assignee hereby acknowledges and agrees as follows: (i) it has read and understands the Restated Company Agreement; (ii) its rights and obligations as the sole Member of Corporate are subject to all of the terms, conditions and covenants set forth in, and liens, security interests, pledges, options and encumbrances, if any, created by or under, the Restated Company Agreement; and (iii) with respect to the Assigned Interests held by it and any additional Membership Interests hereafter acquired by it, it shall be bound by and promptly and fully perform or cause to be performed, and comply or cause to be complied with, all of the terms, conditions and covenants agreed to be done, kept and performed by the Restated Company Agreement, to the extent such obligations arise or are due to be performed or observed after the Effective Date.

***Further Assurance.*** Each of the parties hereto agrees to execute any documents required to evidence further or to confirm the assignments effected hereby.

**Spousal Consent.** Each individual Assignor’s spouse joins in the execution of this Agreement to evidence her acknowledgment and agreement to the transactions contemplated by this Agreement with respect to her marital interest, if any, in and to the Assigned Interests.

**Miscellaneous.**

All of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto, and their respective successors, assigns and legal representatives.

This Agreement shall not confer any rights or remedies upon any person other than the parties and their respective successors and permitted assigns.

This Agreement constitutes the entire agreement among the parties and supersedes any prior understandings, agreements, or representations by or among the parties, written or oral, to the extent they relate in any way to the subject matter hereof.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Electronic signatures shall be accepted as original signatures.

Whenever used in this Agreement, the singular number shall include the plural, and the plural number will include the singular, and pronouns in the masculine, feminine, or neuter gender shall include each other gender.

The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement. Recitals are part of this Agreement and shall be considered in its interpretation.

**This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Texas without giving effect to any choice or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas.**

No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the parties hereto. No waiver by any party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence.

If any provision of this Agreement is held by final judgment of a court of competent jurisdiction to be invalid, illegal or unenforceable, such invalid, illegal or unenforceable provision shall be modified to the minimum extent necessary for the Agreement to be enforceable and, if necessary, to equitably adjust the parties’ respective rights and obligations.

\* \* \* \* \*

EXECUTED to be effective as of the Effective Date.

**ASSIGNORS:**

/s/ Thomas E. Lipar  
Thomas E. Lipar, Individually

/s/ Eric T. Lipar  
Eric T. Lipar, Individually

RE FINANCE PARTNERS, LTD.,  
a Texas limited partnership

By: Lipar Group, Inc., General Partner

By: /s/ Thomas E. Lipar  
Thomas E. Lipar, President

**ASSIGNEE:**

LGI HOMES, INC.,  
a Delaware corporation

By: /s/ Eric T. Lipar  
Eric T. Lipar, Chief Executive Officer

ASSIGNMENT, ASSUMPTION  
AND ADMISSION AGREEMENT – LGI HOMES CORPORATE, LLC

Acknowledged and agreed to as of the Effective Date:

/s/ Melany A. Lipar  
\_\_\_\_\_  
Printed Name: Melany A. Lipar  
Spouse of Thomas E. Lipar

/s/ Denise Lipar  
\_\_\_\_\_  
Printed Name: Denise Lipar  
Spouse of Eric T. Lipar

# **ASSIGNMENT, ASSUMPTION, JOINDER AND ADMISSION AGREEMENT**

(LGI Investment Fund III, LP to LGI Homes, Inc.)

This Assignment, Assumption, Joinder and Admission Agreement (“**Agreement**”) is made to be effective as of the 13th day of November, 2013, immediately following the assignment from EDSS Holdings, LP of its interest in LGI Homes Group, LLC to Assignee, as defined below (the “**Effective Date**”), by and among LGI Investment Fund III, LP, a Texas limited partnership (“**Assignor**”), LGI Homes, Inc., a Delaware corporation (“**Assignee**”), LGI Homes Group, LLC, a Texas limited liability company (the “**LGI Member**”) and LGI Fund III Holdings, LLC, a Texas limited liability company (“**Holdings**”). Capitalized terms not otherwise defined in this Agreement shall have the meanings ascribed to them in the Company Agreement (defined below).

## **RECITALS**

A. Assignor is the Fund III Member (as defined in the Company Agreement) of Holdings, and owns 85% (as adjusted, if applicable, pursuant to Section 5.3 of the Company Agreement) of the Interests of Holdings pursuant to the Limited Liability Company Agreement dated March 11, 2013, as it may be amended from time to time (the “**Company Agreement**”).

B. Assignor wishes to assign all right, title and interest in all of its Interests in Holdings to Assignee (the “**Assigned Interests**”) in exchange for 2,161,580 shares of common stock in Assignee (the “**Shares**”).

C. Assignee desires to accept the Assigned Interests and be admitted to Holdings as the Fund III Member, to assume all of the obligations as the Fund III Member of Holdings under the Company Agreement, join the Company Agreement as the Fund III Member and to be subject to all of the respective terms of the Company Agreement.

D. Pursuant to Section 9.2(b) of the Company Agreement, this Agreement shall constitute a Member Consent approving the admission of Assignee to Holdings.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**Assignment.** Assignor hereby sells, transfers, conveys and assigns, as of the Effective Date, the Assigned Interests to Assignee in exchange for the Shares.

**Assumption.** Assignee hereby agrees to (i) issue the Shares to Assignor, and (ii) assume and undertake to perform and discharge all of the obligations accruing from and after the Effective Date that are attributable to the Assigned Interests. Assignor hereby agrees to indemnify and hold Assignee harmless with respect to obligations and liabilities attributable to the Assigned Interests which accrued on or before the Effective Date.

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***Representations and Warranties.***

Assignor represents and warrants to and for the benefit of Assignee that (i) it has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder; (ii) this Agreement constitutes the valid and legally binding obligation of Assignor, enforceable in accordance with its terms and conditions; (iii) Assignor's Assigned Interests represent its entire right, title and interest in Holdings; (iv) the Assigned Interests are conveyed to Assignee free and clear of all liens, claims and encumbrances; (v) Assignor is an "accredited investor" as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "**Securities Act**"); (vi) Assignor is acquiring the Shares for its own account for investment and not with a view to, or for sale or other disposition in connection with, any distribution of all or any part thereof, except in compliance with applicable federal and state securities laws; (vii) Assignor understands that the Shares will not have been registered pursuant to the Securities Act or any applicable state securities laws, that the Shares will be characterized as "restricted securities" under federal securities laws, that under such laws and applicable regulations the Shares cannot be sold or otherwise disposed of without registration under the Securities Act or an exemption therefrom and that the certificates representing the Shares will bear restrictive legends stating the foregoing.

Assignee represents and warrants to and for the benefit of Assignor that (i) it has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder; (ii) this Agreement constitutes the valid and legally binding obligation of Assignee, enforceable in accordance with its terms and conditions; and (iii) the Shares are duly authorized, validly issued, fully paid and non-assessable.

***Admission of Assignee as the Fund III Member.*** As of the Effective Date, Holdings and the LGI Member approve Assignee's admission as the Fund III Member of Holdings, with all of the rights, privileges and obligations accruing to the Fund III Member of Holdings.

***Company Agreement.*** Assignee hereby acknowledges and agrees as follows: (i) it has read and understands the Company Agreement; (ii) its rights and obligations as the Fund III Member of Holdings are subject to all of the terms, conditions and covenants set forth in, and liens, security interests, pledges, options and encumbrances, if any, created by or under, the Company Agreement; and (iii) with respect to the Assigned Interests held by it and any additional Membership Interests hereafter acquired by it, it shall be bound by and promptly and fully perform or cause to be performed, and comply or cause to be complied with, all of the terms, conditions and covenants agreed to be done, kept and performed by the Company Agreement, to the extent such obligations arise or are due to be performed or observed after the Effective Date.

***Further Assurance.*** Each of the parties hereto agrees to execute any documents required to evidence further or to confirm the assignments effected hereby.

***Miscellaneous.***

All of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto, and their respective successors, assigns and legal representatives.



This Agreement shall not confer any rights or remedies upon any person other than the parties and their respective successors and permitted assigns.

This Agreement constitutes the entire agreement among the parties and supersedes any prior understandings, agreements, or representations by or among the parties, written or oral, to the extent they relate in any way to the subject matter hereof.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Electronic signatures shall be accepted as original signatures.

Whenever used in this Agreement, the singular number shall include the plural, and the plural number will include the singular, and pronouns in the masculine, feminine, or neuter gender shall include each other gender.

The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement. Recitals are part of this Agreement and shall be considered in its interpretation.

**This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Texas without giving effect to any choice or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas.**

No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the parties hereto. No waiver by any party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence.

If any provision of this Agreement is held by final judgment of a court of competent jurisdiction to be invalid, illegal or unenforceable, such invalid, illegal or unenforceable provision shall be modified to the minimum extent necessary for the Agreement to be enforceable and, if necessary, to equitably adjust the parties' respective rights and obligations.

\* \* \* \* \*

**ASSIGNOR:**

**LGI INVESTMENT FUND III, LP**

By: LGI FUND III GP, LLC,  
Its General Partner

By: /s/ Eric T. Lipar  
Eric T. Lipar, Member

**ASSIGNEE:**

**LGI HOMES, INC.,**  
a Delaware corporation

By: /s/ Eric T. Lipar  
Eric T. Lipar, Chief Executive Officer

**LGI MEMBER:**

**LGI HOMES GROUP, LLC,**  
a Texas limited liability company

By: /s/ Eric T. Lipar  
Eric T. Lipar, Manager

**HOLDINGS:**

**LGI FUND III HOLDINGS, LLC**  
a Texas limited liability company

By: LGI Homes Group, LLC,  
Its Manager

By: /s/ Eric T. Lipar  
Eric T. Lipar, Manager

ASSIGNMENT, ASSUMPTION, JOINDER  
AND ADMISSION AGREEMENT

# **ASSIGNMENT, ASSUMPTION AND ADMISSION AGREEMENT**

(EDSS Holdings, LP and LGI Investment Fund II, LP to LGI Homes, Inc.)

This Assignment, Assumption and Admission Agreement (“**Agreement**”) is made to be effective as of the 13th day of November, 2013 (the “**Effective Date**”), by and among EDSS Holdings, LP, a Texas limited partnership (“**EDSS**”), LGI Investment Fund II, LP, a Texas limited partnership (“**Fund II**” and together with EDSS, “**Assignors**”), and LGI Homes, Inc., a Delaware corporation (“**Assignee**”). Capitalized terms not otherwise defined in this Agreement shall have the meanings ascribed to them in the Company Agreement (defined below).

## **RECITALS**

A. EDSS is the Manager and it and Fund II are the Members of LGI Homes Group, LLC, a Texas limited liability company (“**Group**”), and collectively own 100% of the Membership Interests of Group pursuant to the First Amended and Restated Company Agreement dated December 31, 2011, as it may be amended from time to time (the “**Company Agreement**”). EDSS owns a 50.125% Membership Interest in Group, and Fund II owns a 49.875% Membership Interest in Group.

B. Assignors wish to assign all right, title and interest in all of their Membership Interests in Group to Assignee (the “**Assigned Interests**”) in exchange for 2,339,297 shares of common stock in Assignee issued to EDSS and 2,327,629 shares of common stock in Assignee issued to Fund II.

C. Assignee desires to accept the Assigned Interests and be admitted to Group as a substituted Member, to assume all of the obligations as the sole Member of Group, and as of the Effective Date, in lieu of joining the Company Agreement, to adopt and execute the Second Amended and Restated Company Agreement attached to this Agreement as Exhibit A (the “**Restated Company Agreement**”).

D. Pursuant to Article 15 of the Company Agreement, the consent of all Members is required to approve a Transfer of Membership Interests and to admit substituted Members, and by their execution below, Assignors hereby consent to the Transfers set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**Assignment.** Assignors hereby sell, transfer, convey and assign, as of the Effective Date, the Assigned Interests to Assignee in exchange for 2,339,297 shares of common stock in Assignee issued to EDSS and 2,327,629 shares of common stock in Assignee issued to Fund II (together, the “**Shares**”).

**Assumption.** Assignee hereby agrees to (i) issue the Shares to the Assignors, and (ii) assume and undertake to perform and discharge all of the obligations accruing from and after the Effective Date that are attributable to the Assigned Interests. Assignors hereby agree to indemnify and hold Assignee harmless with respect to obligations and liabilities attributable to the Assigned Interests which accrued on or before the Effective Date.

---

***Representations and Warranties.***

Each Assignor represents and warrants to and for the benefit of Assignee that (i) it has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder; (ii) this Agreement constitutes the valid and legally binding obligation of each Assignor, enforceable in accordance with its terms and conditions; (iii) EDSS's Assigned Interests represent a 50.125% Membership Interest in Group and Fund II's Assigned Interests represent a 49.875% Membership Interest in Group; (iv) the Assigned Interests are conveyed to Assignee free and clear of all liens, claims and encumbrances; (v) each Assignor is an "accredited investor" as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "**Securities Act**"); (vi) each Assignor is acquiring the Shares for its own account for investment and not with a view to, or for sale or other disposition in connection with, any distribution of all or any part thereof, except in compliance with applicable federal and state securities laws; (vii) each Assignor understands that the Shares will not have been registered pursuant to the Securities Act or any applicable state securities laws, that such Shares will be characterized as "restricted securities" under federal securities laws, that under such laws and applicable regulations such Shares cannot be sold or otherwise disposed of without registration under the Securities Act or an exemption therefrom and that the certificates representing such Shares will bear restrictive legends stating the foregoing.

Assignee represents and warrants to and for the benefit of Assignors that (i) it has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder; (ii) this Agreement constitutes the valid and legally binding obligation of Assignee, enforceable in accordance with its terms and conditions; and (iii) the Shares are duly authorized, validly issued, fully paid and non-assessable.

***Waiver of Legal Opinion.*** EDSS, as the Manager of Group, hereby expressly waives the delivery of a legal opinion by Assignors or Assignee pursuant to Section 15.4(b) of the Company Agreement.

***Admission of Assignee as Substitute Member.*** As of the Effective Date, Assignee is admitted as the sole Member of Group, with all of the rights, privileges and obligations accruing to a Member of Group.

***Second Amended and Restated Company Agreement.*** Assignee hereby acknowledges and agrees as follows: (i) it has read and understands the Restated Company Agreement; (ii) its rights and obligations as the sole Member of Group are subject to all of the terms, conditions and covenants set forth in, and liens, security interests, pledges, options and encumbrances, if any, created by or under, the Restated Company Agreement; and (iii) with respect to the Assigned Interests held by it and any additional Membership Interests hereafter acquired by it, it shall be bound by and promptly and fully perform or cause to be performed, and comply or cause to be complied with, all of the terms, conditions and covenants agreed to be done, kept and performed by the Restated Company Agreement, to the extent such obligations arise or are due to be performed or observed after the Effective Date.

**Further Assurance.** Each of the parties hereto agrees to execute any documents required to evidence further or to confirm the assignments effected hereby.

**Miscellaneous.**

All of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto, and their respective successors, assigns and legal representatives.

This Agreement shall not confer any rights or remedies upon any person other than the parties and their respective successors and permitted assigns.

This Agreement constitutes the entire agreement among the parties and supersedes any prior understandings, agreements, or representations by or among the parties, written or oral, to the extent they relate in any way to the subject matter hereof.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Electronic signatures shall be accepted as original signatures.

Whenever used in this Agreement, the singular number shall include the plural, and the plural number will include the singular, and pronouns in the masculine, feminine, or neuter gender shall include each other gender.

The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement. Recitals are part of this Agreement and shall be considered in its interpretation.

**This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Texas without giving effect to any choice or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas.**

No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the parties hereto. No waiver by any party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence.

If any provision of this Agreement is held by final judgment of a court of competent jurisdiction to be invalid, illegal or unenforceable, such invalid, illegal or unenforceable provision shall be modified to the minimum extent necessary for the Agreement to be enforceable and, if necessary, to equitably adjust the parties' respective rights and obligations.

\* \* \* \* \*

**ASSIGNORS:**

LGI INVESTMENT FUND II, LP

By: LGI FUND II GP, LLC,  
Its General Partner

By: /s/ Eric T. Lipar  
Eric T. Lipar, Member

EDSS HOLDINGS, LP

By: EDSS MANAGEMENT, INC.,  
Its General Partner

By: /s/ Eric T. Lipar  
Eric T. Lipar, President

**ASSIGNEE:**

LGI HOMES, INC.,  
a Delaware corporation

By: /s/ Eric T. Lipar  
Eric T. Lipar, Chief Executive Officer

## ASSIGNMENT AND ASSUMPTION OF MEMBERSHIP INTERESTS

(LGI GP, LLC and Thomas E. Lipar to LGI Homes, Inc.)

This Assignment and Assumption of Membership Interests (“**Agreement**”) is made to be effective as of the 13th day of November, 2013, immediately following the conversions of the Companies, as defined below, to limited liability companies from limited partnerships (the “**Effective Date**”), by and among Thomas E. Lipar, a Texas resident (“**Tom**”), LGI GP, LLC, a Texas limited liability company (“**General Partner**” and together with Tom, “**Assignors**”) and LGI Homes, Inc., a Delaware corporation (“**Assignee**”).

### RECITALS

A. Assignors are the members of LGI Homes II, LLC, a Texas limited liability company (“**LGI Homes**”), and collectively own 100% of the Membership Interests of LGI Homes pursuant to a Plan of Conversion dated as of the Effective Date whereby LGI Homes, Ltd., a Texas limited partnership, converted into LGI Homes. Tom owns a 99.00% Membership Interest in LGI Homes and General Partner owns a 1.00% Membership Interest in LGI Homes.

B. Assignors are the members of LGI Homes – Sunrise Meadow, LLC, a Texas limited liability company (“**Sunrise Meadow**”), and collectively own 100% of the Membership Interests of Sunrise Meadow pursuant to a Plan of Conversion dated as of the Effective Date whereby LGI Homes – Sunrise Meadow, Ltd., a Texas limited partnership, converted into Sunrise Meadow. Tom owns a 99.00% Membership Interest in Sunrise Meadow and General Partner owns a 1.00% Membership Interest in Sunrise Meadow.

C. Assignors are the members LGI Homes – Canyon Crossing, LLC, a Texas limited liability company (“**Canyon Crossing**” and together with LGI Homes and Sunrise Meadow, the “**Companies**” and each individually a “**Company**”), and collectively own 100% of the Membership Interests of Canyon Crossing pursuant to a Plan of Conversion dated as of the Effective Date whereby LGI Homes – Canyon Crossing, Ltd., a Texas limited partnership, converted into Canyon Crossing. Tom owns a 99.00% Membership Interest in Canyon Crossing and General Partner owns a 1.00% Membership Interest in Canyon Crossing.

D. Assignors wish to assign all right, title and interest in all of their respective membership interests in each Company to Assignee (the “**Assigned Interests**”) and Assignee desires to accept the Assigned Interests in exchange for the issuance by Assignee of 716,700 shares of its common stock (the “**Shares**”) to Tom, and the payment of cash to General Partner in the amount of \$1.00 per Company, for an aggregate of \$3.00 (the “**Cash Consideration**”).

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**Assignment.** (i) Tom hereby sells, transfers, conveys and assigns, as of the Effective Date, his Assigned Interests to Assignee in exchange for the Shares; and (ii) General Partner hereby sells, transfers, conveys and assigns, as of the Effective Date, its Assigned Interests to Assignee in exchange for the Cash Consideration.

**Assumption.** Assignee hereby agrees to (i) pay General Partner the Cash Consideration, (ii) issue the Shares to Tom, and (iii) assume and undertake to perform and discharge all of the obligations accruing from and after the Effective Date that are attributable to the Assigned Interests. Assignors hereby agree to indemnify and hold Assignee harmless with respect to obligations and liabilities attributable to the Assigned Interests which accrued on or before the Effective Date.

***Representations and Warranties.***

Each Assignor represents and warrants to and for the benefit of Assignee that (i) it has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder; (ii) this Agreement constitutes the valid and legally binding obligation of each Assignor, enforceable in accordance with its terms and conditions; (iii) the Assigned Interests represents all of the membership interests in the Companies owned by Assignors; and (iv) the Assigned Interests are conveyed to Assignee free and clear of any and all liens, claims and encumbrances.

Tom represents and warrants to and for the benefit of Assignee that (i) he is an “accredited investor” as such term is defined in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the “**Securities Act**”); (ii) he is acquiring the Shares for his own account for investment and not with a view to, or for sale or other disposition in connection with, any distribution of all or any part thereof, except in compliance with applicable federal and state securities laws; (iii) he understands that the Shares will not have been registered pursuant to the Securities Act or any applicable state securities laws, that the Shares will be characterized as “restricted securities” under federal securities laws, that under such laws and applicable regulations the Shares cannot be sold or otherwise disposed of without registration under the Securities Act or an exemption therefrom and that the certificates representing the Shares will bear restrictive legends stating the foregoing

Assignee represents and warrants to and for the benefit of Assignors that (i) it has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder; (ii) this Agreement constitutes the valid and legally binding obligation of Assignor, enforceable in accordance with its terms and conditions; and (iii) the Shares are duly authorized, validly issued, fully paid and non-assessable.

**Further Assurance.** Each of the parties hereto agrees to execute any documents required to evidence further or to confirm the assignments effected hereby.

**Spousal Consent.** Tom’s spouse joins in the execution of this Agreement to evidence her acknowledgment and agreement to the transactions contemplated by this Agreement with respect to her marital interest, if any, in and to the Assigned Interests.

***Miscellaneous.***

All of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto, and their respective successors, assigns and legal representatives.



This Agreement shall not confer any rights or remedies upon any person other than the parties and their respective successors and permitted assigns.

This Agreement constitutes the entire agreement among the parties and supersedes any prior understandings, agreements, or representations by or among the parties, written or oral, to the extent they related in any way to the subject matter hereof.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument.

Whenever used in this Agreement, the singular number shall include the plural, and the plural number shall include the singular, and pronouns in the masculine, feminine, or neuter gender shall include each other gender.

The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement. Recitals are part of this Agreement and shall be considered in its interpretation.

**This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Texas without giving effect to any choice or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas.**

No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the parties hereto. No waiver by any party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence.

If any provision of this Agreement is held by final judgment of a court of competent jurisdiction to be invalid, illegal or unenforceable, such invalid, illegal or unenforceable provision shall be modified to the minimum extent necessary for the Agreement to be enforceable and, if necessary, to equitably adjust the parties’ respective rights and obligations.

\* \* \* \* \*

EXECUTED to be effective as of the Effective Date.

**ASSIGNORS:  
GENERAL PARTNER:**

LGI GP, LLC,  
a Texas limited liability company

By: LGI Holdings, LLC, Member

By: /s/ Thomas E. Lipar  
Thomas E. Lipar, Manager

**TOM:**

/s/ Thomas E. Lipar  
Thomas E. Lipar, Individually

**ASSIGNEE:**

LGI HOMES, INC.,  
a Delaware corporation

By: /s/ Eric T. Lipar  
Eric T. Lipar, Chief Executive Officer

Acknowledged and agreed to as of the Effective Date:

/s/ Melany A. Lipar  
Printed Name: Melany A. Lipar  
Spouse of Thomas E. Lipar

ASSIGNMENT AND ASSUMPTION OF MEMBERSHIP INTERESTS

**ASSIGNMENT, ASSUMPTION AND ADMISSION AGREEMENT**

(Thomas E. Lipar and Eric T. Lipar to LGI Homes, Inc.)

This Assignment, Assumption and Admission Agreement (“**Agreement**”) is made to be effective as of the 13th day of November, 2013 (the “**Effective Date**”), by and among Thomas E. Lipar (“**Tom**”) and Eric T. Lipar (“**Eric**”), both Texas residents (Tom and Eric collectively, the “**Assignors**”) and LGI Homes, Inc., a Delaware corporation (“**Assignee**”). Capitalized terms not otherwise defined in this Agreement shall have the meanings ascribed to them in the Company Agreement (defined below).

**RECITALS**

A. Assignors are the Managers and Members of LGI Homes – Deer Creek, LLC, a Texas limited liability company (the “**Company**”), and collectively own 100% of the Membership Interests of the Company pursuant to the Company Agreement dated June 23, 2009, as it may be amended from time to time (the “**Company Agreement**”). Tom owns a 90% Membership Interest in the Company and Eric owns a 10% Membership Interest in the Company.

B. Assignors wish to assign all right, title and interest in all of their Membership Interests in the Company to Assignee (the “**Assigned Interests**”) and Assignee desires to accept the Assigned Interests in exchange for cash in the amount of \$10.00 (the “**Consideration**”).

C. Assignee desires to be admitted to the Company as a substituted Member, to assume all of the obligations as the sole Member of the Company, and as of the Effective Date, in lieu of joining the Company Agreement, to adopt and execute the Amended and Restated Company Agreement attached to this Agreement as Exhibit A (the “**Restated Company Agreement**”).

D. Pursuant to Article 15 of the Company Agreement, the consent of all Members is required to approve a Transfer of Membership Interests and to admit substituted Members, and by their execution below, Assignors hereby consent to the Transfers set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**Assignment.** Assignors hereby sell, transfer, convey and assign, as of the Effective Date, the Assigned Interests to Assignee in exchange for the Consideration (90% of which will be paid to Tom and 10% of which will be paid to Eric).

**Assumption.** Assignee hereby agrees to (i) pay Assignors the Consideration and (ii) assume and undertake to perform and discharge all of the obligations accruing from and after the Effective Date that are attributable to the Assigned Interests. Assignors hereby agree to indemnify and hold Assignee harmless with respect to obligations and liabilities attributable to the Assigned Interests which accrued on or before the Effective Date.

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***Representations and Warranties.***

Each Assignor represents and warrants to and for the benefit of Assignee that (i) he has full power and authority to execute and deliver this Agreement and to perform his obligations hereunder; (ii) this Agreement constitutes the valid and legally binding obligation of each Assignor, enforceable in accordance with its terms and conditions; (iii) Tom's Assigned Interests represent a 90% Membership Interest in the Company and Eric's Assigned Interests represent a 10% Membership Interest in the Company; and (iv) the Assigned Interests are conveyed to Assignee free and clear of all liens, claims and encumbrances.

Assignee represents and warrants to and for the benefit of Assignors that (i) it has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder; and (ii) this Agreement constitutes the valid and legally binding obligation of Assignee, enforceable in accordance with its terms and conditions.

***Waiver of Legal Opinion.*** The Assignors, as the Managers of the Company, hereby expressly waive the delivery of a legal opinion by Assignors or Assignee pursuant to Section 15.4(b) of the Company Agreement.

***Admission of Assignee as Substitute Member.*** As of the Effective Date, Assignee is admitted as the sole Member of the Company, with all of the rights, privileges and obligations accruing to a Member of the Company.

***Amended and Restated Company Agreement.*** Assignee hereby acknowledges and agrees as follows: (i) it has read and understands the Restated Company Agreement; (ii) its rights and obligations as the sole Member of the Company are subject to all of the terms, conditions and covenants set forth in, and liens, security interests, pledges, options and encumbrances, if any, created by or under, the Restated Company Agreement; and (iii) with respect to the Assigned Interests held by it and any additional Membership Interests hereafter acquired by it, it shall be bound by and promptly and fully perform or cause to be performed, and comply or cause to be complied with, all of the terms, conditions and covenants agreed to be done, kept and performed by the Restated Company Agreement, to the extent such obligations arise or are due to be performed or observed after the Effective Date.

***Further Assurance.*** Each of the parties hereto agrees to execute any documents required to evidence further or to confirm the assignments effected hereby.

***Spousal Consent.*** Each Assignor's spouse joins in the execution of this Agreement to evidence her acknowledgment and agreement to the transactions contemplated by this Agreement with respect to her marital interest, if any, in and to the Assigned Interests.

***Miscellaneous.***

All of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto, and their respective successors, assigns and legal representatives.

This Agreement shall not confer any rights or remedies upon any person other than the parties and their respective successors and permitted assigns.

This Agreement constitutes the entire agreement among the parties and supersedes any prior understandings, agreements, or representations by or among the parties, written or oral, to the extent they relate in any way to the subject matter hereof.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. Electronic signatures shall be accepted as original signatures.

Whenever used in this Agreement, the singular number shall include the plural, and the plural number will include the singular, and pronouns in the masculine, feminine, or neuter gender shall include each other gender.

The section headings contained in this Agreement are inserted for convenience only and shall not affect in any way the meaning or interpretation of this Agreement. Recitals are part of this Agreement and shall be considered in its interpretation.

**This Agreement shall be governed by and construed in accordance with the domestic laws of the State of Texas without giving effect to any choice or conflict of law provision or rule (whether of the State of Texas or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Texas.**

No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the parties hereto. No waiver by any party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence.

If any provision of this Agreement is held by final judgment of a court of competent jurisdiction to be invalid, illegal or unenforceable, such invalid, illegal or unenforceable provision shall be modified to the minimum extent necessary for the Agreement to be enforceable and, if necessary, to equitably adjust the parties' respective rights and obligations.

\* \* \* \* \*

EXECUTED to be effective as of the Effective Date.

**ASSIGNORS:**

/s/ Thomas E. Lipar  
Thomas E. Lipar, Individually

/s/ Eric T. Lipar  
Eric T. Lipar, Individually

**ASSIGNEE:**

LGI HOMES, INC.,  
a Delaware corporation

By: /s/ Eric T. Lipar  
Eric T. Lipar, Chief Executive Officer

Acknowledged and agreed to as of the Effective Date:

/s/ Melany A. Lipar  
Printed Name: Melany A. Lipar  
Spouse of Thomas E. Lipar

/s/ Denise Lipar  
Printed Name: Denise Lipar  
Spouse of Eric T. Lipar

**LGI HOMES, INC.**  
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\* Pages F-3 through F-17 are omitted from this exhibit.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Shareholder of LGI Homes, Inc.

We have audited the accompanying balance sheet of LGI Homes, Inc. (the Company) as of July 9, 2013. This balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

In our opinion the balance sheet referred to above presents fairly, in all material respects, the financial position of LGI Homes, Inc. at July 9, 2013, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Houston, Texas  
July 10, 2013

**LGI HOMES, INC.**  
**BALANCE SHEET**

	<b>July 9, 2013</b>
<b>Assets</b>	
Cash	<u>\$1,000</u>
Total assets	<u><u>\$1,000</u></u>
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities</b>	
Accounts payable	\$ —
Total liabilities	<u>—</u>
<b>Stockholder's Equity</b>	
Common stock, 1,000 shares issued and outstanding	\$ 10
Additional paid in capital	<u>990</u>
Total stockholder's equity	<u>1,000</u>
TOTAL LIABILITIES AND EQUITY	<u><u>\$1,000</u></u>

See accompanying notes to the balance sheet.

**LGI HOMES, INC.**  
**NOTES TO THE BALANCE SHEET**  
**JULY 9, 2013**

**1. ORGANIZATION**

**Organization and Description of the Business**

LGI Homes, Inc. (the “Company”), a Delaware corporation was organized on July 9, 2013 as a holding company for the purposes of facilitating an initial public offering of common stock. The Company has not engaged in any business or other activities except in connection with its formation. It is expected that following a reorganization of the Company’s predecessor’s businesses, including LGI Homes Group, LLC and LGI Homes Corporate, LLC and their consolidated subsidiaries and controlled variable interest entities, as well as LGI Homes, Ltd., LGI Homes — Sunrise Meadow, Ltd., LGI Homes — Canyon Crossing, Ltd., and LGI Homes — Deer Creek, LLC, (collectively, “LGI Homes Group (Predecessor)”) and the initial public offering of the common stock of the Company, the Company will control LGI Homes Group (Predecessor). The Company’s only business following the initial public offering will be to control the business and affairs of LGI Homes, Inc. and its subsidiaries. The Company will consolidate the financial results of LGI Homes Group (Predecessor) into the Company’s consolidated financial statements.

LGI Homes, Inc.’s principal business is the design and construction of entry-level homes in Texas, Arizona, Florida and Georgia.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying balance sheet has been prepared in accordance with accounting principles generally accepted in the United States. Separate statements of income and changes in stockholders’ equity have not been presented because there have been no operating activities or equity transactions of this entity. A separate statement of cash flows has not been presented, as the only transactions impacting such statement are fully described below.

**3. STOCKHOLDER’S EQUITY**

The Company is authorized to issue 250,000,000 shares of common stock, par value \$0.01 per share, and 5,000,000 shares of preferred stock, par value \$0.01 per share. At July 9, 2013, 1,000 shares of common stock, par value \$0.01 per share, were issued upon payment of \$1,000.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Equity Holders of LGI Homes Group (Predecessor)

We have audited the accompanying combined balance sheets of LGI Homes Group (Predecessor) (the Company) as of December 31, 2012 and 2011, and the related combined statements of operations, equity, and cash flows for each of the two years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the four financial statements of: LGI – GTIS Holdings, LLC; LGI – GTIS Holdings II, LLC; LGI – GTIS Holdings, III, LLC; and LGI-GTIS Holdings IV, LLC (collectively GTIS Entities), which entities are limited liability companies in which the Company has equity interests. In the combined financial statements, the Company's combined investment in the GTIS Entities is stated at \$4,446,302 and \$2,254,541 as of December 31, 2012 and 2011, respectively, and the Company's equity in the net income of GTIS Entities is stated at \$1,526,464, and \$714,758 for the two years in the period ended December 31, 2012. Those statements were audited by other auditors whose reports has been furnished to us, and our opinion, insofar as it relates to the amounts included for the GTIS Entities, is based solely on the reports of the other auditors.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the combined financial position of LGI Homes Group (Predecessor) at December 31, 2012 and 2011, and the combined results of its operations and its cash flows for each of the two years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Houston, Texas  
August 27, 2013

**LGI HOMES GROUP (PREDECESSOR)**  
**COMBINED BALANCE SHEETS**

	June 30, 2013 (unaudited)	December 31, 2012	2011
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,205,244	\$ 7,069,471	\$ 5,106,183
Accounts receivable	2,718,313	922,897	717,992
Accounts receivable, related parties	885,295	1,026,925	293,864
Real estate inventory	49,191,303	28,489,191	12,525,674
Pre-acquisition costs and deposits	3,059,966	997,875	572,073
Investments in unconsolidated joint ventures	5,325,873	4,446,302	2,254,541
Property and equipment, net	873,877	719,390	469,801
Other assets	2,544,061	1,884,100	1,572,505
Total assets	<u>\$ 79,803,932</u>	<u>\$ 45,556,151</u>	<u>\$ 23,512,633</u>
<b>LIABILITIES AND EQUITY</b>			
Accounts payable	\$ 6,311,718	\$ 3,090,890	\$ 1,421,246
Accounts payable, related parties	42,093	108,577	10,244
Accrued expenses and other liabilities	3,107,065	2,176,945	1,031,602
Notes payable	23,065,308	14,968,762	6,414,516
Total liabilities	32,526,184	20,345,174	8,877,608
<b>COMMITMENTS AND CONTINGENCIES (Note 11)</b>			
<b>EQUITY</b>			
Owners' equity	32,114,770	25,210,977	12,990,732
Non-controlling interests	15,162,978	—	1,644,293
Total equity	47,277,748	25,210,977	14,635,025
Total liabilities and equity	<u>\$ 79,803,932</u>	<u>\$ 45,556,151</u>	<u>\$ 23,512,633</u>

See accompanying notes to the combined financial statements

**LGI HOMES GROUP (PREDECESSOR)**  
**COMBINED STATEMENTS OF OPERATIONS**

	For the Six Months Ended June 30,		For the Year Ended December 31,	
	2013 (unaudited)	2012 (unaudited)	2012	2011
Revenues:				
Home sales	\$57,997,822	\$27,860,520	\$73,820,028	\$49,269,971
Management and warranty fees	1,301,722	991,703	2,401,013	1,186,188
Total revenues	59,299,544	28,852,223	76,221,041	50,456,159
Cost of sales	42,141,792	20,272,509	54,530,971	36,699,505
Selling expenses	5,492,853	2,863,163	7,269,331	4,884,310
General and administrative	5,025,833	2,451,184	6,096,114	5,125,331
(Income) from unconsolidated joint ventures	(943,687)	(585,825)	(1,526,464)	(714,758)
Operating income	7,582,753	3,851,192	9,851,089	4,461,771
Interest expense	(5,668)	(24,684)	(1,234)	(28,152)
Other income, net	22,302	23,939	172,785	203,677
Net income before income taxes	7,599,387	3,850,447	10,022,640	4,637,296
Income tax provision	(136,277)	(64,566)	(154,542)	(124,891)
Net income	7,463,110	3,785,881	9,868,098	4,512,405
(Income) loss attributable to non-controlling interests	145,522	(68,015)	(162,969)	(1,161,986)
Net income attributable to owners	<u>\$ 7,608,632</u>	<u>\$ 3,717,866</u>	<u>\$ 9,705,129</u>	<u>\$ 3,350,419</u>
Unaudited pro forma net income per share (Note 13)				
Basic	\$ 0.68		\$ 1.05	
Diluted	\$ 0.68		\$ 1.05	

See accompanying notes to the combined financial statements

**LGI HOMES GROUP (PREDECESSOR)**  
**COMBINED STATEMENTS OF EQUITY**

	Total Owners' Equity	Non- Controlling Interest	Total Equity
<b>BALANCE—January 1, 2011</b>	<b>\$ 11,050,313</b>	<b>\$ 715,632</b>	<b>\$ 11,765,945</b>
Net income	3,350,419	1,161,986	4,512,405
Contributions	4,360,000	404,175	4,764,175
Distributions	(5,770,000)	(637,500)	(6,407,500)
<b>BALANCE—December 31, 2011</b>	<b>\$ 12,990,732</b>	<b>\$ 1,644,293</b>	<b>\$ 14,635,025</b>
Net income	9,705,129	162,969	9,868,098
Contributions	6,650,000	—	6,650,000
Distributions	(4,134,884)	(1,807,262)	(5,942,146)
<b>BALANCE—December 31, 2012</b>	<b>\$ 25,210,977</b>	<b>\$ —</b>	<b>\$ 25,210,977</b>
Net income (unaudited)	7,608,632	(145,522)	7,463,110
Contributions (unaudited)	2,535,000	15,308,500	17,843,500
Distributions (unaudited)	(3,239,839)	—	(3,239,839)
<b>BALANCE—June 30, 2013 (unaudited)</b>	<b>\$ 32,114,770</b>	<b>\$ 15,162,978</b>	<b>\$ 47,277,748</b>

See accompanying notes to the combined financial statements



**LGI HOMES GROUP (PREDECESSOR)**  
**COMBINED STATEMENTS OF CASH FLOWS**

	For the Six Months Ended June 30,		For the Year Ended December 31,	
	2013 (unaudited)	2012 (unaudited)	2012	2011
<b>Cash flows from operating activities:</b>				
Net Income	\$ 7,463,110	\$ 3,785,881	\$ 9,868,098	\$ 4,512,405
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Income from unconsolidated joint ventures	(943,687)	(585,825)	(1,526,464)	(714,758)
Distributions from unconsolidated joint ventures	959,256	783,750	1,545,437	607,500
Depreciation and amortization	131,283	77,179	185,120	79,747
Changes in assets and liabilities:	—	—	—	—
Accounts receivable	(1,795,416)	(241,354)	(204,905)	(429,827)
(Receivables from) payables to related parties, net	75,146	(324,782)	(634,728)	(147,921)
Real estate inventory	(20,702,114)	(5,887,127)	(15,963,517)	7,751,795
Pre-acquisition costs and deposits	(2,062,089)	(757,214)	(425,802)	(241,041)
Other assets	(659,962)	(122,198)	(311,595)	(898,550)
Accounts payable	3,220,829	1,096,952	1,669,644	(6,403)
Accrued expenses and other liabilities	930,120	339,252	1,145,343	(958,171)
Net cash provided by (used in) operating activities	(13,383,524)	(1,835,486)	(4,653,369)	9,554,776
<b>Cash flows from investing activities:</b>				
Investments of capital into unconsolidated joint ventures	(927,975)	(313,499)	(2,244,047)	(1,299,189)
Distributions of capital from unconsolidated joint ventures	32,835	—	33,313	—
Proceeds from disposal of assets at net book value	29,233	—	177	14,713
Purchases of property and equipment	(315,003)	(124,759)	(434,886)	(451,214)
Net cash used in investing activities	(1,180,910)	(438,258)	(2,645,443)	(1,735,690)
<b>Cash flows from financing activities:</b>				
Proceeds from notes payable	55,472,766	14,938,829	46,364,607	26,156,379
Payments on notes payable	(47,376,220)	(13,601,208)	(37,810,361)	(32,483,236)
Contributions	2,535,000	5,625,000	6,650,000	4,360,000
Distributions	(3,239,839)	(1,665,000)	(4,134,884)	(5,770,000)
Contributions from non-controlling interests	15,308,500	—	—	404,175
Distributions to non-controlling interests	—	(972,263)	(1,807,262)	(637,500)
Net cash provided by (used in) financing activities	22,700,207	4,325,358	9,262,100	(7,970,182)
Net increase (decrease) in cash and cash equivalents	8,135,773	2,051,614	1,963,288	(151,096)
Cash and cash equivalents, beginning of period	7,069,471	5,106,183	5,106,183	5,257,279
Cash and cash equivalents, end of period	<u>\$ 15,205,244</u>	<u>\$ 7,157,797</u>	<u>\$ 7,069,471</u>	<u>\$ 5,106,183</u>

See accompanying notes to the combined financial statements.

**LGI HOMES GROUP (PREDECESSOR)**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**1. BUSINESS**

**Organization and Description of the Business**

LGI Homes Group (Predecessor) (the “Companies”) is a group of affiliated entities, under common control, which is engaged in the design and construction of entry-level homes in high growth markets in Texas, Arizona, Florida and Georgia.

A Registration Statement on Form S-1 is expected to be filed with the Securities and Exchange Commission with respect to an initial public offering (the “IPO”). Prior to the consummation of the IPO, LGI Homes, Inc. and the Companies will engage in certain formation and restructuring transactions pursuant to which the Companies will be reorganized under a Delaware corporation named LGI Homes, Inc. See Note 14 for further discussion.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accompanying combined financial statements include the accounts of LGI Homes Group, LLC and LGI Homes Corporate, LLC and their consolidated subsidiaries and controlled variable interest entities, as well as LGI Homes, Ltd., LGI Homes—Sunrise Meadow, Ltd., LGI Homes—Canyon Crossing, Ltd., and LGI Homes—Deer Creek, LLC. Immediate family members, a father and son, individually or jointly own more than 50% of the voting ownership interest of each entity and have historically voted their interests in concert. The immediate family members are referred to hereinafter as the Principals. These entities have been combined for reporting purposes as they are under common management, operate in the same business, and are controlled by the Principals.

The combined financial statements have been prepared in accordance with generally accepted accounting principles in the United States (US GAAP) as contained within the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). All intercompany balances and transactions have been eliminated in consolidation and all intracompany balances and transactions have been eliminated in combination.

**Use of Estimates**

The preparation of the Companies’ financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes as of June 30, 2013 (unaudited), and December 31, 2012 and 2011, and revenues and expenses for the six month period ended June 30, 2013 (unaudited) and 2012 (unaudited), and years ended December 31, 2012 and 2011. Accordingly, actual results could differ from those estimates. The significant accounting estimates include real estate inventory and cost of sales, impairment of real estate inventory and property and equipment, warranty reserves, loss contingencies, receivable from a community development district, and accounting for variable interest entities.

**Cash and Cash Equivalents and Concentration of Credit Risk**

Cash and cash equivalents are defined as cash on hand, demand deposits with financial institutions, and short-term liquid investments with an initial maturity date of less than three months. The Companies’ cash in demand deposit accounts may exceed federally insured limits.

**LGI HOMES GROUP (PREDECESSOR)**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)**

The Companies' management monitors the cash balances in their operating accounts and adjusts the cash balances as appropriate; however, these cash balances could be negatively impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, the Companies have experienced no loss or diminished access to cash in their operating accounts.

**Accounts Receivable**

Accounts receivable consist primarily of proceeds due from title companies for sales closed prior to period end and are generally collected within a few days from closing.

**Real Estate Inventory**

Inventory consists of land, land under development, homes in progress, and completed homes. Inventory is stated at cost unless the carrying amount is determined not to be recoverable, in which case inventory is written down to fair value.

Land, development and other project costs, including interest and property taxes incurred during development and home construction, are capitalized to real estate inventory. Land development and other common costs that benefit the entire community, including field construction supervision and related direct overhead, are allocated to individual lots or homes, as appropriate. The costs of lots are transferred to homes in progress when home construction begins. Home construction costs and related carrying charges (principally capitalized interest and property taxes) are allocated to the cost of individual homes using the specific identification method. Costs that are not specifically identifiable to a home are allocated on a pro rata basis by taking costs and dividing by the total number of lots in the community. Management believes the allocation of costs on a pro rata basis approximates the allocation using relative sales value. Inventory costs for completed homes are expensed as cost of sales as homes are sold. Changes to estimated total development costs subsequent to initial home closings in a community are generally allocated to the remaining unsold lots and homes in the community on a pro rata basis.

The life cycle of a community generally ranges from two to five years, commencing with the acquisition of land, continuing through the land development phase, and concluding with the construction, sale, and delivery of homes. A constructed home is used as the community sales office during the life of the community and then sold. Actual individual community lives will vary based on the size of the community, the sales absorption rate, and whether we purchased the property as raw land or finished lots.

In accordance with the provisions of ASC 360, *Property, Plant, and Equipment*, real estate inventory is evaluated for indicators of impairment by each community during each reporting period. In conducting our review for indicators of impairment on a community level, we evaluate, among other things, the margins on homes that have been delivered, communities with slow moving inventory, projected margins on future home sales over the life of the community, and the estimated fair value of the land. For individual communities with indicators of impairment, additional analysis is performed to estimate the community's undiscounted future cash flows. If the estimated undiscounted future cash flows are greater than the carrying value of the community group of assets, no impairment adjustment is required. If the undiscounted cash flows are less than the community's carrying value, the asset group is impaired and is written down to its fair value. The Companies estimate the fair value of

## NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

communities using a discounted cash flow model. As of June 30, 2013 (unaudited), and December 31, 2012 and 2011, the real estate inventory is stated at cost; there were no inventory impairment charges recorded in the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), or in the years ended December 31, 2012 and 2011.

**Capitalized Interest**

Interest and other financing costs related to real estate inventory are capitalized as cost of inventory during community development and home construction activities and expensed in cost of sales as homes in the community are sold.

**Pre-Acquisition Costs and Deposits**

Amounts paid for land options, deposits on land purchase contracts, and other pre-acquisition costs are capitalized and classified as deposits to purchase. Upon execution of the purchase, these deposits are applied to the acquisition price of the land and recorded as a cost component of the land in real estate inventory. To the extent that any deposits are nonrefundable and the associated land acquisition process is terminated or no longer determined probable, the related deposits are charged to general and administrative expense. We review the likelihood of the acquisition of contracted lots in conjunction with our periodic real estate impairment analysis.

**Deferred Loan Costs**

Deferred loan costs represent debt issuance costs and, depending on the nature and purpose of the loan, are capitalized to real estate inventory or amortized to interest expense using the straight line method which approximates the effective interest method.

**Property and Equipment**

Property, equipment and leasehold improvements are stated at cost, less accumulated depreciation. Depreciation expense is recorded in general and administrative expenses. Upon sale or retirement, the costs and related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in other (income) expense. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 7 years. Leasehold improvements are depreciated over the shorter of the asset life or the term of the lease. Maintenance and repair costs are expensed as incurred.

Impairments of long-lived assets are determined periodically when indicators of impairment are present. If such indicators are present, the determination of the amount of impairment is based on our judgments as to the future undiscounted operating cash flows to be generated from these assets throughout their remaining estimated useful lives. If these undiscounted cash flows are less than the carrying amount of the related asset, an impairment is recognized for the excess of the carrying value over its fair value. There were no impairments of property, equipment and leasehold improvements recorded in the six month periods ended June 30, 2013 (unaudited) and 2012 (unaudited), and the years ended December 31, 2012 and 2011.

**Investments in Joint Ventures and Unconsolidated Variable Interest Entities (VIEs)**

The Companies function as the managing member of certain joint ventures conducting homebuilding activities. In accordance with ASC 810, *Consolidation*, we have assessed whether these entities may be VIEs. The Companies have variable interests in certain joint venture arrangements that it manages. These joint ventures have been determined to be VIEs because the members of the joint ventures, as a group, have insufficient equity at risk without further capital contributions. The Companies' rights as well as the rights held by the other joint venture members have been evaluated to determine the primary beneficiary of the VIE, including the extent of substantive participating rights and control of activities that most significantly affect its economic performance. Such activities include, but are not limited to, the ability to determine the budget and scope of land development work, if any; the ability to control financing decisions for the VIE; and the ability to acquire additional land into the VIE. If we are not able to control the significant decisions, we are not considered the primary beneficiary of the VIE. If the Companies are determined to be the primary beneficiary of the VIE, the entity is consolidated in the accompanying combined financial statements.

The Companies have investments in four joint ventures where the Companies and the other joint venture members have been deemed to have joint control and the Companies are not the primary beneficiary since all major decisions require both parties' consent. Accordingly, the Companies' interests in these joint ventures are accounted for using the equity method and our share of the joint ventures' net earnings is included in income from unconsolidated joint ventures and our investments in unconsolidated joint ventures. Distributions received are credited against the related investment in the joint venture.

In addition, the Companies have interests in two VIE's (LGI Homes – Sterling Lakes, LLC and LGI Fund III Holdings, LLC) where it has been determined that the Companies are the primary beneficiary. In addition to the Companies serving as the managing member of these entities, the Principals of the Companies also held the general partner controlling interests in the non-managing members of the VIEs. As a result, the Companies combined with the Principals related party interests have the power to direct all significant activities of the VIEs, and have exposure to the risks and rewards of the VIEs, based on the division of income and loss pursuant to the joint venture agreement and the Companies ownership in the joint ventures. These two VIEs have been consolidated.

We evaluate our investments in unconsolidated entities for indicators of impairment during each reporting period. A series of operating losses of an investee or other factors may indicate that a decrease in value of the Companies' investment in the unconsolidated entity has occurred which is other-than-temporary. The amount of impairment recognized is the excess of the investment's carrying amount over its estimated fair value. No impairment charges have been recorded related to our investments in unconsolidated entities for the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), or the years ended December 31, 2012 and 2011.

**Insurance Costs and Reserves**

The Companies have deductible limits under workers' compensation, automobile and general liability insurance policies, and record expense and liabilities for the estimated costs of potential claims for construction defects. The excess liability limits are \$2 million per occurrence and in the aggregate annually and apply in excess of automobile liability, employer's liability

## NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

under workers compensation, and general liability policies. The Companies generally require subcontractors and design professionals to indemnify the Companies for liabilities arising from their work, subject to certain limitations.

**Warranty Reserves**

Estimated future direct warranty costs are accrued and charged to cost of sales in the period when the related home is sold. The Companies' warranty liability is based upon historical warranty cost experience and is adjusted as appropriate to reflect qualitative risks associated with the types of homes built, the geographic areas in which they are built, and potential impacts of the Companies' continued expansion. The Companies' warranty reserves include amounts expected to be incurred under the warranty agreement with the Unconsolidated Joint Ventures.

Warranty reserves are reviewed quarterly to assess the reasonableness and adequacy and make adjustments to the balance of the pre-existing reserves, as needed, to reflect changes in trends and historical data as information becomes available.

**Home Sales**

In accordance with ASC 360 – 20, *Real Estate Sales*, revenues from home sales are recorded at the time each home sale is closed, title and possession are transferred to the buyer, and there is no significant continuing involvement of the Companies with the home. Home sales proceeds are generally received from the title company within a few days from closing. Home sales are reported net of sales discounts and incentives granted to home buyers, which are primarily seller-paid closing costs.

**Cost of Sales**

As discussed under Real Estate Inventory, above, cost of sales for homes closed include the construction costs of each home and allocable land acquisition and land development costs, capitalized interest, and other related common costs (both incurred and estimated to be incurred).

**Selling and Commission Costs**

Sales commissions are paid and expensed based on homes sold. Other residual selling costs are expensed in the period incurred.

**Advertising Costs**

Advertising and direct mail costs are expensed as incurred. Advertising and direct mail costs were \$1,076,411 (unaudited) and \$811,108 (unaudited) for the six month periods ended June 30, 2013 and 2012, respectively. Advertising and direct mail costs were \$1,803,027 and \$1,538,293 for the years ended December 31, 2012 and 2011, respectively.

**Income Taxes**

The Companies consist of limited liability companies and limited partnerships, all of which are treated as partnerships for income tax purposes and federal income taxes on taxable income or losses realized by the Companies are the obligation of the individual members or partners. However, the Companies are subject to certain state taxes and fees, including the

## NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

Texas margin tax, where applicable. There are no significant deferred income taxes related to state income taxes. Management of the Companies has concluded that there are no significant uncertain tax positions requiring recognition in the combined financial statements, nor have the Companies been assessed interest or penalties by any major tax jurisdictions. State income taxes paid were \$115,655 (unaudited) and \$128,846 (unaudited) for the six month periods ended June 30, 2013 and 2012, respectively. In addition, state income taxes of \$163,171 and \$130,540 were paid for the years ended December 31, 2012 and 2011, respectively.

**Fair Value Measurement of Financial Instruments**

ASC 820, *Fair Value Measurements*, defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date” within an entity’s principal market, if any. The principal market is the market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity, regardless of whether it is the market in which the entity will ultimately transact for a particular asset or liability or if a different market is potentially more advantageous. Accordingly, this exit price concept may result in a fair value that differs from the transaction price or market price of the asset or liability.

Under generally accepted accounting principles, the fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value. Fair value measurements should maximize the use of observable inputs and minimize the use of unobservable inputs, where possible. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs may be needed to measure fair value in situations where there is little or no market activity for the asset or liability at the measurement date and are developed based on the best information available in the circumstances, which could include the reporting entity’s own judgments about the assumptions market participants would utilize in pricing the asset or liability.

We utilize fair value measurements to account for certain items and account balances within our combined financial statements. Fair value measurements may also be utilized on a nonrecurring basis, such as for the impairment of long-lived assets. The fair value of our financial instruments, including cash and cash equivalents, accounts receivable, notes payable approximate their carrying amounts due to the short term nature of these instruments. In addition, the majority of our notes payable have a floating interest rate which increases or decreases with market interest rates.

**Recently Issued Accounting Pronouncements**

In May 2011, FASB issued Accounting Standards Update (ASU) 2011-04, which amended ASC 820, *Fair Value Measurements*, providing a consistent definition and measurement of fair value. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement, and expands the disclosure requirements. ASU 2011-04 was effective for us beginning January 1, 2012. The adoption of ASU 2011-04 did not have a material effect on our combined financial statements.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

**Unaudited Interim Information**

The combined financial statements as of June 30, 2013, and for the six months ended June 30, 2013 and 2012, are unaudited. In the opinion of management, such financial statements reflect all adjustments necessary for a fair presentation of the respective interim periods. All such adjustments are of a normal recurring nature.

**Reclassifications**

Certain amounts in the combined financial statements of prior periods have been reclassified as amounts were recorded incorrectly. Management does not believe such reclassification adjustments were material to the financial statements. The reclassifications include the reclassification to cost of sales of rebates previously classified as other income of \$147,952 and \$163,302 for the years ended December 31, 2012 and 2011, respectively, the reclassification of certain indirect costs to cost of sales previously classified as general and administrative expense of \$314,671 and \$113,549 for the years ended December 31, 2012 and 2011, respectively; and the reclassification of certain intercompany transactions previously classified as other income to effectively eliminate the transactions totalling \$197,300 and \$165,300 for the years ended December 31, 2012 and 2011, respectively. The net impact of these reclassifications was to increase operating income by approximately \$345,000 and \$329,000 for the years ended December 31, 2012 and 2011, respectively. These reclassifications had no impact on net income.

**3. REAL ESTATE INVENTORY**

The Companies' real estate inventory consists of the following:

	June 30, 2013 (unaudited)	December 31,	
		2012	2011
Land, land under development and finished lots	\$ 20,673,845	\$ 8,538,631	\$ 3,673,704
Sales Offices	1,158,661	912,461	351,436
Homes in Progress	15,066,308	8,045,848	3,179,173
Completed homes	12,292,489	10,992,251	5,321,361
Total real estate inventory	<u>\$ 49,191,303</u>	<u>\$ 28,489,191</u>	<u>\$ 12,525,674</u>

Interest and financing costs incurred under the Companies' debt obligations, as more fully discussed in Note 8, are capitalized to qualifying real estate projects under development. Any additional interest charges related to real estate projects not under development are expensed in the period incurred.



**LGI HOMES GROUP (PREDECESSOR)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)**

**4. OTHER ASSETS**

At June 30, 2013, and at December 31, 2012 and 2011, other assets consist of the following:

	<b>June 30, 2013 (unaudited)</b>	<b>December 31, 2012</b>	<b>2011</b>
Receivable from municipality	\$ 1,250,000	\$ 1,250,000	\$ 1,250,000
Prepaid expenses	1,008,023	320,738	174,270
Security deposits	286,038	299,132	76,958
Notes receivable	—	10,281	10,334
Deferred loan costs	—	3,949	60,943
Total other assets	<u>\$ 2,544,061</u>	<u>\$ 1,884,100</u>	<u>\$ 1,572,505</u>

In connection with the development of a community, LGI Homes – Sunrise Meadow, Ltd. financed the design, construction and initial operations of the municipal utility district subject to the district's commitment to reimburse eligible costs in connection with a bond offering. The municipal utility district has been authorized to issue bonds pending final approval by the district's board and \$1.25 million of the proceeds have been designated in the draft bond application to reimburse LGI Homes – Sunrise Meadow, Ltd. for costs incurred; management does not believe that the final terms of the bond offering will vary materially from the draft bond application. Land development costs recorded to real estate inventory exclude the costs to be reimbursed. The bond offering is expected to close and the receivable is expected to be collected during 2013.

**5. PROPERTY AND EQUIPMENT**

At June 30, 2013, and at December 31, 2012 and 2011, property and equipment consist of the following:

	<b>Asset Life (years)</b>	<b>June 30, 2013 (unaudited)</b>	<b>December 31, 2012</b>	<b>2011</b>
Computer equipment	3-5	\$ 350,501	\$ 291,112	\$ 180,284
Machinery and equipment	4-5	29,894	27,459	18,759
Vehicles	5	708,774	680,095	516,315
Furniture and fixtures	5-7	439,045	338,647	163,936
Leasehold improvements	various	98,930	18,643	41,836
Total property and equipment		1,627,144	1,355,956	921,130
Less: accumulated depreciation		(753,267)	(636,566)	(451,329)
Property and equipment, net		<u>\$ 873,877</u>	<u>\$ 719,390</u>	<u>\$ 469,801</u>

**LGI HOMES GROUP (PREDECESSOR)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)**

Depreciation expense incurred and equipment sold to the Unconsolidated Joint Ventures (see Note 6) during the periods presented include the following:

	For the Six Months Ended June 30		For the Year Ended December 31	
	2013 (Unaudited)	2012 (Unaudited)	2012	2011
Depreciation expense	\$ 131,283	\$ 77,179	\$ 185,120	\$ 79,747
Equipment sold to Unconsolidated Joint Ventures at net book value	\$ 29,233	\$ —	\$ 177	\$ 14,713

**6. INVESTMENTS IN JOINT VENTURES, VARIABLE INTEREST ENTITIES AND NON-CONTROLLING INTERESTS**

The combined financial statements reflect the Companies' interests in the following four joint ventures (the "Unconsolidated Joint Ventures") accounted for using the equity method of accounting since the Companies are not deemed to be the primary beneficiaries of these variable interest entities.

<u>Joint Venture Name</u>	<u>Date Formed</u>	<u>Companies' Member</u>
LGI—GTIS Holdings, LLC	March 2010	LGI Homes Corporate, LLC
LGI—GTIS Holdings II, LLC	November 2010	LGI Homes Corporate, LLC through March 2011, then interest transferred to LGI Homes Group, LLC
LGI—GTIS Holdings III, LLC	March 2011	LGI Homes Group, LLC
LGI—GTIS Holdings IV, LLC	October 2012	LGI Homes Group, LLC

The Unconsolidated Joint Ventures are each engaged in homebuilding and land development activities. GTIS Partners, LP and affiliated entities ("GTIS") are joint venture members in these entities. The Unconsolidated Joint Ventures are discussed collectively in these financial statements due to the similarity of the joint venture agreements and other aspects of the entities. Management of each the Unconsolidated Joint Ventures is vested in members, being the Companies and GTIS. The Companies are considered the managing members of these entities. The managing member has the responsibility and authority to operate the Unconsolidated Joint Ventures on a day-to-day basis subject to the operating budget and business plan, which is approved by both members. The Companies use their sales, development and operations teams to support operations and have significant influence even though the respective joint venture members have been deemed to have joint control under ASC 810. All major decisions require both members' consent. Major decisions include, but are not limited to: the acquisition or disposition of a project; capital contributions; and changes, updates or amendments to the operating budget or business plan. Generally, the Unconsolidated Joint Ventures have not obtained construction financing from outside lenders, but have financed their activities primarily through equity contributions from each of the joint venture members.

Profits are allocated to the members of the Unconsolidated Joint Ventures based on the predetermined formulas specified in the joint venture agreements for the allocation of distributable cash. The GTIS member and the Companies are allocated 85% and 15% of the

## NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

profits, respectively, (the “Sharing Percentages”) until such time as the members receive cash distributions equal to their initial capital investment plus, generally, a 15% internal rate of return (“First Tier Return”). Subsequent allocations of distributable cash and profits include a priority allocation of approximately 20% to 40% to the Companies’ member, depending on the amount of cash distributions achieved over the life of the Unconsolidated Joint Ventures. Upon liquidation of the Companies’ interests in the Unconsolidated Joint Ventures, the Companies’ member is required to restore any deficit balance in its capital account as provided for in the respective joint venture agreements. Therefore, the Companies’ maximum exposure to loss as a result of our involvement in each VIE is the amount of the Companies’ equity in the joint ventures (\$5.3 million and \$4.4 million on a combined basis for the Unconsolidated Joint Ventures at June 30, 2013 and December 31, 2012, respectively) plus the potential to fund any deficit capital balance upon liquidation; management does not consider it likely that the Companies would have deficit capital balance at liquidation. Performance of the Companies under the joint venture agreements is guaranteed by the Companies, including LGI Homes, Ltd., LGI Homes – Sunrise Meadow, Ltd., LGI Homes – Canyon Crossing, Ltd., and LGI Homes – Deer Creek, LLC, and is secured by a first lien and security interest in the Companies’ interest and the right to receive any distributions from the respective Unconsolidated Joint Venture.

Based on the Unconsolidated Joint Ventures’ cash distributions through December 31, 2012, none of the Unconsolidated Joint Ventures had achieved the First-Tier Return. As of June 30, 2013 (unaudited), three of the four joint ventures have yet to achieve the First-Tier Return; the fourth joint venture was paying a 30% priority allocation to the Companies’ member. There is no certainty that the Companies will receive greater than 15% of the Unconsolidated Joint Ventures’ distributions, because the internal rates of return necessary to receive a higher proportion of distributions are calculated over the life of the venture. Accordingly, both the timing and amount of future contributions and distributions will affect the Companies’ share of distributions. Because the Companies required capital contributions are 15% of the total capital contributions to each entity and there can be no assurances that the Companies will receive in excess of 15% of the cash flows distributed by the entities, the Companies record their investments in the unconsolidated joint ventures at 15% of each entity’s capital balance. Any incremental amounts due to the Companies as a result of reaching the higher distribution tiers are recognized when received.

The Companies were required to provide the Unconsolidated Joint Ventures the exclusive right of first refusal to acquire, develop and build any new project considered by the Companies up to and until the GTIS members reached the total invested capital commitment in aggregate for the Unconsolidated Joint Ventures or the right expired. The right of first refusal for LGI-GTIS Holdings, LLC, LGI-GTIS Holdings II, LLC and LGI-GTIS Holdings III, LLC expired on March 10, 2010. The capital commitment for LGI-GTIS Holdings IV, LLC was reached prior to December 31, 2012.

**LGI HOMES GROUP (PREDECESSOR)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)**

Summarized condensed combined financial information of Unconsolidated Joint Ventures that are accounted for by the equity method is as follows:

<b>Balance Sheets</b>	<b>June 30,</b>	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<b>(unaudited)</b>		
<b>Assets:</b>			
Real estate inventory	\$ 33,744,418	\$ 26,835,602	\$ 14,702,845
Other assets	6,824,674	6,257,871	3,584,862
Total assets	<u>\$ 40,569,092</u>	<u>\$ 33,093,473</u>	<u>\$ 18,287,707</u>
<b>Liabilities and members' equity:</b>			
Liabilities	\$ 5,063,269	\$ 3,451,448	\$ 3,257,437
Members' equity:			
LGI Homes Group (Predecessor)	5,325,873	4,446,302	2,254,541
GTIS members	30,179,950	25,195,723	12,775,729
Total members' equity	35,505,823	29,642,025	15,030,270
Total liabilities and members' equity	<u>\$ 40,569,092</u>	<u>\$ 33,093,473</u>	<u>\$ 18,287,707</u>

  

<b>Statements of Operations</b>	<b>For the Six Months</b>		<b>For the Year</b>	
	<b>Ended June 30,</b>	<b>Ended June 30,</b>	<b>Ended December 31,</b>	<b>Ended December 31,</b>
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>		
Home sales	\$ 37,971,375	\$ 28,386,494	\$ 69,558,302	\$ 32,995,219
Costs of Sales	\$ 27,341,944	\$ 20,222,368	\$ 49,750,920	\$ 22,761,370
Net earnings of unconsolidated entities	\$ 4,827,298	\$ 3,905,496	\$ 10,176,430	\$ 4,765,051
Companies' share in net earnings of unconsolidated entities	\$ 943,687	\$ 585,825	\$ 1,526,464	\$ 714,758

See Note 10 for discussion of management and warranty fees paid by the joint ventures to the Companies and other direct costs reimbursed to the Companies.

*Consolidated Joint Ventures*

The accompanying Combined Balance Sheets reflect two consolidated joint ventures, engaged in homebuilding and land development activities, which have been determined to be VIEs and the Companies have been deemed to be the primary beneficiary under ASC 810. LGI Homes—Sterling Lakes, LLC was formed in October 2010, and LGI Homes Corporate, LLC was the managing member. LGI Fund III Holdings, LLC was formed March 31, 2013, and LGI Homes Group, LLC is the managing member.

Profits are allocated to the members for the consolidated joint ventures based on the predetermined formulas specified in the joint venture agreements for the allocation of distributable cash. The non-managing members and the Companies are allocated 85% and 15% of the profits, respectively, (the “Sharing Percentages”) until such time as the members receive cash distributions equal to their initial capital investment plus, generally, a 15% internal rate of return (“First Tier Return”). Subsequent allocations of distributable cash and profits include a priority allocation of approximately 20% to 40% to the Companies’ member, depending on the amount of cash distributions achieved over the life of the venture.

**LGI HOMES GROUP (PREDECESSOR)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)**

At December 31, 2011, LGI Homes—Sterling Lakes, LLC had cash, accounts receivables, real estate inventory, and accounts payable and accrued liabilities of approximately \$0.6 million, \$0.4 million, \$2.8 million, and \$0.6 million, respectively, which are included in the amounts presented in the combined balance sheet. In addition, as further discussed in Note 8, LGI Homes—Sterling Lakes, LLC had approximately \$1.3 million of debt outstanding at December 31, 2011, that was secured by its land, development and construction costs and guaranteed by LGI Homes Corporate, LLC. The operations of LGI Homes—Sterling Lakes, LLC were closed out by December 31, 2012.

LGI Fund III Holdings, LLC, formed in March 2013, had cash, real estate inventory (land, land development, and finished lots), pre-acquisition costs and deposits, accounts payable and accrued liabilities at June 30, 2013 (unaudited) of approximately \$7.6 million, \$10.2 million, \$0.8 million, and \$0.7 million, respectively, which are included in the amounts presented in the combined balance sheet. LGI Fund III Holdings, LLC, has no debt and its assets are unencumbered as of June 30, 2013.

**7. ACCRUED EXPENSES AND OTHER LIABILITIES**

At June 30, 2013, December 31, 2012 and 2011, accrued and other current liabilities consist of the following:

	<u>June 30, 2013</u> (unaudited)	<u>December 31,</u> <u>2012</u>	<u>2011</u>
Accrued liabilities	\$ 2,502,314	\$ 1,651,522	\$ 718,855
Warranty reserve	475,000	450,000	275,000
Customer deposits	129,751	75,423	37,747
Total accrued expenses and other liabilities	<u>\$ 3,107,065</u>	<u>\$ 2,176,945</u>	<u>\$ 1,031,602</u>

**Warranty Reserve**—The Companies typically provide homebuyers with a ten-year limited warranty for major defects in structural elements such as framing components and foundation systems, a two-year limited warranty on major mechanical systems, and a one-year limited warranty on other construction components. The Companies provide similar warranty services for homes sold by the Unconsolidated Joint Ventures (Note 10).

Changes to the Companies' warranty accrual are as follows:

	<u>June 30, 2013</u> (unaudited)	<u>December 31,</u> <u>2012</u>	<u>2011</u>
Warranty reserves, beginning of period	\$ 450,000	\$ 275,000	\$ 200,000
Warranty provision	117,523	409,057	178,200
Warranty expenditures	(92,523)	(234,057)	(103,200)
Warranty reserves, end of period	<u>\$ 475,000</u>	<u>\$ 450,000</u>	<u>\$ 275,000</u>

LGI HOMES GROUP (PREDECESSOR)

NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

The following amounts represent warranty amounts related to the Companies and excludes the amounts attributable to the Unconsolidated Joint Ventures as discussed in Note 10.

	June 30 2013 (Unaudited)	December 31	
		2012	2011
Warranty reserves, beginning of period	\$ 283,100	\$ 197,200	\$ 186,500
Warranty provision	74,684	197,776	54,821
Warranty expenditures	(56,784)	(111,876)	(44,121)
Warranty reserves, end of period	<u>\$ 301,000</u>	<u>\$ 283,100</u>	<u>\$ 197,200</u>

**Customer Deposits**—Customer deposits are received upon signing a purchase contract and are typically \$500. Deposits are typically refundable if the customer is unable to obtain financing. Forfeited buyer deposits related to home sales are recognized in other (income) expense in the period in which it is determined that the buyer will not complete the purchase of the property and the deposit is nonrefundable to the buyer.

8. NOTES PAYABLE

The Companies' construction and development activities financed through credit facilities generally provide for secured notes for the construction of individual homes and/or completed lots, with maturities ranging from 9—12 months from the borrowing date. Principal payments on these notes are not due until maturity, and interest is payable monthly.

Effective June 24, 2013, the LGI Homes Group, LLC credit facility with Texas Capital Bank, N.A. was amended to increase the available credit line to \$35.0 million given certain criteria; these criteria were met during July 2013 and the available credit facility was increased to \$35.0 million.

	June 30, 2013 (unaudited)	December 31,	
		2012	2011
<b>LGI Homes Group, LLC</b> —Notes payable to Texas Capital Bank, N.A. under an amended credit facility (\$35 million line at June 30, 2013, and \$20 million line at December 31, 2012) expiring June 30, 2015; interest at LIBOR plus 3.0%, 3.9%, and 3.9% at June 30, 2013, and December 31, 2012 and 2011, respectively, with a 4.0%, 4.5%, and 4.5% floor at June 30, 2013, and December 31, 2012 and 2011, respectively; collateralized by borrower's land, development and home construction costs (carrying value of \$21.9 million at December 31, 2012); guaranteed by a family Principal, the managing member, and non- managing members as joint and several guarantors	\$ 20,868,766	\$ 12,270,636	\$ —

**LGI HOMES GROUP (PREDECESSOR)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)**

	<u>June 30, 2013 (unaudited)</u>	<u>December 31, 2012</u>	<u>2011</u>
<b>LGI Homes—Sunrise Meadow, Ltd. and LGI Holdings, LLC</b> —Notes payable to Texas Capital Bank, N.A. under an amended credit facility (\$2 million at June 30, 2013 and \$5 million line at December 31, 2012) expiring December 31, 2013; interest at LIBOR plus 3.0%, 3.9%, and 3.9% at June 30, 2013, and December 31, 2012 and 2011, respectively, with a floor of 4.0%, 4.5% and 5.5% at June 30, 2013, and December 31, 2012 and 2011, respectively; collateralized by borrowers' land, development and home construction costs (carrying value of \$4.6 million at December 31, 2012); guaranteed by a family Principal	888,917	835,363	1,434,472
<b>LGI Homes—Texas, LLC and LGI Homes—Sterling Lakes LLC</b> —Notes payable to Regions Bank, under \$3 million amended revolving credit facility expiring March 29, 2014; interest at LIBOR plus 4.0%, with a 5% floor; collateralized by borrowers' land, development and home construction costs (carrying value of \$2.1 million at December 31, 2012); guaranteed by LGI Homes Corporate, LLC	729,905	1,225,121	1,277,855
<b>LGI Homes—Sunrise Meadow, Ltd.</b> —Notes payable to RBC Bank under \$4 million amended credit facility expiring April 30, 2012; interest at LIBOR plus 3.9% with a 6.0% floor; collateralized by borrower's land, development and home construction costs; guaranteed by a family Principal	—	—	2,631,375
<b>LGI Homes—Sunrise Meadow, Ltd.</b> —notes payable to a mezzanine lender under a \$5 million amended credit facility, dated July 13, 2005, due April 4, 2012; interest at prime (3.25% at December 31, 2011) plus 8.75%; subject to a participation fee; collateralized by a second lien on borrower's land and land improvements; guaranteed by LGI Holdings, LLC and a family Principal	—	—	387,477
<b>LGI Homes Corporate, LLC</b> —Notes payable to banks; interest rates ranging from 0% to 4.3%; principal and interest is payable in monthly installments; maturity dates ranging from July 2014 through December 2016; collateralized by vehicles	399,210	425,120	346,221
<b>LGI Homes—Sunrise Meadow, Ltd.</b> participation fee obligation, secured by second lien on LGI Homes—Sunrise Meadow, Ltd. land, development, and home construction assets; guaranteed by a family Principal	178,510	212,522	261,729
<b>LGI Homes—Deer Creek, LLC.</b> participation fee obligation, secured by second lien on LGI Homes—Deer Creek, LLC land, development, and home construction assets; guaranteed by a family Principal	—	—	75,387
Total notes payable	<u>\$ 23,065,308</u>	<u>\$ 14,968,762</u>	<u>\$ 6,414,516</u>

**LGI HOMES GROUP (PREDECESSOR)**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)**

At December 31, 2012, annual maturities of debt, excluding the participation fee obligations, are as follows:

2013	\$ 14,435,185
2014	105,946
2015	102,372
2016	85,106
2017	27,631
	<u>\$ 14,756,240</u>

At June 30, 2013 (unaudited), annual maturities of debt, excluding the participation fee obligations, are as follows:

Remainder of 2013	\$ 57,411
2014	22,600,349
2015	109,810
2016	91,597
2017	27,631
Total	<u>\$ 22,886,798</u>

During 2013, the LGI Homes Group, LLC and the LGI Homes- Sunrise Meadow, Ltd. credit facilities with Texas Capital Bank, N.A. were amended to establish a borrowing base to determine available loan proceeds. The individual facility's borrowing base is determined based on the loan value of the pool of collateral in which the lenders have a security interest. Vacant lots and homes generally may remain in the borrowing base for up to one year. As of June 30, 2013, the borrowing base amounts under these agreements totaled \$23.5 million (unaudited), of which \$1.7 million (unaudited) was available.

As of June 30, 2013, and December 31, 2012 and 2011, LIBOR was 0.27% (unaudited), 0.31%, and 0.56%, respectively. Based on the terms of the variable rate notes payable, the interest amounts paid during the six months ended June 30, 2013 (unaudited), and the years ended December 31, 2012 and 2011, were based on the interest rate floor terms.

The Companies' credit agreements generally require the borrower and guarantor to maintain certain net worth, liquidity and leverage ratios and, in some cases, include cross-default provisions and restrictive covenants related to transfer of control of the borrower. Borrowings under the certain credit facilities are subject to the lender's final approval of each draw and limitations on the borrowings attributable to certain markets, speculative home building, vacant lots, and acquisition and development funding. The Companies' current homebuilding operations are primarily funded by borrowings from one primary bank or with equity. The availability of credit to fund ongoing and future operations could be negatively impacted if the underlying financial institution fails or is subject to other adverse conditions in the financial markets. To date, the Companies have experienced no loss or lack of access to cash in their credit facilities with the bank.

*Participation Obligations*

The development and construction financing provided to the Companies by mezzanine lenders have included participation fee provisions based on a percentage of the home sale



**LGI HOMES GROUP (PREDECESSOR)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)**

prices realized from the funded projects. The participation fees are paid at the time the homes are sold. The participation fees have been recorded to deferred loan costs and are amortized to interest expense, and considered in the Companies determination of capitalized interest discussed further below, over the term of the respective loan.

As of June 30, 2013 and December 31, 2012 and 2011, LGI Homes—Sunrise Meadow, Ltd. had a participation fee obligation for the remaining 222 (unaudited), 264 (unaudited), and 326 (unaudited) unsold lots, respectively, of the 974 (unaudited) total community lots. The loan matured during April 2012. The unamortized deferred loan costs relating to this participation fee were \$26,521 at December 31, 2011, and were fully amortized during 2012.

As of December 31, 2011, LGI Homes—Deer Creek, LLC had a participation fee obligation for the remaining 39 unsold lots of the 206 total community lots. The loan matured during November 2011.

*Capitalized Interest*

Interest and related financing costs incurred under the Companies' debt obligations are capitalized to qualifying real estate projects under development. Interest charges and other financing costs related to real estate projects not under development are expensed in the period incurred. Interest activity for notes payable for the periods presented is as follows:

	<b>For the Six Months Ended June 30,</b>		<b>For the Year Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>		
Interest incurred	\$ 538,222	\$ 266,272	\$ 823,925	\$ 1,254,294
Less: Amounts capitalized	(532,554)	(241,589)	(822,691)	(1,226,142)
Interest expense	<u>\$ 5,668</u>	<u>\$ 24,683</u>	<u>\$ 1,234</u>	<u>\$ 28,152</u>
Cash paid for interest	\$ 487,744	\$ 365,866	\$ 790,058	\$ 1,274,708

**LGI HOMES GROUP (PREDECESSOR)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)**

**9. Owners' Equity**

The following table reflects the activity and balances in the owners' equity of LGI Homes Group Combined:

	<b>LGI Homes Group, LLC Members' Capital</b>	<b>LGI Homes Corporate, LLC Members' Capital</b>	<b>LGI Homes- Deer Creek, LLC Members' Capital</b>	<b>Other Partnerships' Capital</b>	<b>Total Owners' Equity</b>
<b>BALANCE—JANUARY 1, 2011</b>	<b>\$ —</b>	<b>\$ 2,296,924</b>	<b>\$ 42,716</b>	<b>\$ 8,710,673</b>	<b>\$11,050,313</b>
Net Income	152,626	878,184	764,751	1,554,858	3,350,419
Contributions	3,960,000	—	400,000	—	4,360,000
Distributions	—	—	(250,000)	(5,520,000)	(5,770,000)
<b>BALANCE—DECEMBER 31, 2011</b>	<b>\$ 4,112,626</b>	<b>\$ 3,175,108</b>	<b>\$ 957,467</b>	<b>\$ 4,745,531</b>	<b>\$12,990,732</b>
Net Income	6,445,381	2,258,226	802,166	199,356	9,705,129
Contributions	6,650,000	—	—	—	6,650,000
Distributions	(53,287)	(2,001,964)	(1,759,633)	(320,000)	(4,134,884)
<b>BALANCE—DECEMBER 31, 2012</b>	<b>\$17,154,720</b>	<b>\$ 3,431,370</b>	<b>\$ —</b>	<b>\$ 4,624,887</b>	<b>\$25,210,977</b>
Net Income (unaudited)	6,860,382	89,862	—	658,388	7,608,632
Contributions (unaudited)	—	2,500,000	—	35,000	2,535,000
Distributions (unaudited)	(2,239,839)	(1,000,000)	—	—	(3,239,839)
<b>BALANCE—JUNE 30, 2013 (unaudited)</b>	<b>\$21,775,263</b>	<b>\$ 5,021,232</b>	<b>\$ —</b>	<b>\$ 5,318,275</b>	<b>\$32,114,770</b>

**LGI Homes Group, LLC** is a Texas limited liability company formed in March 2011. EDSS Holdings, LP, a limited partnership wholly-owned by the Principals, owns 50.125% of LGI Homes Group, LLC, and LGI Investment Fund II, LP, owns the remaining 49.875%. LGI Investment Fund II, LP was formed as a Texas limited partnership in June 2011. LGI Fund II GP, LLC is the 1% general partner. LGI Fund II GP, LLC is wholly-owned by Eric Lipar. The limited partners are various investors.

In 2013, LGI Homes Group, LLC formed LGI Fund III Holdings, LLC (a joint venture consolidated in the accompanying financial statements) with LGI Investment Fund III, LP (see Notes 6 and 14). LGI Homes Group, LLC is the managing member. The LGI Investment Fund III, LP was formed as a Texas limited partnership in February 2013. LGI Fund II GP, LLC is the 1% general partner. LGI Fund III GP, LLC is wholly-owned by Eric Lipar. The limited partners are various investors. In connection with the formation of LGI Investment III, LP, a commitment was made to the limited partnership to exchange its 85% ownership in LGI Fund III Holdings, LLC for approximately 1.5 times the investment amount in the event of an IPO.

**LGI Homes Corporate, LLC** is a Texas limited liability company formed in March 2010 and is wholly-owned and managed by the family Principals.

**LGI Homes—Deer Creek, LLC** is a Texas limited liability company formed in June 2009. The entity is wholly-owned and managed by the family Principals.

**LGI HOMES GROUP (PREDECESSOR)**

**NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)**

The Other Partnerships included in the accompanying combined financial statements and aggregated in the above table are:

- **LGI Homes, Ltd.**, formerly JTM Housing, Ltd., was formed as a Texas limited partnership in December 2002 and renamed as LGI Homes, Ltd. in October 2004. LGI GP, LLC, a wholly-owned Texas limited liability company formed in 2002 as a wholly-owned subsidiary of LGI Holdings, LLC, is the 1% general partner of LGI Homes, Ltd. The limited partner is 99% owned by the family Principals.
- **LGI Homes—Sunrise Meadow, Ltd.** is a Texas limited partnership formed in February 2005. LGI GP, LLC, is the 1% general partner. The entity is wholly-owned and managed by the family Principals.
- **LGI Homes—Canyon Crossing, Ltd.** is a Texas limited partnership formed in May 2005. LGI GP, LLC, is the 1% general partner. The entity is wholly-owned and managed by the family Principals.

**10. RELATED PARTY TRANSACTIONS**

From time to time, the Companies may engage in transactions with entities that are affiliated with the Companies. We believe transactions with related parties are in the normal course of operations. Receivables due from and payables due to related parties included in the accompanying combined balance sheets consist of the following:

	<b>June 30, 2013 (unaudited)</b>	<b>December 31, 2012</b>	<b>2011</b>
<b>Receivables:</b>			
Unconsolidated Joint Ventures	\$ 851,945	\$ 985,719	\$ 261,826
Other affiliates and owners	33,350	41,206	32,038
Total	<u>\$ 885,295</u>	<u>\$ 1,026,925</u>	<u>\$ 293,864</u>
<b>Payables:</b>			
Unconsolidated Joint Ventures	\$ 42,093	\$ 108,577	\$ —
Other affiliates and owners	—	—	10,244
Total	<u>\$ 42,093</u>	<u>\$ 108,577</u>	<u>\$ 10,244</u>

*Management and Warranty Fees*

The Companies have a Management Services Agreement with each of the Unconsolidated Joint Ventures. The Companies provide administration, supervision, marketing, and various other services for the joint ventures. The Companies charge the joint ventures a management fee of approximately 3% of home sale revenues. The Companies also charge the joint ventures a management fee of 3% of construction costs for the development of land, as applicable. The management and construction fees are in addition to direct costs charged to the entities. Management fees earned under the agreements were \$1,234,972 (unaudited) and \$937,203 (unaudited) for the six months ended June 30, 2013 and 2012, respectively. Management fees earned for the years ended December 31, 2012 and 2011, were \$2,269,513 and \$1,123,438, respectively.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

The Companies collect a warranty fee of \$250 from the Unconsolidated Joint Ventures upon the closing of the sale of each home. The Companies provide a Home Builder's Limited Warranty to the buyer of each home. The Companies are responsible for the performance and discharge of any warranty claims asserted against the joint ventures or the GTIS member. Warranty fees earned under the Management Services Agreement were \$66,750 (unaudited) and \$54,500 (unaudited) for the six month periods ended June 30, 2013 and 2012, respectively. Warranty fees earned for the years ended December 31, 2012 and 2011 were \$131,500 and \$62,750, respectively.

*Profit Sharing Plan*

The Companies' employees are eligible to participate in the 401(k) Savings Plan established by LGI Holdings, LLC, a sister company in an unrelated business. Employees are eligible to participate after completing ninety days of service and having attained the age of 21. Salary deferrals are allowed in amounts up to 100% of an eligible employee's salary, not to exceed the maximum allowed by law. A discretionary match may be made by the Companies of up to 100% of the first 3% of an eligible employee's deferral, not to exceed \$3,000. For the six months ended June 30, 2013 and 2012, the Companies matching contributions were \$66,846 (unaudited) and \$42,859 (unaudited), respectively. For the years ended December 31, 2012 and 2011, the Companies matching contributions were \$67,385 and \$65,073, respectively.

**11. COMMITMENTS AND CONTINGENCIES***Contingencies*

In the ordinary course of doing business, the Companies become subject to claims or proceedings from time to time relating to the purchase, development, and sale of real estate. Management of the Companies believes that these claims include usual obligations incurred by real estate developers in the normal course of business. In the opinion of management, these matters will not have a material effect on the Companies' combined financial position, results of operations or cash flows.

The Companies have provided unsecured environmental indemnities to certain lenders and joint venture members. In each case, the Companies have performed due diligence on the potential environmental risks including obtaining an independent environmental review from outside environmental consultants. These indemnities obligate the Companies to reimburse the guaranteed parties for damages related to environmental matters. There is no term or damage limitation on these indemnities; however, if an environmental matter arises, the Companies may have recourse against other previous owners. Management of the Companies is not aware of any environmental claims or occurrences and has recorded no reserves for environmental matters.

*Land Deposits*

The Companies have land purchase option contracts, generally through cash deposits, for the right to purchase land or lots at a future point in time with predetermined terms. We do not have title to the property and our obligations with respect to the option contracts are generally limited to the forfeiture of the related nonrefundable cash deposits. The following is a summary

**LGI HOMES GROUP (PREDECESSOR)**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)**

of our land purchase deposits and option contracts included in pre-acquisition costs and deposits:

	June 30, 2013 (unaudited)	December 31, 2012	2011
Land deposits and option payments	\$ 2,974,750	\$ 963,500	\$ 521,000
Commitments under the land purchase option and deposit agreements if the purchases are consummated (unaudited)	\$ 84,014,982	\$ 33,057,761	\$ 16,758,026
Lots under land options and land purchase contracts (unaudited)	7,064	2,242	1,853

*Leasing Arrangements*

The Companies lease office facilities and certain equipment under non-cancellable operating lease agreements. Rent escalation provisions are accounted for using the straight-line method. Rent expense includes common area maintenance costs and \$99,199 (unaudited) and \$87,157 (unaudited) for the six months ended June 30, 2013 and 2012, respectively. Rent expense totaled \$240,804 and \$230,618 for the years ended December 31, 2012 and 2011, respectively.

Future minimum lease payments under non-cancellable operating lease agreements are as follows at December 31, 2012:

2013	\$ 190,930
2014	279,010
2015	288,009
2016	309,138
2017	333,735
Thereafter	196,656
Total	<u>\$ 1,597,478</u>

*Letters of Credit and Bonding*

The Companies have outstanding performance and surety bonds of \$333,183 (unaudited), \$183,103 and \$366,205 at June 30, 2013 and December 31, 2012 and 2011, respectively, related to the Companies' obligations for site improvements at various projects. The surety bonds are guaranteed by one of the Family Principals. Management of the Companies does not believe that draws upon these bonds, if any, will have a material effect on the Companies' combined financial position, results of operations, or cash flows.

The Companies had no letters of credit outstanding at June 30, 2013 (unaudited) and December 31, 2012, and \$200,000 in letters of credit outstanding at December 31, 2011, related to the corporate office lease.

## NOTES TO THE COMBINED FINANCIAL STATEMENTS—(Continued)

## 12. SEGMENT INFORMATION

The Companies operate one principal homebuilding business which is organized by region. Initial operations were conducted in the Central region (Texas), expanding into the Western region (Arizona) during 2011 and the Eastern region (Georgia and Florida) during 2012. As of June 30, 2013, the Eastern region is in the ramp-up phase and has not had any sales.

In accordance with ASC 280, *Segment Reporting*, operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision-maker (CODM) in deciding how to allocate resources and in assessing performance.

The Companies have determined that they have two operating segments as of June 30, 2013, the Central region and the Western region. The Central region is the largest region with approximately 80% of total operations for the six month period ended June 30, 2013 (unaudited), and year ended December 31, 2012.

The operating segments qualify for aggregation as one reporting segment. In determining the reportable segment, the Companies concluded that all operating segments have similar economic and other characteristics, including similar home floor plans, average selling prices, gross margin, production construction processes, suppliers, subcontractors, regulatory environments, customer type, and underlying demand and supply.

The CODM primarily evaluates performance based on the number of homes sold, gross margin and net income. Each operating segment follows the same accounting policies described in Note 2 and is managed by the Companies' management team. The Companies have no inter-segment sales, as all sales are to external customers.

## 13. UNAUDITED PRO FORMA NET INCOME PER SHARE

Unaudited pro forma basic and diluted net income per share for the six month period ended June 30, 2013 and the year ended December 31, 2012, gives effect to the conversion of the Companies' owners' equity, as part of the planned reorganization and initial public offering (Notes 1 and 14), into common stock as if the conversion had occurred as of the beginning of the period or upon the date capital was contributed, if later. The number of shares to be converted is based on the initial public offering price of \$11 per share. The pro forma net income taxes and pro forma net income reflect federal and state income taxes (assuming a 33% combined effective rate) as if the Companies had been taxed as a corporation in accordance with Subchapter C of the Internal Revenue Code (as a "C-Corporation") for the periods presented. There were no potential dilutive shares for the periods presented.

	Six Months Ended June 30, 2013	Year Ended December 31, 2012
	(in thousands, except per share data)	
Net income attributable to owners, as reported	\$ 7,609	\$ 9,705
Pro forma income tax adjustment	(2,556)	(3,254)
Pro forma net income	<u>\$ 5,053</u>	<u>\$ 6,451</u>
Pro forma weighted-average shares used to compute pro forma basic and diluted net income per share	7,477	6,115
Pro forma net income per share:		
Basic and diluted	\$ 0.68	\$ 1.05

**14. FORMATION TRANSACTION AND INITIAL PUBLIC OFFERING**

The Companies will complete certain transactions concurrently with the IPO. The Companies' owners will contribute their equity interests in the various entities combined in the accompanying financial statements to LGI Homes, Inc. in exchange for common stock of LGI Homes, Inc. LGI Homes, Inc. will account for the formation transaction as an exchange of shares between entities under common control at historical cost in a manner similar to a pooling of interests. After the formation transaction, the ownership percentage of each LGI Homes, Inc. common stockholder will be equivalent to its ownership percentage in the Companies based on the relative fair values of the respective entities.

Concurrently with the IPO, the Companies will exchange the non-controlling interests in LGI Fund III Holdings, LLC, a consolidated variable interest entity of the Companies for \$23.8 million in new shares of common stock of LGI Homes, Inc. As the Companies control LGI Fund III Holdings, LLC before and after the IPO, LGI Homes, Inc. will account for this transaction as an equity transaction.

As a result of the formation transaction, the Companies will become wholly-owned subsidiaries of LGI Homes, Inc. The Companies' owner's equity has not been retroactively restated for the proposed reorganization.

Deferred income tax liability and deferred tax expense will be recognized as a result of the reorganization of the Companies from limited liability companies and partnerships to a C corporation structure.

During May 2013, GTIS Partners LP, an affiliated company of the joint venture partners in the Unconsolidated Joint Ventures (see Note 6), and LGI Homes Group, LLC agreed on the principal terms for the exchange of all of GTIS's equity interests in the Unconsolidated Joint Ventures (the GTIS Transaction) for cash and LGI Homes, Inc. common stock to be consummated concurrently with the closing of the IPO. The aggregate consideration for the GTIS Transaction is \$41.4 million, consisting of a cash payment of \$36.9 million and shares of LGI Homes, Inc. common stock valued at \$4.5 million at the time of the offering. The agreement expires on February 28, 2014, and may be terminated by seller or buyer by mutual consent of the parties at any time prior to the IPO. As this transaction will result in a change of control for the Unconsolidated Joint Ventures, the assets and liabilities will be recorded at fair value.

The net proceeds from the proposed IPO are planned to be used primarily to fund the cash portion of the GTIS Transaction purchase price and provide funds for working capital and for general corporate purposes, including the acquisition of land, development of lots and construction of homes.

**15. SUBSEQUENT EVENT**

Management has evaluated subsequent events through August 27, 2013, the date the combined financial statements were available to be issued. We are not aware of any significant events others than those included herein that occurred subsequent to the balance sheet date, but prior to the completion of this report that would have a material impact on the combined financial statements.

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**The Board of Directors and Shareholders  
LGI-GTIS Holdings, LLC and Subsidiaries**

We have audited the accompanying consolidated balance sheets of LGI-GTIS Holdings, LLC and Subsidiaries (the “Company”) as of December 31, 2012 and 2011, and the related consolidated statements of operations, members’ equity, and cash flows for each year in the two-year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal controls over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of LGI-GTIS Holdings, LLC and Subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each year in the two-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ Armanino LLP  
San Ramon, California  
August 27, 2013

**LGI-GTIS HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	June 30, 2013 (unaudited)	December 31	
		2012	2011
<b>Assets</b>			
Cash and cash equivalents	\$1,470,770	\$ 1,423,436	\$ 732,750
Accounts receivable	449,365	530,983	979,372
Accounts receivable, related parties	100,964	—	—
Real estate inventory	6,081,349	6,082,744	8,298,646
Equipment, net	10,611	14,478	31,076
Prepaid expenses	—	—	34,047
Total assets	<u>\$8,113,059</u>	<u>\$ 8,051,641</u>	<u>\$10,075,891</u>
<b>Liabilities and members' equity</b>			
Accounts payable	\$ 579,790	833,894	996,993
Accounts payable, related parties	163,265	318,489	120,680
Accrued expenses and other liabilities	236,109	236,270	327,452
Note payable	—	—	910,556
Total liabilities	979,164	1,388,653	2,355,681
Members' equity	<u>7,133,895</u>	<u>6,662,988</u>	<u>7,720,210</u>
Total liabilities and members' equity	<u>\$8,113,059</u>	<u>\$ 8,051,641</u>	<u>\$10,075,891</u>

*See accompanying notes to the consolidated financial statements*

**LGI-GTIS HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Six Months Ended		For the Year Ended	
	June 30		December 31	
	2013	2012	2012	2011
	(unaudited)			
Home Sales	\$ 11,253,477	\$ 11,134,341	\$ 24,593,709	\$ 22,712,377
Expenses:				
Cost of sales	8,078,143	7,808,282	17,549,138	15,594,410
Selling expenses	759,469	881,515	1,900,727	2,065,403
General and administrative	537,342	624,676	1,176,479	1,066,430
Operating Income	1,878,523	1,819,868	3,967,365	3,986,134
Other Income, net	10,733	5,680	42,964	5,312
Net Income Before Income Taxes	1,889,256	1,825,548	4,010,329	3,991,446
Income Tax Provision	43,349	32,192	67,551	69,224
Net Income	<u>\$ 1,845,907</u>	<u>\$ 1,793,356</u>	<u>\$ 3,942,778</u>	<u>\$ 3,922,222</u>

*See accompanying notes to the consolidated financial statements*

**LGI-GTIS HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY**

<b>Members' Equity—January 1, 2011</b>	<b>\$ 4,826,144</b>
Net income	3,922,222
Contributions from members	2,221,844
Distributions to members	<u>(3,250,000)</u>
<b>Members' Equity—December 31, 2011</b>	<b>7,720,210</b>
Net income	3,942,778
Distributions to members	<u>(5,000,000)</u>
<b>Members' Equity—December 31, 2012</b>	<b>6,662,988</b>
Net income (unaudited)	1,845,907
Distributions to members (unaudited)	<u>(1,375,000)</u>
<b>Members' Equity—June 30, 2013 (unaudited)</b>	<b><u>\$ 7,133,895</u></b>

*See accompanying notes to the consolidated financial statements*

**LGI-GTIS HOLDINGS, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Six Months Ended June 30,		For the Year Ended December 31,	
	2013	2012	2012	2011
	(unaudited)			
Operating activities:				
Net income	\$ 1,845,907	\$ 1,793,356	\$ 3,942,778	\$ 3,922,222
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	5,481	9,493	14,729	13,421
Changes in assets and liabilities:				
Accounts receivable	81,618	979,372	448,389	(711,001)
(Receivables from) payables to related parties, net	(256,188)	258,287	197,809	120,680
Real estate inventory	1,395	1,974,489	2,215,902	(3,189,944)
Prepaid expenses	—	(387,406)	34,047	(28,804)
Accounts payable	(254,104)	(628,874)	(163,099)	471,509
Accrued expenses and other liabilities	(161)	29,610	(91,182)	85,798
Net cash provided by operating activities	1,423,948	4,028,327	6,599,373	683,881
Investing activities:				
Proceeds from disposal of assets at net book value	—	10,793	10,793	—
Purchases of equipment	(1,614)	(840)	(8,924)	(17,601)
Net cash provided by (used in) investing activities	(1,614)	9,953	1,869	(17,601)
Financing activities:				
Proceeds from note payable	—	—	—	2,011,698
Payments on note payable	—	(910,556)	(910,556)	(1,101,142)
Contributions	—	—	—	2,221,844
Distributions	(1,375,000)	(3,500,000)	(5,000,000)	(3,250,000)
Net cash used in financing activities	(1,375,000)	(4,410,556)	(5,910,556)	(117,600)
Net increase (decrease) in cash and cash equivalents	47,334	(372,276)	690,686	548,680
Cash and cash equivalents, beginning of period	1,423,436	732,750	732,750	184,070
Cash and cash equivalents, end of Period	\$ 1,470,770	\$ 360,474	\$ 1,423,436	\$ 732,750

*See accompanying notes to the consolidated financial statements*

**LGI-GTIS HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Business**

*Organization and Description of Business*

LGI-GTIS Holdings, LLC (the Company) is a joint venture that was formed on March 4, 2010, between LGI Homes Corporate, LLC (LGI Member) and GTIS LGI I LP (GTIS Member). The Company is engaged in the design and construction of entry level homes in high growth markets in Texas.

A Registration Statement on Form S-1 is expected to be filed with the Securities and Exchange Commission with respect to an initial public offering (the IPO) for LGI Homes, Inc., an affiliate of the LGI Member. In connection with the consummation of the IPO, the GTIS Member interest will be acquired by LGI Homes, Inc. and the Company will become a wholly-owned subsidiary of LGI Homes, Inc. See Note 9 for further discussion.

**2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: LGI Homes - Chisholm Springs, LLC and LGI Homes - Luckey Ranch, LLC.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (US GAAP) as contained within the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). All intercompany balances and transactions have been eliminated in consolidation.

*Use of Estimates*

The preparation of the Company's consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes as of June 30, 2013 (unaudited), and December 31, 2012 and 2011, and revenues and expenses for the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), and years ended December 31, 2012 and 2011. Accordingly, actual results could differ from those estimates.

*Cash and Cash Equivalents and Concentrations of Credit Risk*

Cash and cash equivalents are defined as cash on hand, demand deposits with financial institutions, and short-term liquid investments with an initial maturity date of less than three months. The Company's cash in demand deposit accounts may exceed federally insurable limits. The Company's management monitors the cash balances in their operating accounts and adjusts the cash balances as appropriate; however, these cash balances could be negatively impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, the Company has experienced no loss or diminished access to cash in their operating accounts.

*Accounts Receivable*

Accounts receivable consists primarily of proceeds due from title companies for sales closed prior to period end and are generally collected within a few days from closing.

**LGI-GTIS HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Real Estate Inventory*

Inventory consists of land and land development, sales office inventory, homes in progress and completed homes. Inventory is stated at cost unless the carrying amount is determined not to be recoverable, in which case inventory is written down to fair value.

Land, development and other project costs, including interest and property taxes incurred during development and home construction, are capitalized to real estate inventory. Land development and other common costs that benefit the entire community, including field construction supervision and related direct overhead, are allocated to individual lots or homes, as appropriate. The costs of lots are transferred to homes in progress when home construction begins. Home construction costs and related carrying charges (principally capitalized interest and property taxes) are allocated to the cost of individual homes using the specific identification method.

Inventory costs for completed homes are expensed as cost of sales as homes are sold. Changes to estimated total development costs subsequent to initial home closings in a community are generally allocated to the remaining lots and homes in the community on a pro-rata basis.

The life cycle of a community generally ranges from two to five years, commencing with the acquisition of land, continuing through the land development phase, and concluding with the construction, sale, and delivery of homes. A constructed home is used as the community sales offices during the life of the community and then sold. Actual individual community lives will vary based on the size of the community, the sales absorption rate, and whether we purchased the property as raw land or finished lots.

In accordance with the provisions of ASC 360, *Property, Plant, and Equipment*, real estate inventory is evaluated for indicators of impairment by each community during each reporting period. In conducting our review for indicators of impairment on a community level, we evaluate, among other things, the margins on homes that have been delivered, communities with slow moving inventory, projected margins on future home sales over the life of the community, and the estimated fair value of the land. For individual communities with indicators of impairment, additional analysis is performed to estimate the community's undiscounted future cash flows. If the estimated undiscounted future cash flows are greater than the carrying value of the community group of assets, no impairment adjustment is required. If the undiscounted cash flows are less than the community's carrying value, the asset group is impaired and is written down to its fair value. The Company estimates the fair value of its communities using a discounted cash flow model. As of June 30, 2013 (unaudited), and December 31, 2012 and 2011, the real estate inventory is stated at cost; there were no inventory impairment charges recorded in the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), or in the years ended December 31, 2012 and 2011.

*Equipment*

Equipment is stated at cost, less accumulated depreciation. Depreciation expense is recorded in general and administrative expenses in the accompanying Consolidated Statements of Operations. Upon sale or retirement, the costs and related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in other

**LGI-GTIS HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

(income) expense. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 5 years. Maintenance and repair costs are expensed as incurred.

Impairments of long-lived assets are determined periodically when indicators of impairment are present. If such indicators are present, the determination of the amount of impairment is based on our judgments as to the future undiscounted operating cash flows to be generated from these assets throughout their remaining estimated useful lives. If these undiscounted cash flows are less than the carrying amount of the related asset, an impairment is recognized for the excess of the carrying value over its fair value. There were no impairments of equipment recorded in the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), and the years ended December 31, 2012 and 2011.

*Insurance Costs and Reserves*

The Company has deductible limits under workers' compensation, automobile and general liability insurance policies, and records expenses and liabilities for the estimated costs of potential claims for construction defects. The excess liability limits are \$2 million per occurrence and in the aggregate annually and apply in excess of automobile liability, employer's liability under workers compensation and general liability policies. The Company generally requires subcontractors and design professionals to indemnify the Company for liabilities arising from their work, subject to certain limitations.

*Warranty Reserves*

Estimated future direct warranty costs are accrued and charged to cost of sales in the period when the related home is sold. The Company's warranty liability is based upon historical warranty cost experience in each market in which it operates, and is adjusted as appropriate to reflect qualitative risks associated with the types of homes built and the geographic areas in which they are built.

Warranty reserves are reviewed quarterly to assess the reasonableness and adequacy and make adjustments to the balance of the preexisting reserves to reflect changes in trends and historical data as information becomes available.

*Members' Equity*

The Company is a Delaware limited liability company. In accordance with the limited liability company agreement, the Company shall be dissolved no later than December 31, 2060.

The LGI Member, as the managing member, has the responsibility and authority to operate the Company on a day-to-day basis subject to the operating budget and business plan, which is approved by both members. All major decisions require both members' consent. Major decisions include, but are not limited to: the acquisition or disposition of a project; capital contributions; and changes, updates or amendments to the operating budget or business plan.

Profits are allocated to the members based on the predetermined formulas specified in the limited liability company agreement for the allocation of distributable cash. The GTIS member and the LGI Member are allocated 85% and 15% of the profits, respectively, (the Sharing



**LGI-GTIS HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Percentages) until such time as the members receive cash distributions equal to their initial capital investment plus a 15% internal rate of return (“First Tier Return”). Subsequent allocations of distributable cash and profits include a priority allocation of approximately 20% to 40% to the LGI Member, depending on the amount of cash distributions achieved over the life of the Company. Upon liquidation of the LGI Member’s interest in the Company, the managing member is required to restore any deficit balance in its capital account as provided for in the limited liability company agreement. The performance of the LGI Member and its affiliates under the limited liability company agreement and the Master Service Agreement is guaranteed jointly and severally by LGI Homes Corporate, LLC, LGI Homes, Ltd., LGI Homes —Sunrise Meadow, Ltd., LGI Homes—Canyon Crossing, Ltd., and LGI Homes Deer Creek, LLC, and is secured by a first lien and security interest in the LGI Member’s interest and the right to receive any distributions from the Company.

Based on the Company’s cumulative cash distributions through December 31, 2012, the Company had not achieved the First-Tier Return. During the six month period ended June 30, 2013 (unaudited), the Company achieved the First-Tier and Second-Tier Returns and began paying a 30% priority allocation to the LGI Member.

*Home Sales*

In accordance with ASC 360-20, *Real Estate Sales*, revenues from home sales are recorded at the time each home is closed, title and possession are transferred to the buyer and there is no significant continuing involvement of the Company. Home sales proceeds are generally received from the title company within a few days from closing. Home sales are reported net of sales discounts and incentives granted to home buyers which are primarily seller-paid closing costs.

*Cost of Sales*

As discussed under Real Estate Inventory, above, cost of sales for homes closed include the construction costs of each home and allocable land acquisition and land development costs, capitalized interest, and other related common costs (both incurred and estimated to be incurred).

*Selling and Commission Costs*

Sales commissions are paid and expensed based on homes sold. Other residual selling costs are expensed in the period incurred.

*Advertising Costs*

Advertising and direct mail costs are expensed as incurred. Advertising and direct mail costs were \$122,845 (unaudited) and \$238,856 (unaudited) for the six month periods ended June 30, 2013 and 2012, respectively. Advertising and direct mail costs were \$374,527 and \$649,792 for the years ended December 31, 2012 and 2011, respectively.

*Income Taxes*

The Company is a limited liability company which is treated as a partnership for income tax purposes and federal income taxes on taxable income or losses realized by the Company are

**LGI-GTIS HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

the obligation of the individual members. However, the Company is subject to certain state taxes and fees, including the Texas margin tax, where applicable. There are no significant deferred income taxes related to state income taxes. Management of the Company has concluded that there are no significant uncertain tax positions requiring recognition in the consolidated financial statements, nor has the Company been assessed interest or penalties by any major tax jurisdictions. State income taxes paid were \$53,728 (unaudited) and \$69,349 (unaudited) for the six month periods ended June 30, 2013 and 2012, respectively. In addition, state income taxes of \$81,775 and \$14,322 were paid for the years ended December 31, 2012 and 2011, respectively.

*Fair Value Measurement of Financial Instruments*

ASC 820, *Fair Value Measurements*, defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date” within an entity’s principal market, if any. The principal market is the market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity, regardless of whether it is the market in which the entity will ultimately transact for a particular asset or liability or if a different market is potentially more advantageous. Accordingly, this exit price concept may result in a fair value that may differ from the transaction price or market price of the asset or liability.

Under generally accepted accounting principles, the fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value. Fair value measurements should maximize the use of observable inputs and minimize the use of unobservable inputs, where possible. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs may be needed to measure fair value in situations where there is little or no market activity for the asset or liability at the measurement date and are developed based on the best information available in the circumstances, which could include the reporting entity’s own judgments about the assumptions market participants would utilize in pricing the asset or liability.

We utilize fair value measurements to account for certain items and account balances within our consolidated financial statements. Fair value measurements may also be utilized on a nonrecurring basis, such as for the impairment of long-lived assets. The fair value of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, notes payable, and other liabilities approximate their carrying amounts due to the short term nature of these instruments.

*Recently Issued Accounting Pronouncements*

In May 2011, FASB issued Accounting Standards Update (ASU) 2011-04, which amended ASC 820, *Fair Value Measurements*, providing a consistent definition and measurement of fair value. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement, and expands the disclosure requirements. ASU 2011-04 was effective for us beginning January 1, 2012. The adoption of ASU 2011-04 did not have a material effect on our consolidated financial statements.

**LGI-GTIS HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Unaudited Interim Information*

The consolidated financial statements as of June 30, 2013, and for the six months ended June 30, 2013 and 2012, are unaudited. In the opinion of management, such consolidated financial statements reflect all adjustments necessary for a fair presentation of the respective interim periods. All such adjustments are of a normal recurring nature.

*Reclassifications*

Certain amounts in the consolidated financial statements of prior periods have been reclassified as certain amounts were recorded incorrectly. Management does not believe such reclassification adjustments were material to the consolidated financial statements. The reclassifications include, but are not limited to, the reclassification to cost of sales of rebates previously classified as other income and the reclassification of certain indirect costs to cost of sales previously classified as general and administrative. These reclassifications had no impact on the Company's net income.

**3. Real Estate Inventory**

The Company purchases land and develops residential subdivisions including roads, water and sewer systems. These costs are included in inventory and expensed as cost of sales on a per lot basis as homes are sold.

Real estate inventory consists of the following:

	June 30, 2013 (unaudited)	December 31, 2012	2011
Land and land development	\$ 1,322,508	\$ 3,724,734	\$ 2,257,053
Sales office inventory	203,002	198,009	311,817
Homes in progress	2,748,572	482,333	2,104,156
Completed homes	1,807,267	1,677,668	3,625,620
Real estate inventory	<u>\$ 6,081,349</u>	<u>\$ 6,082,744</u>	<u>\$ 8,298,646</u>

Interest and financing costs incurred under the Company's debt obligations, as more fully described in Note 6, are capitalized to qualifying real estate projects under development. Any additional interest charges related to real estate projects not under development are expensed in the period incurred.

**4. Equipment**

Equipment consists of the following:

	June 30, 2013 (unaudited)	December 31, 2012	2011
Equipment	\$ 21,464	\$ 26,524	\$ 51,703
Less: accumulated depreciation	(10,853)	(12,046)	(20,627)
Equipment, net	<u>\$ 10,611</u>	<u>\$ 14,478</u>	<u>\$ 31,076</u>

**LGI-GTIS HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**5. Accrued Expenses and Other Liabilities**

Accrued expenses and other liabilities consist of the following:

	June 30, 2013 (unaudited)	December 31, 2012	2011
Accrued liabilities	\$ 155,591	\$ 184,390	\$ 297,066
Customer deposits	50,518	21,880	386
Warranty reserve	30,000	30,000	30,000
Accrued expenses and other liabilities	<u>\$ 236,109</u>	<u>\$ 236,270</u>	<u>\$ 327,452</u>

*Customer Deposits*

Customer deposits are received upon signing a purchase contract and are typically \$500. Deposits are typically refundable if the customer is unable to obtain financing. Forfeited buyer deposits related to home sales are recognized in other income in the accompanying Consolidated Statements of Operations in the period in which it is determined that the buyer will not complete the purchase of the property and the deposit is nonrefundable to the buyer.

Changes to the warranty accrual are detailed in the table set forth below:

	June 30, 2013 (unaudited)	December 31, 2012	2011
Warranty reserves, beginning of period	\$ 30,000	\$ 30,000	\$ 10,000
Warranty provision	4,800	68,518	68,825
Warranty expenditures	(4,800)	(68,518)	(48,825)
Warranty reserves, end of period	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 30,000</u>

**6. Note Payable**

The Company had a note payable due to one of its subcontractors in the amount of \$910,556 as of December 31, 2011. The note accrued interest at a rate of 6%. Total interest expense was \$3,942 and \$46,270 for the years ended December 31, 2012 and 2011, respectively. The note was secured by real property. The note was fully paid off prior to June 30, 2012.

**LGI-GTIS HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Capitalized Interest*

Interest and related financing costs incurred under the Company's debt obligations are capitalized to qualifying real estate projects under development. Interest charges and other financing costs related to real estate projects not under development are expensed in the period incurred. Interest activity for the note payable for the periods presented is as follows:

	<b>For the Six Months Ended June 30,</b>		<b>For the Year Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>	<b>2012</b>	<b>2011</b>
	<b>(unaudited)</b>			
Interest incurred	\$ —	\$ 3,942	\$ 3,942	\$ 46,270
Less: Amounts capitalized	—	(3,942)	(3,942)	(46,270)
Interest expense, net of amounts capitalized	\$ —	\$ —	\$ —	\$ —
Cash paid for interest	\$ —	\$ 3,942	\$ 3,942	\$ 46,270

**7. Related -Party Transactions**

From time to time, the Company may engage in transactions with entities that are affiliated with the Company's members. We believe transactions with related parties are in the normal course of operations. Accounts payable due to related parties represent amounts that are due to LGI Homes Corporate, LLC and its affiliates for payroll, direct costs, management fees and warranty fees that are allocated to the Company.

*Management and Warranty Fees*

The Company has a Management Service Agreement with LGI Homes Services, LLC (Homes Services). The Company is charged a management fee of approximately 3% of home sale revenue for administration, supervision, marketing and various other services. LGI Homes - Luckey Ranch, LLC is also charged a management fee of approximately 3% of construction costs for the development of land. Management fees expensed under the agreements were \$360,759 (unaudited) and \$350,460 (unaudited) for the six month periods ended June 30, 2013 and 2012, respectively. Management Fees expensed were \$771,075 and \$712,069 for the years ended December 31, 2012 and 2011, respectively.

The Company provides a Home Builder's Limited Warranty to the buyer of each home and pays a warranty fee of \$250 to an affiliate of the LGI Member upon the closing of the sale of each home. The LGI Member is responsible for warranty service work after community close-out or work performed more than 24 months after a home is sold. Under the terms of the limited liability company agreement, the LGI Member is responsible for the full, timely and proper performance, satisfaction and discharge of any warranty claims asserted against the Company, the GTIS Member or any affiliate thereof. Warranty fees expensed and paid under the Master Services Agreement were \$18,750 (unaudited) and \$20,000 (unaudited) for the six month periods ended June 30, 2013 and 2012, respectively. Warranty fees expensed and paid under the Management Services Agreement were \$43,750 and \$41,750 for the years ended December 31, 2012 and 2011, respectively.

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**LGI-GTIS HOLDINGS, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**8. Commitments and Contingencies**

*Contingencies*

In the ordinary course of doing business, the Company becomes subject to claims or proceedings from time to time relating to the purchase, development, and sale of real estate. Management of the Company believes that these claims include usual obligations incurred by real estate developers in the normal course of business. In the opinion of management, these matters will not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

**9. Subsequent Event**

During May 2013, GTIS Partners LP, an affiliated company of the GTIS Member, and LGI Homes Corporate, LLC, agreed on the principal terms for the exchange of the GTIS member interests in LGI-GTIS Holdings, LLC, LGI-GTIS Holdings II, LLC, LGI-GTIS Holdings III, LLC and LGI-GTIS IV, LLC, (the GTIS Transaction) for cash and LGI Homes, Inc. common stock to be consummated concurrently with the closing of the IPO. The aggregate consideration for the GTIS Transaction is \$41.4 million, consisting of a cash payment of \$36.9 million and shares of LGI Homes, Inc. common stock valued at \$4.5 million at the time of the offering. The agreement expires on February 28, 2014, and may be terminated by mutual consent of the parties at any time prior to the IPO.

Management has evaluated subsequent events through August 27, 2013, the date the consolidated financial statements were available to be issued. We are not aware of any significant events others than those included herein that occurred subsequent to the balance sheet date, but prior to the completion of this report that would have a material impact on the consolidated financial statements.

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**LGI-GTIS HOLDINGS II, LLC AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

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**The Board of Directors and Shareholders**  
**LGI-GTIS Holdings II, LLC and Subsidiaries**

We have audited the accompanying consolidated balance sheets of LGI-GTIS Holdings II, LLC and Subsidiaries (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of operations, members' equity, and cash flows for each year in the two-year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal controls over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimated made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of LGI-GTIS Holdings II, LLC and Subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for each year in the two-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ Armanino LLP  
San Ramon, California  
August 27, 2013



**LGI-GTIS HOLDINGS II, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	June 30, 2013 (unaudited)	December 31, 2012	2011
<b>Assets</b>			
Cash and cash equivalents	\$ 844,856	\$1,018,240	\$ 680,502
Accounts receivable	563,534	520,192	378,155
Accounts receivable, related-parties	500	—	—
Real estate inventory	4,972,560	4,080,721	4,731,994
Equipment, net	16,401	21,576	50,112
Prepaid expenses	1,800	1,800	12,280
Total assets	<u>\$6,399,651</u>	<u>\$5,642,529</u>	<u>\$5,853,043</u>
<b>Liabilities and Members' Equity</b>			
Accounts payable	\$ 827,565	\$ 154,017	\$ 328,094
Accounts payable, related parties	102,776	160,059	62,444
Accrued expenses and other liabilities	186,646	140,795	125,655
Total liabilities	1,116,987	454,871	516,193
Members' equity	5,282,664	5,187,658	5,336,850
Total liabilities and members' equity	<u>\$6,399,651</u>	<u>\$5,642,529</u>	<u>\$5,853,043</u>

See accompanying notes to the consolidated financial statements

**LGI-GTIS HOLDINGS II, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Six Months Ended		For the Year Ended	
	June 30,		December 31,	
	2013	2012	2012	2011
	(unaudited)			
Home Sales	\$9,250,193	\$ 8,470,699	\$ 21,616,240	\$ 10,282,842
Expenses:				
Cost of sales	6,519,628	5,957,730	15,198,304	7,199,286
Selling expenses	855,531	854,054	1,903,001	1,456,652
General and administrative	483,050	473,230	983,751	613,270
Operating Income	1,391,984	1,185,685	3,531,184	1,013,634
Other Income (Expense), net	27,256	25,320	5,018	(15,015)
Net Income Before Income Taxes	1,419,240	1,211,005	3,536,202	998,619
Income Tax Provision	24,234	23,106	60,394	29,005
Net Income	<u>\$1,395,006</u>	<u>\$ 1,187,899</u>	<u>\$ 3,475,808</u>	<u>\$ 969,614</u>

See accompanying notes to the consolidated financial statements

**LGI-GTIS HOLDINGS II, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY**

<b>Members' Equity—January 1, 2011</b>	<b>\$ 827,824</b>
Net income	969,614
Contributions from members	4,339,412
Distributions to members	<u>(800,000)</u>
<b>Members' Equity—December 31, 2011</b>	<b>5,336,850</b>
Net income	3,475,808
Distributions to members	<u>(3,625,000)</u>
<b>Members' Equity—December 31, 2012</b>	<b>5,187,658</b>
Net income (unaudited)	1,395,006
Distributions to members (unaudited)	<u>(1,300,000)</u>
<b>Members' Equity—June 30, 2013 (unaudited)</b>	<b><u>\$ 5,282,664</u></b>

See accompanying notes to the consolidated financial statements

**LGI-GTIS HOLDINGS II, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Six Months Ended June 30,		For the Year Ended December 31,	
	2013	2012	2012	2011
	(unaudited)			
Operating activities				
Net Income	\$ 1,395,006	\$ 1,187,899	\$ 3,475,808	\$ 969,614
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Depreciation	7,955	14,904	30,214	22,486
Changes in assets and liabilities:				
Accounts receivable	(43,342)	(339,267)	(142,037)	(378,155)
(Receivables from) payables to related parties, net	(57,783)	46,622	97,615	41,114
Real estate inventory	(891,839)	193,890	651,273	(4,145,871)
Prepaid expenses	—	(11,614)	10,480	(12,280)
Accounts payable	673,548	299,324	(174,077)	121,687
Accrued expenses and other liabilities	45,851	63,629	15,140	125,655
Net cash provided by (used in) operating activities	1,129,396	1,455,387	3,964,416	(3,255,750)
Investing activities				
Purchases of equipment	(2,780)	(1,676)	(1,678)	(70,216)
Net cash used in investing activities	(2,780)	(1,676)	(1,678)	(70,216)
Financing activities				
Contributions	—	—	—	4,339,412
Distributions	(1,300,000)	(1,125,000)	(3,625,000)	(800,000)
Net cash provided by (used in) financing activities	(1,300,000)	(1,125,000)	(3,625,000)	3,539,412
Net increase (decrease) in cash and cash equivalents	(173,384)	328,711	337,738	213,446
Cash and cash equivalents, beginning of period	1,018,240	680,502	680,502	467,056
Cash and cash equivalents, end of period	\$ 844,856	\$ 1,009,213	\$ 1,018,240	\$ 680,502

See accompanying notes to the consolidated financial statements

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**LGI-GTIS HOLDINGS II, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Business**

*Organization and Description of Business*

LGI-GTIS Holdings II, LLC (the Company) is a joint venture that was formed on November 16, 2010, between LGI Homes Corporate, LLC (LGI Member) and GTAM Mallard LLC (GTIS Member). LGI Homes Corporate, LLC transferred their equity interests to LGI Homes Group, LLC during March 2011. The Company is engaged in the design and construction of entry level homes in high growth markets in Texas.

A Registration Statement on Form S-1 is expected to be filed with the Securities and Exchange Commission with respect to an initial public offering (the IPO) for LGI Homes, Inc., an affiliate of the LGI Member. In connection with the consummation of the IPO, which is expected to be completed in 2013, the GTIS Member interest will be acquired by LGI Homes, Inc. and the Company will become a wholly-owned subsidiary of LGI Homes, Inc. See Note 8 for further discussion.

**2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: LGI Homes—Mallard Crossing, LLC and LGI Homes—West Meadows, LLC.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (US GAAP) as contained within the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). All intercompany balances and transactions have been eliminated in consolidation.

*Use of Estimates*

The preparation of the Company's consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes as of June 30, 2013 (unaudited), and December 31, 2012 and 2011, and revenues and expenses for the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), and years ended December 31, 2012 and 2011. Accordingly, actual results could differ from those estimates.

*Cash and Cash Equivalents and Concentrations of Credit Risk*

Cash and cash equivalents are defined as cash on hand, demand deposits with financial institutions, and short-term liquid investments with an initial maturity date of less than three months. The Company's cash in demand deposit accounts may exceed federally insurable limits. The Company's management monitors the cash balances in their operating accounts and adjusts the cash balances as appropriate; however, these cash balances could be negatively impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, the Company has experienced no loss or diminished access to cash in their operating accounts.

**LGI-GTIS HOLDINGS II, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Accounts Receivable*

Accounts receivable consists primarily of proceeds due from title companies for sales closed prior to period end and are generally collected within a few days from closing.

*Real Estate Inventory*

Inventory consists of land and land development, sales office inventory, homes in progress, and completed homes. Inventory is stated at cost unless the carrying amount is determined not to be recoverable, in which case inventory is written down to fair value.

Land, development and other project costs, including property taxes incurred during development and home construction, are capitalized to real estate inventory. Land development and other common costs that benefit the entire community, including field construction supervision and related direct overhead, are allocated to individual lots or homes, as appropriate. The costs of lots are transferred to homes in progress when home construction begins. Home construction costs and related carrying charges (principally property taxes) are allocated to the cost of individual homes using the specific identification method.

Inventory costs for completed homes are expensed as cost of sales as homes are sold. Changes to estimated total development costs subsequent to initial home closings in a community are generally allocated to the remaining lots and homes in the community on a pro-rata basis.

The life cycle of a community generally ranges from two to five years, commencing with the acquisition of land, continuing through the land development phase, and concluding with the construction, sale, and delivery of homes. A constructed home is used as the community sales offices during the life of the community and then sold. Actual individual community lives will vary based on the size of the community, the sales absorption rate, and whether we purchased the property as raw land or finished lots.

In accordance with the provisions of ASC 360, *Property, Plant, and Equipment*, real estate inventory is evaluated for indicators of impairment by each community during each reporting period. In conducting our review for indicators of impairment on a community level, we evaluate, among other things, the margins on homes that have been delivered, communities with slow moving inventory, projected margins on future home sales over the life of the community, and the estimated fair value of the land. For individual communities with indicators of impairment, additional analysis is performed to estimate the community's undiscounted future cash flows. If the estimated undiscounted future cash flows are greater than the carrying value of the community group of assets, no impairment adjustment is required. If the undiscounted cash flows are less than the community's carrying value, the asset group is impaired and is written down to its fair value. The Company estimates the fair value of its communities using a discounted cash flow model. As of June 30, 2013 (unaudited), and December 31, 2012 and 2011, the real estate inventory is stated at cost; there were no inventory impairment charges recorded in the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), or in the years ended December 31, 2012 and 2011.

**LGI-GTIS HOLDINGS II, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Equipment*

Equipment is stated at cost, less accumulated depreciation. Depreciation expense is recorded in general and administrative expenses in the accompanying Consolidated Statements of Operations. Upon sale or retirement, the costs and related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in other (income) expense. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 5 years. Maintenance and repair costs are expensed as incurred.

Impairments of long-lived assets are determined periodically when indicators of impairment are present. If such indicators are present, the determination of the amount of impairment is based on our judgments as to the future undiscounted operating cash flows to be generated from these assets throughout their remaining estimated useful lives. If these undiscounted cash flows are less than the carrying amount of the related asset, an impairment is recognized for the excess of the carrying value over its fair value. There were no impairments of equipment recorded in the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), and the years ended December 31, 2012 and 2011.

*Insurance Costs and Reserves*

The Company has deductible limits under workers' compensation, automobile and general liability insurance policies, and records expenses and liabilities for the estimated costs of potential claims for construction defects. The excess liability limits are \$2 million per occurrence and in the aggregate annually and apply in excess of automobile liability, employer's liability under workers compensation and general liability policies. The Company generally requires subcontractors and design professionals to indemnify the Company for liabilities arising from their work, subject to certain limitations.

*Warranty Reserves*

Estimated future direct warranty costs are accrued and charged to cost of sales in the period when the related home is sold. The Company's warranty liability is based upon historical warranty cost experience in each market in which it operates, and is adjusted as appropriate to reflect qualitative risks associated with the types of homes built and the geographic areas in which they are built.

Warranty reserves are reviewed quarterly to assess the reasonableness and adequacy and make adjustments to the balance of the preexisting reserves to reflect changes in trends and historical data as information becomes available.

*Members' Equity*

The Company is a Delaware limited liability company. In accordance with the limited liability company agreement, the Company shall be dissolved no later than December 31, 2060.

The LGI Member, as the managing member, has the responsibility and authority to operate the Company on a day-to-day basis subject to the operating budget and business plan, which is approved by both members. All major decisions require both members' consent. Major

**LGI-GTIS HOLDINGS II, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

decisions include, but are not limited to: the acquisition or disposition of a project; capital contributions; and changes, updates or amendments to the operating budget or business plan.

Profits are allocated to the members based on the predetermined formulas specified in the limited liability company agreement for the allocation of distributable cash. The GTIS member and the LGI Member are allocated 85% and 15% of the profits, respectively, (the Sharing Percentages) until such time as the members receive cash distributions equal to their initial capital investment plus a 15% internal rate of return (First Tier Return). Subsequent allocations of distributable cash and profits include a priority allocation of approximately 20% to 40% to the LGI Member, depending on the amount of cash distributions achieved over the life of the Company. Upon liquidation of the LGI Member's interest in the Company, the managing member is required to restore any deficit balance in its capital account as provided for in the limited liability company agreement. The performance of the LGI Member and its affiliates under the limited liability company agreement and the Master Service Agreement is guaranteed jointly and severally by LGI Homes Corporate, LLC, LGI Homes, Ltd., LGI Homes—Sunrise Meadow, Ltd., LGI Homes—Canyon Crossing, Ltd., and LGI Homes Deer Creek, LLC, and is secured by a first lien and security interest in the LGI Member's interest and the right to receive any distributions from the Company.

As of June 30, 2013 (unaudited), the Company's cumulative cash distributions had not achieved the First-Tier Return.

*Home Sales*

In accordance with ASC 360-20, *Real Estate Sales*, revenues from home sales are recorded at the time each home is closed, title and possession are transferred to the buyer and there is no significant continuing involvement of the Company. Home sales proceeds are generally received from the title company within a few days from closing. Home sales are reported net of sales discounts and incentives granted to home buyers which are primarily seller-paid financing or closing costs.

*Cost of Sales*

As discussed under Real Estate Inventory, above, cost of sales for homes closed include the construction costs of each home and allocable land acquisition and land development costs and other related common costs (both incurred and estimated to be incurred).

*Selling and Commission Costs*

Sales commissions are paid and expensed based on homes sold. Other residual selling costs are expensed in the period incurred.

*Advertising Costs*

Advertising and direct mail costs are expensed as incurred. Advertising and direct mail costs were \$202,719 (unaudited) and \$285,715 (unaudited) for the six month periods ended June 30, 2013 and 2012, respectively. Advertising and direct mail costs were \$500,060 and \$463,021 for the years ended December 31, 2012 and 2011, respectively.



**LGI-GTIS HOLDINGS II, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Income Taxes*

The Company is a limited liability company which is treated as a partnership for income tax purposes and federal income taxes on taxable income or losses realized by the Company are the obligation of the individual members. However, the Company is subject to certain state taxes and fees, including the Texas margin tax, where applicable. There are no significant deferred income taxes related to state income taxes. Management of the Company has concluded that there are no significant uncertain tax positions requiring recognition in the consolidated financial statements, nor has the Company been assessed interest or penalties by any major tax jurisdictions. State income taxes paid were \$53,556 (unaudited) and \$28,450 (unaudited) for the six month periods ended June 30, 2013 and 2012, respectively. In addition, state income taxes of \$28,755 and \$0 were paid for the years ended December 31, 2012 and 2011, respectively.

*Fair Value Measurement of Financial Instruments*

ASC 820, *Fair Value Measurements*, defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date” within an entity’s principal market, if any. The principal market is the market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity, regardless of whether it is the market in which the entity will ultimately transact for a particular asset or liability or if a different market is potentially more advantageous. Accordingly, this exit price concept may result in a fair value that may differ from the transaction price or market price of the asset or liability.

Under generally accepted accounting principles, the fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value. Fair value measurements should maximize the use of observable inputs and minimize the use of unobservable inputs, where possible. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs may be needed to measure fair value in situations where there is little or no market activity for the asset or liability at the measurement date and are developed based on the best information available in the circumstances, which could include the reporting entity’s own judgments about the assumptions market participants would utilize in pricing the asset or liability.

We utilize fair value measurements to account for certain items and account balances within our consolidated financial statements. Fair value measurements may also be utilized on a nonrecurring basis, such as for the impairment of long-lived assets. The fair value of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and other liabilities approximate their carrying amounts due to the short term nature of these instruments.

*Recently Issued Accounting Pronouncements*

In May 2011, FASB issued Accounting Standards Update (ASU) 2011-04, which amended ASC 820, *Fair Value Measurements*, providing a consistent definition and measurement of fair value. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement, and expands the disclosure requirements. ASU 2011-04 was

**LGI-GTIS HOLDINGS II, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

effective for us beginning January 1, 2012. The adoption of ASU 2011-04 did not have a material effect on our consolidated financial statements.

*Unaudited Interim Information*

The consolidated financial statements as of June 30, 2013, and for the six months ended June 30, 2013 and 2012, are unaudited. In the opinion of management, such consolidated financial statements reflect all adjustments necessary for a fair presentation of the respective interim periods. All such adjustments are of a normal recurring nature.

*Reclassifications*

Certain amounts in the consolidated financial statements of prior periods have been reclassified as certain amounts were recorded incorrectly. Management does not believe such reclassification adjustments were material to the consolidated financial statements. The reclassifications include, but are not limited to, the reclassification to cost of sales of rebates previously classified as other income and the reclassification of certain indirect costs to cost of sales previously classified as general and administrative. These reclassifications had no impact on the Company's net income.

**3. Real Estate Inventory**

The Company purchases land and develops residential subdivisions including roads, water and sewer systems. These costs are included in inventory and expensed as cost of sales on a per lot basis as homes are sold.

Real estate inventory consists of the following:

	June 30, 2013 (unaudited)	December 31, 2012	2011
Land and land development	\$ 761,222	\$ 1,694,228	\$ 1,801,486
Sales office inventory	398,350	253,827	246,571
Homes in progress	1,700,319	150,678	896,212
Completed homes	2,112,669	1,981,988	1,787,725
Real estate inventory	<u>\$ 4,972,560</u>	<u>\$ 4,080,721</u>	<u>\$ 4,731,994</u>

**4. Equipment**

Equipment consists of the following:

	June 30, 2013 (unaudited)	December 31, 2012	2011
Furniture and fixtures	\$ 46,524	\$ 74,276	\$ 72,598
Less: accumulated depreciation	(30,123)	(52,700)	(22,486)
Equipment, net	<u>\$ 16,401</u>	<u>\$ 21,576</u>	<u>\$ 50,112</u>

**LGI-GTIS HOLDINGS II, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**5. Accrued Expenses and Other Liabilities**

Accrued expenses and other liabilities consist of the following:

	June 30, 2013 (unaudited)	December 31, 2012	2011
Accrued liabilities	\$ 138,823	\$ 114,223	\$ 89,616
Customer deposits	47,823	26,572	36,039
Accrued expenses and other liabilities	<u>\$ 186,646</u>	<u>\$ 140,795</u>	<u>\$ 125,655</u>

*Customer Deposits*

Customer deposits are received upon signing a purchase contract and are typically \$500. Deposits are typically refundable if the customer is unable to obtain financing. Forfeited buyer deposits related to home sales are recognized in other income (expense) in the accompanying Consolidated Statements of Operations in the period in which it is determined that the buyer will not complete the purchase of the property and the deposit is nonrefundable to the buyer.

**6. Related-Party Transactions**

From time to time, the Company may engage in transactions with entities that are affiliated with the Company's members. We believe transactions with related parties are in the normal course of operations. Accounts payable due to related parties represent amounts that are due to LGI Homes Group, LLC and its affiliates for payroll, direct costs, management fees and warranty fees that are allocated to the Company.

*Management and Warranty Fees*

The Company has a Management Service Agreement with LGI Homes Services, LLC (Homes Services). The Company is charged a management fee of approximately 3% of home sale revenue for administration, supervision, marketing, and various other services. Management fees expensed under the agreements were \$288,823 (unaudited) and \$266,865 (unaudited) for the six month periods ended June 30, 2013 and 2012, respectively. Management fees expensed were \$679,266 and \$322,569 for the years ended December 31, 2012 and 2011, respectively.

The Company provides a Home Builder's Limited Warranty to the buyer of each home and pays a warranty fee of \$250 to an affiliate of the LGI Member upon the closing of the sale of each home. The LGI Member is responsible for all warranty service work performed after a home is sold; accordingly, no warranty reserve is maintained by the Company. Under the terms of the limited liability company agreement, the LGI Member is responsible for the full, timely and proper performance, satisfaction and discharge of any warranty claims asserted against the Company, the GTIS Member or any affiliate thereof. Warranty fees expensed under the Management Services Agreement were \$17,250 (unaudited) and \$17,000 (unaudited) for the six month periods ended June 30, 2013 and 2012, respectively. Warranty fees expensed were \$43,000 and \$21,000 for the years ended December 31, 2012 and 2011, respectively.

**LGI-GTIS HOLDINGS II, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**7. Commitments and Contingencies**

*Contingencies*

In the ordinary course of doing business, the Company becomes subject to claims or proceedings from time to time relating to the purchase, development, and sale of real estate. Management of the Company believes that these claims include usual obligations incurred by real estate developers in the normal course of business. In the opinion of management, these matters will not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

*Commitments*

The Company has land purchase option contracts for the right to purchase land or lots at a future point in time with predetermined terms. We do not have title to the property and our obligations with respect to the option contracts are generally limited. The Company had no land purchase option contracts at June 30, 2013 (unaudited). The following is a summary of our land purchase commitments as of December 31, 2012 and 2011:

	December 31,	
	2012	2011
Commitments under the land purchase option contracts if the purchases are consummated (unaudited)	\$508,200	\$2,188,200
Lots under land purchase option contracts (unaudited)	42	167

**8. Subsequent Event**

During May 2013, GTIS Partners LP, an affiliated company of the GTIS Member, and LGI Homes Group, LLC, agreed on the principal terms for the exchange of the GTIS member interests in LGI-GTIS Holdings, LLC, LGI-GTIS Holdings II, LLC, LGI-GTIS Holdings III, LLC and LGI-GTIS Holdings IV, LLC, (the GTIS Transaction) for cash and LGI Homes, Inc. common stock to be consummated concurrently with the closing of the IPO. The aggregate consideration for the GTIS Transaction is \$41.4 million, consisting of a cash payment of \$36.9 million and shares of LGI Homes, Inc. common stock valued at \$4.5 million at the time of the offering. The agreement expires on February 28, 2014, and may be terminated by mutual consent of the parties at any time prior to the IPO.

Management has evaluated subsequent events through August 27, 2013, the date the consolidated financial statements were available to be issued. We are not aware of any significant events others than those included herein that occurred subsequent to the balance sheet date, but prior to the completion of this report that would have a material impact on the consolidated financial statements.

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**The Board of Directors and Shareholders**  
**LGI-GTIS Holdings III, LLC and Subsidiaries**

We have audited the accompanying consolidated balance sheets of LGI-GTIS Holdings III, LLC and Subsidiaries (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of operations, members' equity, and cash flows for the year ended December 31, 2012 and the period from March 2, 2011 (Inception) through December 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal controls over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LGI-GTIS Holdings III, LLC and Subsidiaries at December 31, 2012 and 2011, and the results of their operations and their cash flows for the year ended December 31, 2012 and the period from March 2, 2011 (Inception) through December 31, 2011, in conformity with U.S. generally accepted accounting principles.

/s/ Armanino LLP  
San Ramon, California  
August 27, 2013

**LGI-GTIS HOLDINGS III, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	June 30, 2013 (unaudited)	December 31, 2012	2011
<b>Assets</b>			
Cash and cash equivalents	\$ 1,443,925	\$ 566,578	\$ 628,802
Accounts receivable	—	694,284	—
Accounts receivable, related parties	32,628	—	—
Real estate inventory	2,768,059	4,423,461	1,672,205
Equipment, net	25,634	35,776	26,928
Prepaid expenses	2,836	4,338	30,838
Total assets	<u>\$4,273,082</u>	<u>\$5,724,437</u>	<u>\$2,358,773</u>
<b>Liabilities and Members' Equity</b>			
Accounts payable	\$ 125,370	\$ 249,138	\$ 302,817
Accounts payable, related parties	37,781	175,430	60,031
Accrued expenses and other liabilities	199,996	135,576	22,715
Total liabilities	363,147	560,144	385,563
Members' equity	3,909,935	5,164,293	1,973,210
Total liabilities and members' equity	<u>\$4,273,082</u>	<u>\$5,724,437</u>	<u>\$2,358,773</u>

See accompanying notes to the consolidated financial statements.

**LGI-GTIS HOLDINGS III, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Six Months Ended		For the Year Ended	
	June 30,		December 31,	
	2013	2012	2012	2011
	(unaudited)			
Home Sales	\$8,744,283	\$8,781,454	\$23,348,354	\$ —
Expenses:				
Cost of sales	6,228,004	6,456,356	17,082,356	—
Selling expenses	848,660	927,785	2,184,926	73,402
General and administrative	444,142	473,393	1,014,508	53,510
Operating Income (Loss)	1,223,477	923,920	3,066,564	(126,912)
Other Income (Expense), net	18,153	321	(5,926)	122
Net Income (Loss) Before Income Taxes	1,241,630	924,241	3,060,638	(126,790)
Income Tax Provision	20,988	—	59,555	—
Net Income (Loss)	<u>\$1,220,642</u>	<u>\$ 924,241</u>	<u>\$ 3,001,083</u>	<u>\$(126,790)</u>

See accompanying notes to the consolidated financial statements.



**LGI-GTIS HOLDINGS III, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY**

<b>Members' equity—March 2, 2011 (inception)</b>	<b>\$ —</b>
Contributions from members	2,100,000
Net income	<u>(126,790)</u>
<b>Members' equity—December 31, 2011</b>	<b>1,973,210</b>
Net income	3,001,083
Contributions from members	2,090,000
Distributions to members	<u>(1,900,000)</u>
<b>Members' equity—December 31, 2012</b>	<b>5,164,293</b>
Net income (unaudited)	1,220,642
Distributions to members (unaudited)	<u>(2,475,000)</u>
<b>Members' equity—June 30, 2013 (unaudited)</b>	<b><u>\$ 3,909,935</u></b>

See accompanying notes to the consolidated financial statements.

**LGI-GTIS HOLDINGS III, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Six Months Ended June 30,		For the Year Ended December 31,	
	2013	2012	2012	2011
	(unaudited)			
<b>Operating Activities:</b>				
Net income (loss)	\$ 1,220,642	\$ 924,241	\$ 3,001,083	\$ (126,790)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities				
Depreciation	11,626	10,452	21,668	—
Changes in assets and liabilities:				
Accounts receivable	694,284	(386,577)	(694,284)	—
(Receivables from) payables to related parties, net	(170,277)	14,409	115,399	60,031
Real estate inventory	1,655,402	(2,483,341)	(2,751,256)	(1,672,205)
Prepaid expenses	1,502	(20,921)	26,500	(30,838)
Accounts payable	(123,768)	310,489	(53,679)	302,817
Accrued expenses and other liabilities	64,420	93,532	112,861	22,715
Net cash provided by (used in) operating activities	3,353,831	(1,537,716)	(221,708)	(1,444,270)
<b>Investing Activities:</b>				
Purchases of equipment	(1,484)	(28,026)	(30,516)	(26,928)
Net cash used in investing activities	(1,484)	(28,026)	(30,516)	(26,928)
<b>Financing Activities:</b>				
Contributions	—	2,090,000	2,090,000	2,100,000
Distributions	(2,475,000)	(600,000)	(1,900,000)	—
Net cash provided by (used in) financing activities	(2,475,000)	1,490,000	190,000	2,100,000
Net Increase (Decrease) in Cash and Cash Equivalents	877,347	(75,742)	(62,224)	628,802
Cash and Cash Equivalents—Beginning of Period	566,578	628,802	628,802	—
Cash and Cash Equivalents—End of Period	\$ 1,443,925	\$ 553,060	\$ 566,578	\$ 628,802

See accompanying notes to the consolidated financial statements.

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**LGI-GTIS HOLDINGS III, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Business**

*Organization and Description of Business*

LGI-GTIS Holdings III, LLC (the Company) is a joint venture that was formed on March 2, 2011 between LGI Homes Group, LLC (LGI Member) and GTIS LGI LP (GTIS Member). The Company is engaged in the design and construction of entry level homes in high growth markets in Texas. The Company was considered a development stage entity as of December 31, 2011. A development stage entity is one in which principal operations have not commenced or produced significant revenue.

A Registration Statement on Form S-1 is expected to be filed with the Securities and Exchange Commission with respect to an initial public offering (the “IPO”) for LGI Homes, Inc., an affiliate of the LGI Member. In connection with the consummation of the IPO, which is expected to be completed in 2013, the GTIS Member interest will be acquired by LGI Homes, Inc. and the Company will become a wholly-owned subsidiary of LGI Homes, Inc. See Note 8 for further discussion.

**2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: LGI Homes–Oak Hollow, LLC and LGI Homes–Sonterra, LLC.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (US GAAP) as contained within the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). All intercompany balances and transactions have been eliminated in consolidation.

*Use of Estimates*

The preparation of the Company’s consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes as of June 30, 2013 (unaudited), and December 31, 2012 and 2011, and revenues and expenses for the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), the year ended December 31, 2012, and the period March 2, 2011 (date of inception) through December 31, 2011. Accordingly, actual results could differ from those estimates.

*Cash and Cash Equivalents and Concentrations of Credit Risk*

Cash and cash equivalents are defined as cash on hand, demand deposits with financial institutions, and short-term liquid investments with an initial maturity date of less than three months. The Company’s cash in demand deposit accounts may exceed federally insurable limits. The Company’s management monitors the cash balances in their operating accounts and adjusts the cash balances as appropriate; however, these cash balances could be negatively impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, the Company has experienced no loss or diminished access to cash in their operating accounts.

**LGI-GTIS HOLDINGS III, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Accounts Receivable*

Accounts receivable consists primarily of proceeds due from title companies for sales closed prior to period end and are generally collected within a few days from closing.

*Real Estate Inventory*

Inventory consists of land and land development, sales office inventory, homes in progress and completed homes. Inventory is stated at cost unless the carrying amount is determined not to be recoverable, in which case inventory is written down to fair value.

Land, development and other project costs, including property taxes incurred during development and home construction, are capitalized to real estate inventory. Land development and other common costs that benefit the entire community, including field construction supervision and related direct overhead, are allocated to individual lots or homes, as appropriate. The costs of lots are transferred to homes in progress when home construction begins. Home construction costs and related carrying charges (principally property taxes) are allocated to the cost of individual homes using the specific identification method.

Inventory costs for completed homes are expensed as cost of sales as homes are sold. Changes to estimated total development costs subsequent to initial home closings in a community are generally allocated to the remaining lots and homes in the community on a pro-rata basis.

The life cycle of a community generally ranges from two to five years, commencing with the acquisition of land, continuing through the land development phase, and concluding with the construction, sale, and delivery of homes. A constructed home is used as the community sales offices during the life of the community and then sold. Actual individual community lives will vary based on the size of the community, the sales absorption rate, and whether we purchased the property as raw land or finished lots.

In accordance with the provisions of ASC 360, *Property, Plant, and Equipment*, real estate inventory is evaluated for indicators of impairment by each community during each reporting period. In conducting our review for indicators of impairment on a community level, we evaluate, among other things, the margins on homes that have been delivered, communities with slow moving inventory, projected margins on future home sales over the life of the community, and the estimated fair value of the land. For individual communities with indicators of impairment, additional analysis is performed to estimate the community's undiscounted future cash flows. If the estimated undiscounted future cash flows are greater than the carrying value of the community group of assets, no impairment adjustment is required. If the undiscounted cash flows are less than the community's carrying value, the asset group is impaired and is written down to its fair value. The Company estimates the fair value of its communities using a discounted cash flow model. As of June 30, 2013 (unaudited), and December 31, 2012 and 2011, the real estate inventory is stated at cost; there were no inventory impairment charges recorded in the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), the year ended December 31, 2012, or the period March 2, 2011 (date of inception) through December 31, 2011.

**LGI-GTIS HOLDINGS III, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Equipment*

Equipment is stated at cost, less accumulated depreciation. Depreciation expense is recorded in general and administrative expenses in the accompanying Consolidated Statements of Operations. Upon sale or retirement, the costs and related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in other (income) expense. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 5 years. Maintenance and repair costs are expensed as incurred.

Impairments of long-lived assets are determined periodically when indicators of impairment are present. If such indicators are present, the determination of the amount of impairment is based on our judgments as to the future undiscounted operating cash flows to be generated from these assets throughout their remaining estimated useful lives. If these undiscounted cash flows are less than the carrying amount of the related asset, an impairment is recognized for the excess of the carrying value over its fair value. There were no impairments of equipment recorded in the six months ended June 30, 2013 (unaudited) and 2012 (unaudited), the year ended December 31, 2012, and the period March 2, 2011 (inception) through December 31, 2011.

*Insurance Costs and Reserves*

The Company has deductible limits under workers' compensation, automobile and general liability insurance policies, and records expenses and liabilities for the estimated costs of potential claims for construction defects. The excess liability limits are \$2 million per occurrence and in the aggregate annually and apply in excess of automobile liability, employer's liability under workers compensation and general liability policies. The Company generally requires subcontractors and design professionals to indemnify the Company for liabilities arising from their work, subject to certain limitations.

*Warranty Reserves*

Estimated future direct warranty costs are accrued and charged to cost of sales in the period when the related home is sold. The Company's warranty liability is based upon historical warranty cost experience in each market in which it operates, and is adjusted as appropriate to reflect qualitative risks associated with the types of homes built and the geographic areas in which they are built.

Warranty reserves are reviewed quarterly to assess the reasonableness and adequacy and make adjustments to the balance of the preexisting reserves to reflect changes in trends and historical data as information becomes available.

*Members' Equity*

The Company is a Delaware limited liability company. In accordance with the limited liability company agreement, the Company shall be dissolved no later than December 31, 2060.

The LGI Member, as the managing member, has the responsibility and authority to operate the Company on a day-to-day basis subject to the operating budget and business plan, which is approved by both members. All major decisions require both members' consent. Major

**LGI-GTIS HOLDINGS III, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

decisions include, but are not limited to: the acquisition or disposition of a project; capital contributions; and changes, updates or amendments to the operating budget or business plan.

Profits are allocated to the members based on the predetermined formulas specified in the limited liability company agreement for the allocation of distributable cash. The GTIS member and the LGI Member are allocated 85% and 15% of the profits, respectively, (the Sharing Percentages) until such time as the members receive cash distributions equal to their initial capital investment plus a 15% internal rate of return (First Tier Return). Subsequent allocations of distributable cash and profits include a priority allocation of approximately 20% to 40% to the LGI Member, depending on the amount of cash distributions achieved over the life of the Company. Upon liquidation of the LGI Member's interest in the Company, the managing member is required to restore any deficit balance in its capital account as provided for in the limited liability company agreement. The performance of the LGI Member and its affiliates under the limited liability company agreement and the Master Service Agreement is jointly and severally guaranteed by LGI Homes Group, LLC, LGI Homes, Ltd., LGI Homes—Sunrise Meadow, Ltd., LGI Homes—Canyon Crossing, Ltd. and LGI Homes Deer Creek, LLC, and is secured by a first lien and security interest in the LGI Member's interest and the right to receive any distributions from the Company.

As of June 30, 2013 (unaudited), the Company's cumulative cash distributions had not achieved the First-Tier Return.

*Home Sales*

In accordance with ASC 360-20, *Real Estate Sales*, revenues from home sales are recorded at the time each home is closed, title and possession are transferred to the buyer and there is no significant continuing involvement of the Company. Home sales proceeds are generally received from the title company within a few days from closing. Home sales are reported net of sales discounts and incentives granted to home buyers which are primarily seller-paid closing costs.

*Cost of Sales*

As discussed under Real Estate Inventory, above, cost of sales for homes closed include the construction costs of each home and allocable land acquisition and land development costs, and other related common costs (both incurred and estimated to be incurred).

*Selling and Commission Costs*

Sales commissions are paid and expensed based on homes sold. Other residual selling costs are expensed in the period incurred.

*Advertising Costs*

Advertising and direct mail costs are expensed as incurred. Advertising and direct mail costs were \$240,857 (unaudited) and \$311,785 (unaudited) for the six month periods ended June 30, 2013 and 2012, respectively. Advertising and direct mail costs were \$591,255 and \$11,218 for the years ended December 31, 2012 and 2011, respectively.

**LGI-GTIS HOLDINGS III, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Income Taxes*

The Company is a limited liability company which is treated as a partnership for income tax purposes and federal income taxes on taxable income or losses realized by the Company are the obligation of the individual members. However, the Company is subject to certain state taxes and fees, including the Texas margin tax, where applicable. There are no significant deferred income taxes related to state income taxes. Management of the Company has concluded that there are no significant uncertain tax positions requiring recognition in the consolidated financial statements, nor has the Company been assessed interest or penalties by any major tax jurisdictions. There were no state income taxes paid for the six month periods ended June 30, 2013 (unaudited) and 2012 (unaudited) and for the years ended December 31, 2012 and the period March 2, 2011 (inception) through December 31, 2011.

*Fair Value Measurement of Financial Instruments*

ASC 820, *Fair Value Measurements*, defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date” within an entity’s principal market, if any. The principal market is the market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity, regardless of whether it is the market in which the entity will ultimately transact for a particular asset or liability or if a different market is potentially more advantageous. Accordingly, this exit price concept may result in a fair value that may differ from the transaction price or market price of the asset or liability.

Under generally accepted accounting principles, the fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value. Fair value measurements should maximize the use of observable inputs and minimize the use of unobservable inputs, where possible. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs may be needed to measure fair value in situations where there is little or no market activity for the asset or liability at the measurement date and are developed based on the best information available in the circumstances, which could include the reporting entity’s own judgments about the assumptions market participants would utilize in pricing the asset or liability.

We utilize fair value measurements to account for certain items and account balances within our consolidated financial statements. Fair value measurements may also be utilized on a nonrecurring basis, such as for the impairment of long-lived assets. The fair value of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and other liabilities approximate their carrying amounts due to the short term nature of these instruments.

*Recently Issued Accounting Pronouncements*

In May 2011, FASB issued Accounting Standards Update (ASU) 2011-04, which amended ASC 820, *Fair Value Measurements*, providing a consistent definition and measurement of fair value. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement, and expands the disclosure requirements. ASU 2011-04 was effective for us beginning January 1, 2012. The adoption of ASU 2011-04 did not have a material effect on our consolidated financial statements.

**LGI-GTIS HOLDINGS III, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Unaudited Interim Information*

The consolidated financial statements as of June 30, 2013, and for the six months ended June 30, 2013 and 2012, are unaudited. In the opinion of management, such consolidated financial statements reflect all adjustments necessary for a fair presentation of the respective interim periods. All such adjustments are of a normal recurring nature.

*Reclassifications*

Certain amounts in the consolidated financial statements of prior periods have been reclassified as certain amounts were recorded incorrectly. Management does not believe such reclassification adjustments were material to the consolidated financial statements. The reclassifications include, but are not limited to, the reclassification to cost of sales of rebates previously classified as other income and the reclassification of certain indirect costs to cost of sales previously classified as general and administrative. These reclassifications had no impact on the Company's net income.

**3. Real Estate Inventory**

The Company purchases land and develops residential subdivisions including roads, water and sewer systems. These costs are included in inventory and expensed as cost of sales on a per lot basis as homes are sold.

Real estate inventory consists of the following:

	June 30, 2013 (unaudited)	December 31, 2012	2011
Land and land under development	\$ 640,560	\$ 830,953	\$ 563,714
Sales office inventory	126,386	122,261	117,926
Homes in progress	674,835	165,543	990,565
Completed homes	1,326,278	3,304,704	—
Real estate inventory	<u>\$ 2,768,059</u>	<u>\$ 4,423,461</u>	<u>\$ 1,672,205</u>

**4. Equipment**

Equipment consists of the following:

	June 30, 2013 (unaudited)	December 31, 2012	2011
Equipment	\$ 58,927	\$ 57,444	\$26,928
Less: accumulated depreciation	(33,293)	(21,668)	—
Equipment, net	<u>\$ 25,634</u>	<u>\$ 35,776</u>	<u>\$26,928</u>



**LGI-GTIS HOLDINGS III, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**5. Accrued Expenses and Other Liabilities**

Accrued expenses and other liabilities consist of the following:

	June 30, 2013 (unaudited)	December 31, 2012	2011
Accrued liabilities	\$ 128,631	\$ 88,512	\$22,715
Customer deposits	71,365	47,064	—
Accrued expenses and other liabilities	<u>\$ 199,996</u>	<u>\$135,576</u>	<u>\$22,715</u>

*Customer Deposits*

Customer deposits are received upon signing a purchase contract and are typically \$500. Deposits are typically refundable if the customer is unable to obtain financing. Forfeited buyer deposits related to home sales are recognized in other income (expense) in the accompanying Consolidated Statements of Operations in the period in which it is determined that the buyer will not complete the purchase of the property and the deposit is nonrefundable to the buyer.

**6. Related-Party Transactions**

From time to time, the Company may engage in transactions with entities that are affiliated with the Company's members. We believe transactions with related parties are in the normal course of operations. Accounts payable due to related parties represent amounts that are due to LGI Homes Group, LLC and its affiliates for payroll, direct costs, management fees and warranty fees that are allocated to the Company.

*Management and Warranty Fees*

The Company has a Management Service Agreement with LGI Homes Services, LLC (Homes Services). The Company is charged a management fee of approximately 3% of home sale revenue for administration, supervision, marketing, and various other services. Management fees expensed under the agreements were \$270,720 (unaudited) and \$275,478 (unaudited) for the six month periods ended June 30, 2013 and 2012, respectively. Management Fees expensed were \$730,107 and \$0 for the year ended December 31, 2012 and the period March 2, 2011 (inception) through December 31, 2011, respectively.

The Company provides a Home Builder's Limited Warranty to the buyer of each home and pays a warranty fee of \$250 to an affiliate of the LGI Member upon the closing of the sale of each home. The LGI Member is responsible for all warranty service work performed after a home is sold; accordingly, no warranty reserve is maintained by the Company. Under the terms of the limited liability company agreement, the LGI Member is responsible for the full, timely and proper performance, satisfaction and discharge of any warranty claims asserted against the Company, the GTIS Member or any affiliate thereof. Warranty fees expensed under the Management Services Agreement were \$15,500 (unaudited) and \$17,500 (unaudited) for the six month periods ended June 30, 2013 and 2012, respectively. Warranty fees expensed were \$44,750 and \$0 for the year ended December 31, 2012, and the period March 2, 2011 (inception) through December 31, 2011, respectively.

**LGI-GTIS HOLDINGS III, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**7. Commitments and Contingencies**

*Contingencies*

In the ordinary course of doing business, the Company becomes subject to claims or proceedings from time to time relating to the purchase, development, and sale of real estate. Management of the Company believes that these claims include usual obligations incurred by real estate developers in the normal course of business. In the opinion of management, these matters will not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

*Commitments*

The Company has land purchase option contracts for the right to purchase land or lots at a future point in time with predetermined terms. We do not have title to the property and our obligations with respect to the option contracts are generally limited. The following is a summary of our land purchase commitments:

	<b>June 30, 2013 (unaudited)</b>	<b>December 31, 2012</b>	<b>2011</b>
Land deposits	\$ 0	\$ 0	\$ 25,000
Commitments under the land purchase option contracts if the purchases are consummated (unaudited)	\$2,113,937	\$ 409,200	\$ 2,966,700
Lots under land purchase options contracts (unaudited)	112	22	177

**8. Subsequent Event**

During May 2013, GTIS Partners LP, an affiliated company of the GTIS Member, and LGI Homes Group, LLC, agreed on the principal terms for the exchange of the GTIS member interests in LGI-GTIS Holdings, LLC, LGI-GTIS Holdings II, LLC, LGI-GTIS Holdings III, LLC and LGI-GTIS Holdings IV, LLC, (the GTIS Transaction) for cash and LGI Homes, Inc. common stock to be consummated concurrently with the closing of the IPO. The aggregate consideration for the GTIS Transaction is \$41.4 million, consisting of a cash payment of \$36.9 million and shares of LGI Homes, Inc. common stock valued at \$4.5 million at the time of the offering. The agreement expires on February 28, 2014, and may be terminated by mutual consent of the parties at any time prior to the IPO.

Management has evaluated subsequent events through August 27, 2013, the date the consolidated financial statements were available to be issued. We are not aware of any significant events others than those included herein that occurred subsequent to the balance sheet date, but prior to the completion of this report that would have a material impact on the consolidated financial statements.

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**The Board of Directors and Shareholders**  
**LGI-GTIS Holdings IV, LLC and Subsidiaries**

We have audited the accompanying consolidated balance sheets of LGI-GTIS Holdings IV, LLC and Subsidiaries (the “Company”) as of December 31, 2012, and the related consolidated statements of operations, members’ equity, and cash flows for the period from October 31, 2012 (Inception) through December 31, 2012. These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal controls over financial reporting. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LGI-GTIS Holdings IV, LLC and Subsidiaries at December 31, 2012, and the results of their operations and their cash flows for the period from October 31, 2012 (Inception) through December 31, 2012, in conformity with U.S. generally accepted accounting principles.

/s/ Armanino LLP  
San Ramon, California

August 27, 2013

**LGI-GTIS HOLDINGS IV, LLC AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<b>June 30, 2013 (unaudited)</b>	<b>December 31, 2012</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 883,659	\$ 1,120,851
Accounts receivable	677,580	—
Accounts receivable, related parties	39,436	108,577
Real estate inventory	19,922,450	12,248,676
Equipment, net	85,946	6,533
Prepaid expenses	174,229	190,229
Total assets	<u>\$21,783,300</u>	<u>\$ 13,674,866</u>
<b>Liabilities and Members' Equity</b>		
Accounts payable	\$ 1,800,355	\$ 712,355
Accounts payable, related parties	679,557	331,739
Accrued expenses and other liabilities	124,059	3,686
Total liabilities	2,603,971	1,047,780
Members' equity	19,179,329	12,627,086
Total liabilities and members' equity	<u>\$21,783,300</u>	<u>\$ 13,674,866</u>

See accompanying notes to the consolidated financial statements

**LGI-GTIS HOLDINGS IV, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	For the Six Months Ended June 30, 2013 <u>(unaudited)</u>	Inception (October 31, 2012) to December 31, 2012 <u></u>
Home sales	\$ 8,723,422	\$ —
Expenses:		
Cost of sales	6,564,277	—
Selling expenses	1,207,194	112,254
General and administrative	585,070	130,970
Operating income (loss)	366,881	(243,224)
Other income, net	5,983	—
Net income (loss) before income taxes	372,864	(243,224)
Income tax provision	7,121	—
Net income (loss)	<u>\$ 365,743</u>	<u>\$ (243,224)</u>

See accompanying notes to the consolidated financial statements

**LGI-GTIS HOLDINGS IV, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY**

<b>Members' equity—October 31, 2012 (inception)</b>	<b>\$ —</b>
Contributions from members	12,870,310
Net loss	(243,224)
<b>Members' equity—December 31, 2012</b>	<b>12,627,086</b>
Net income (unaudited)	365,743
Contributions from members (unaudited)	6,186,500
<b>Members' equity—June 30, 2013 (unaudited)</b>	<b><u>\$ 19,179,329</u></b>

See accompanying notes to the consolidated financial statements

**LGI-GTIS HOLDINGS IV, LLC AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	For the Six Months Ended June 30, 2013 <u>(unaudited)</u>	Inception (October 31, 2012) to December 31, 2012 <u></u>
<b>Operating activities:</b>		
Net income (loss)	\$ 365,743	\$ (243,224)
Adjustments to reconcile net income (loss) to net cash to net cash used in operating activities:		
Depreciation	12,861	—
Changes in assets and liabilities:		
Accounts receivable	(677,580)	—
(Receivables from) payables to related parties, net	416,959	223,162
Real estate inventory	(7,673,774)	(12,248,676)
Prepaid expenses	16,000	(190,229)
Accounts payable	1,088,000	712,355
Accrued expenses and other liabilities	120,373	3,686
Net cash used in operating activities	<u>(6,331,418)</u>	<u>(11,742,926)</u>
<b>Investing activities:</b>		
Purchases of equipment	<u>(92,274)</u>	<u>(6,533)</u>
Net cash used in investing activities	<u>(92,274)</u>	<u>(6,533)</u>
<b>Financing activities:</b>		
Contributions from members	<u>6,186,500</u>	<u>12,870,310</u>
Net cash provided by financing activities	<u>6,186,500</u>	<u>12,870,310</u>
Net increase (decrease) in cash and cash equivalents	(237,192)	1,120,851
Cash and cash equivalents, beginning of period	<u>1,120,851</u>	<u>—</u>
Cash and cash equivalents, end of period	<u><u>\$ 883,659</u></u>	<u><u>\$ 1,120,851</u></u>

See accompanying notes to the consolidated financial statements



**LGI-GTIS HOLDINGS IV, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**1. Business**

*Organization and Description of Business*

LGI-GTIS Holdings IV, LLC (the Company) is a joint venture that was formed on October 31, 2012 between LGI Homes Group, LLC (LGI Member) and GTIS US Residential Strategies Fund, LP and LGI IV Blocker, LLC (collectively, the GTIS Member). The Company is engaged in the design and construction of entry-level homes in high growth markets in Texas, Arizona and Florida. The Company was considered a development stage entity as of December 31, 2012. A development stage entity is one in which principal operations have not commenced or produced significant revenue.

A Registration Statement on Form S-1 is expected to be filed with the Securities and Exchange Commission with respect to an initial public offering (the IPO) for LGI Homes, Inc., an affiliate of the LGI member. In connection with the consummation of the IPO, which is expected to be completed in 2013, the GTIS Member interest will be acquired by LGI Homes, Inc. and the Company will become a wholly-owned subsidiary of LGI Homes, Inc. See Note 8 for further discussion.

**2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: LGI Homes — Blue Hills, LLC, LGI Homes — Krenson Woods, LLC, LGI Homes — Northpointe, LLC, LGI Homes — Oak Hollow Phase 6, LLC, LGI Homes — Saltgrass Crossing, LLC and LGI Homes — Luckey Ranch Partners, LLC.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (US GAAP) as contained within the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). All intercompany balances and transactions have been eliminated in consolidation.

*Use of Estimates*

The preparation of the Company's consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes as of June 30, 2013 (unaudited), and December 31, 2012, and revenues and expenses for the six months ended June 30, 2013 (unaudited), and the period October 31, 2012 (date of inception) through December 31, 2012. Accordingly, actual results could differ from those estimates.

*Cash and Cash Equivalents and Concentrations of Credit Risk*

Cash and cash equivalents are defined as cash on hand, demand deposits with financial institutions, and short-term liquid investments with an initial maturity date of less than three months. The Company's cash in demand deposit accounts may exceed federally insurable limits. The Company's management monitors the cash balances in their operating accounts and adjusts the cash balances as appropriate; however, these cash balances could be negatively

**LGI-GTIS HOLDINGS IV, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

impacted if the underlying financial institutions fail or are subject to other adverse conditions in the financial markets. To date, the Company has experienced no loss or diminished access to cash in their operating accounts.

*Accounts Receivable*

Accounts receivable consists primarily of proceeds due from title companies for sales closed prior to period end and are generally collected within a few days from closing.

*Real Estate Inventory*

Inventory consists of land and land development, sales office inventory, homes in progress and completed homes. Inventory is stated at cost unless the carrying amount is determined not to be recoverable, in which case inventory is written down to fair value.

Land, development and other project costs, including property taxes incurred during development and home construction, are capitalized to real estate inventory. Land development and other common costs that benefit the entire community, including field construction supervision and related direct overhead, are allocated to individual lots or homes, as appropriate. The costs of lots are transferred to homes in progress when home construction begins. Home construction costs and related carrying charges (principally property taxes) are allocated to the cost of individual homes using the specific identification method.

Inventory costs for completed homes are expensed as cost of sales as homes are sold. Changes to estimated total development costs subsequent to initial home closings in a community are generally allocated to the unsold homes in the community on a pro-rata basis.

The life cycle of a community generally ranges from two to five years, commencing with the acquisition of land, continuing through the land development phase, and concluding with the construction, sale, and delivery of homes. A constructed home is used as the community sales offices during the life of the community and then sold. Actual individual community lives will vary based on the size of the community, the sales absorption rate, and whether we purchased the property as raw land or finished lots.

In accordance with the provisions of ASC 360, *Property, Plant, and Equipment*, real estate inventory is evaluated for indicators of impairment by each community during each reporting period. In conducting our review for indicators of impairment on a community level, we evaluate, among other things, the margins on homes that have been delivered, communities with slow moving inventory, projected margins on future home sales over the life of the community, and the estimated fair value of the land. For individual communities with indicators of impairment, additional analysis is performed to estimate the community's undiscounted future cash flows. If the estimated undiscounted future cash flows are greater than the carrying value of the community group of assets, no impairment adjustment is required. If the undiscounted cash flows are less than the community's carrying value, the asset group is impaired and is written down to its fair value. The Company estimates the fair value of its communities using a discounted cash flow model. As of June 30, 2013 (unaudited), and December 31, 2012, the real estate inventory is stated at cost; there were no inventory impairment charges recorded in the six months ended June 30, 2013 (unaudited) or in the period October 31, 2012 (inception) through December 31, 2012.

**LGI-GTIS HOLDINGS IV, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Equipment*

Equipment is stated at cost, less accumulated depreciation. Depreciation expense is recorded in general and administrative expenses in the accompanying Consolidated Statements of Operations. Upon sale or retirement, the costs and related accumulated depreciation are eliminated from the respective accounts and any resulting gain or loss is included in other (income) expense. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets, ranging from 3 to 5 years. Maintenance and repair costs are expensed as incurred.

Impairments of long-lived assets are determined periodically when indicators of impairment are present. If such indicators are present, the determination of the amount of impairment is based on our judgments as to the future undiscounted operating cash flows to be generated from these assets throughout their remaining estimated useful lives. If these undiscounted cash flows are less than the carrying amount of the related asset, an impairment is recognized for the excess of the carrying value over its fair value. There were no impairments of equipment recorded in the six months ended June 30, 2013 (unaudited) and the period October 31, 2012 (date of inception) through December 31, 2012.

*Insurance Costs and Reserves*

The Company has deductible limits under workers' compensation, automobile and general liability insurance policies, and records expenses and liabilities for the estimated costs of potential claims for construction defects. The excess liability limits are \$2 million per occurrence and in the aggregate annually and apply in excess of automobile liability, employer's liability under workers compensation and general liability policies. The Company generally requires subcontractors and design professionals to indemnify the Company for liabilities arising from their work, subject to certain limitations.

*Warranty Reserves*

Estimated future direct warranty costs are accrued and charged to cost of sales in the period when the related home is sold. The Company's warranty liability is based upon historical warranty cost experience in each market in which it operates, and is adjusted as appropriate to reflect qualitative risks associated with the types of homes built and the geographic areas in which they are built.

Warranty reserves are reviewed quarterly to assess the reasonableness and adequacy and make adjustments to the balance of the preexisting reserves to reflect changes in trends and historical data as information becomes available.

*Members' Equity*

The Company is a Delaware limited liability company. In accordance with the limited liability company agreement, the Company shall be dissolved no later than December 31, 2062.

The LGI Member, as the managing member, has the responsibility and authority to operate the Company on a day-to-day basis subject to the operating budget and business plan, which is approved by both members. All major decisions require both members' consent. Major

**LGI-GTIS HOLDINGS IV, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

decisions include, but are not limited to: the acquisition or disposition of a project; capital contributions; and changes, updates or amendments to the operating budget or business plan.

Profits are allocated to the members based on the predetermined formulas specified in the limited liability company agreement for the allocation of distributable cash. The GTIS member and the LGI Member are allocated 85% and 15% of the profits, respectively, (the Sharing Percentages) until such time as the members receive cash distributions equal to their initial capital investment plus a 15% internal rate of return (First Tier Return). Subsequent allocations of distributable cash and profits include a priority allocation of approximately 20% to 40% to the LGI Member, depending on the amount of cash distributions achieved over the life of the Company. Upon liquidation of the LGI Member's interest in the Company, the managing member is required to restore any deficit balance in its capital account as provided for in the limited liability company agreement. The performance of the LGI Member and its affiliates under the limited liability company agreement and the Master Service Agreement is guaranteed individually and collectively, and on a joint and several basis, by LGI Homes, Ltd. and LGI Homes Group, LLC, and its subsidiaries: LGI Homes—Chateau Woods, LLC, LGI Homes—Texas, LLC, LGI Homes—FW, LLC, LGI Homes — Presidential Glen, LLC, LGI Homes—Quail Run, LLC, LGI Homes—Woodland Creek, LLC, LGI Homes—Lakes of Magnolia, LLC, LGI Homes—Decker Oaks, LLC, LGI Homes—Stewarts Forest, LLC, LGI Homes—Florida, LLC, LGI Homes—AZ Sales, LLC, LGI Homes—AZ Construction, LLC, LGI Homes—Glennwilde, LLC, and LGI Homes—San Tan Heights.

As of June 30, 2013 (unaudited), the Company's cumulative cash distributions had not achieved the First-Tier Return.

*Home Sales*

In accordance with ASC 360-20, *Real Estate Sales*, revenues from home sales are recorded at the time each home is closed, title and possession are transferred to the buyer and there is no significant continuing involvement of the Company. Home sales proceeds are generally received from the title company within a few days from closing. Home sales are reported net of sales discounts and incentives granted to home buyers which are primarily seller-paid closing costs.

*Cost of Sales*

As discussed under Real Estate Inventory, above, cost of sales for homes closed include the construction costs of each home and allocable land acquisition and land development costs, and other related common costs (both incurred and estimated to be incurred).

*Selling and Commission Costs*

Sales commissions are paid and expensed based on homes sold. Other residual selling costs are expensed in the period incurred.

*Advertising Costs*

Advertising and direct mail costs are expensed as incurred. Advertising and direct mail costs were \$358,436 (unaudited) for the six months ended June 30, 2013 and \$11,926 for the period October 31, 2012 (date of inception) through December 31, 2012.

**LGI-GTIS HOLDINGS IV, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Income Taxes*

The Company is a limited liability company which is treated as a partnership for income tax purposes and federal income taxes on taxable income or losses realized by the Company are the obligation of the individual members. However, the Company is subject to certain state taxes and fees, including the Texas margin tax, where applicable. There are no significant deferred income taxes related to state income taxes. Management of the Company has concluded that there are no significant uncertain tax positions requiring recognition in the consolidated financial statements, nor has the Company been assessed interest or penalties by any major tax jurisdictions. There were no state income taxes paid for the six months ended June 30, 2013 (unaudited), or for the period October 31, 2012 (inception) through December 31, 2012.

*Fair Value Measurement of Financial Instruments*

ASC 820, *Fair Value Measurements*, defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date” within an entity’s principal market, if any. The principal market is the market in which the reporting entity would sell the asset or transfer the liability with the greatest volume and level of activity, regardless of whether it is the market in which the entity will ultimately transact for a particular asset or liability or if a different market is potentially more advantageous. Accordingly, this exit price concept may result in a fair value that may differ from the transaction price or market price of the asset or liability.

Under generally accepted accounting principles, the fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value. Fair value measurements should maximize the use of observable inputs and minimize the use of unobservable inputs, where possible. Observable inputs are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs may be needed to measure fair value in situations where there is little or no market activity for the asset or liability at the measurement date and are developed based on the best information available in the circumstances, which could include the reporting entity’s own judgments about the assumptions market participants would utilize in pricing the asset or liability.

We utilize fair value measurements to account for certain items and account balances within our consolidated financial statements. Fair value measurements may also be utilized on a nonrecurring basis, such as for the impairment of long-lived assets. The fair value of our financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and other liabilities approximate their carrying amounts due to the short term nature of these instruments.

*Recently Issued Accounting Pronouncements*

In May 2011, FASB issued Accounting Standards Update (ASU) 2011-04, which amended ASC 820, *Fair Value Measurements*, providing a consistent definition and measurement of fair value. ASU 2011-04 changes certain fair value measurement principles, clarifies the application of existing fair value measurement, and expands the disclosure requirements. ASU 2011-04 was effective for us beginning January 1, 2012. The adoption of ASU 2011-04 did not have a material effect on our consolidated financial statements.

**LGI-GTIS HOLDINGS IV, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

*Unaudited Interim Information*

The consolidated financial statements as of June 30, 2013, and for the six months ended June 30, 2013, are unaudited. In the opinion of management, such consolidated financial statements reflect all adjustments necessary for a fair presentation of the respective interim period. All such adjustments are of a normal recurring nature.

*Reclassifications*

Certain amounts in the consolidated financial statements of prior periods have been reclassified as certain amounts were recorded incorrectly. Management does not believe such reclassification adjustments were material to the consolidated financial statements. The reclassifications include, but are not limited to, the reclassification to cost of sales of rebates previously classified as other income and the reclassification of certain indirect costs to cost of sales previously classified as general and administrative. These reclassifications had no impact on the Company's net income.

**3. Real Estate Inventory**

The Company purchases land and develops residential subdivisions including roads, water and sewer systems. These costs are included in inventory and expensed as cost of sales on a per lot basis as homes are sold.

Real estate inventory consists of the following:

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
	<b>(unaudited)</b>	
Land and land development	\$ 9,675,577	\$ 10,944,305
Sales office inventory	377,590	—
Homes in progress	5,354,460	1,304,371
Completed homes	4,514,923	—
Real estate inventory	<u>\$ 19,922,450</u>	<u>\$ 12,248,676</u>

**4. Equipment**

Equipment consists of the following:

	<b>June 30, 2013</b>	<b>December 31, 2012</b>
	<b>(unaudited)</b>	
Furniture and fixtures	\$ 98,807	\$ 6,533
Less: accumulated depreciation	(12,861)	—
Equipment, net	<u>\$ 85,946</u>	<u>\$ 6,533</u>

**LGI-GTIS HOLDINGS IV, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**5. Accrued Expenses and Other Liabilities**

Accrued expenses and other liabilities consist of the following:

	<u>June 30, 2013</u> (unaudited)	<u>December 31, 2012</u>
Accrued liabilities	\$ 81,724	\$ 3,686
Customer deposits	42,335	—
Accrued expenses and other liabilities	<u>\$ 124,059</u>	<u>\$ 3,686</u>

*Customer Deposits*

Customer deposits are received upon signing a purchase contract and are typically \$500. Deposits are typically refundable if the customer is unable to obtain financing. Forfeited buyer deposits related to home sales are recognized in other income (expense), net in the accompanying Consolidated Statements of Operations in the period in which it is determined that the buyer will not complete the purchase of the property and the deposit is nonrefundable to the buyer.

**6. Related-Party Transactions**

From time to time, the Company may engage in transactions with entities that are affiliated with the Company's members. We believe transactions with related parties are in the normal course of operations. Accounts payable due to related parties represent amounts that are due to LGI Homes Group, LLC and its affiliates for payroll, direct costs, management fees and warranty fees that are allocated to the Company.

*Management and Warranty Fees*

The Company has a Master Service Agreement with LGI Homes Services, LLC (Homes Services). The Company is charged a management fee of approximately 3% of home sale revenue for administration, supervision, marketing and various other services. Management fees expensed under the agreement were \$270,270 (unaudited) for the six months ended June 30, 2013, and \$0 for the period October 31, 2012 (date of inception) through December 31, 2012.

The Company provides a Home Builder's Limited Warranty to the buyer of each home and pays a warranty fee of \$250 to an affiliate of the LGI Member upon the closing of the sale of each home. The LGI Member is responsible for all warranty service work performed after a home is sold; accordingly, no warranty reserve is maintained by the Company. Under the terms of the limited liability company agreement, the LGI Member is responsible for the full, timely and proper performance, satisfaction and discharge of any warranty claims asserted against the Company, the GTIS Member or any affiliate thereof. Warranty fees expensed under the Management Services Agreement were \$15,250 (unaudited) for the six months ended June 30, 2013, and \$0 for the period October 31, 2012 (date of inception) through December 31, 2012.

**LGI-GTIS HOLDINGS IV, LLC AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

**7. Commitments and Contingencies**

*Contingencies*

In the ordinary course of doing business, the Company becomes subject to claims or proceedings from time to time relating to the purchase, development, and sale of real estate. Management of the Company believes that these claims include usual obligations incurred by real estate developers in the normal course of business. In the opinion of management, these matters will not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

*Land Deposits*

The Company has land purchase option contracts for the right to purchase land or lots at a future point in time with predetermined terms. We do not have title to the property and our obligations with respect to the option contracts are generally limited. The following is a summary of our land purchase commitments:

	<u>June 30, 2013</u> (unaudited)	<u>December 31, 2012</u>
Commitments under the land purchase option contracts if the purchases are consummated (unaudited)	\$1,518,000	\$ 1,518,000
Lots under land options and land purchase contracts (unaudited)	60	60

**8. Subsequent Event**

During May 2013, GTIS Partners LP, an affiliated company of the GTIS Member, and LGI Homes Group, LLC, agreed on the principal terms for the exchange of the GTIS member interests in LGI-GTIS Holdings, LLC, LGI-GTIS Holdings II, LLC, LGI-GTIS Holdings III, LLC and LGI-GTIS IV, LLC, (the GTIS Transaction) for cash and LGI Homes, Inc. common stock to be consummated concurrently with the closing of the IPO. The aggregate consideration for the GTIS Transaction is \$41.4 million, consisting of a cash payment of \$36.9 million and shares of LGI Homes, Inc. common stock valued at \$4.5 million at the time of the offering. The agreement expires on February 28, 2014, and may be terminated by mutual consent of the parties at any time prior to the IPO.

Management has evaluated subsequent events through August 27, 2013, the date the consolidated financial statements were available to be issued. We are not aware of any significant events others than those included herein that occurred subsequent to the balance sheet date, but prior to the completion of this report that would have a material impact on the consolidated financial statements.



## UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma balance sheet as of June 30, 2013 and the unaudited pro forma statements of operations for the six months ended June 30, 2013 and for the year ended December 31, 2012, present our financial position and results of operations after giving pro forma effect to the Formation Transactions, as described in “Summary—The Transactions” and this offering, as if the Formation Transactions and this offering had been completed as of June 30, 2013 with respect to the unaudited pro forma balance sheet as of June 30, 2013, and as of January 1, 2012 with respect to the unaudited pro forma statements of operations for the six months ended June 30, 2013, and the year ended December 31, 2012.

The pro forma adjustments column includes adjustments related to the Formation Transactions, which includes the LGI Transaction (our acquisition of all the equity interests of our predecessor (LGI Homes Group (Predecessor) and the non-controlling interests in a subsidiary of our predecessor) in exchange for shares of our common stock) and the GTIS Transaction (our acquisition of all of GTIS’s equity interests in the LGI/GTIS Joint Ventures in exchange for cash and shares of our common stock), as well as this offering, and the use of proceeds from this offering as described under “Use of Proceeds.” The GTIS Transaction will be accounted for as an acquisition using purchase accounting as of the date of the GTIS Transaction, which will be the date of this offering. In the LGI Homes Group (Predecessor) financial statements, our predecessor’s interest in the LGI/GTIS Joint Ventures have been accounted for using the equity method and our predecessor’s share of the LGI/GTIS Joint Ventures’ net earnings are included in income from unconsolidated joint ventures.

The unaudited pro forma financial statements reflect the following:

- The acquisition of the equity interests of the entities comprising our predecessor from Thomas Lipar, one of our founders, Eric Lipar, our Chief Executive Officer and Chairman of the Board, and their respective affiliates, in exchange for 10,003,358 shares of our common stock, including the issuance of 2,161,580 shares of common stock to the non-controlling interests in a subsidiary of one of the entities comprising our predecessor. These transactions are collectively referred to herein as the “LGI Transaction.” The LGI Transaction has been accounted for as a combination of entities under common control, including:
  - The issuance of 63,636 restricted stock units (based on the initial public offering price of \$11.00 per share) in settlement of accrued management and executive bonuses;
  - The recognition of income taxes related to the LGI Transaction, including:
    - Recording deferred income taxes related to the LGI Transaction and our conversion to a taxable entity; and
    - Our taxation as a corporate entity;
- Adjustments to account for non-controlling interests in an entity formed in 2013 and consolidated by our predecessor for the period from inception through June 30, 2013;
- Planned distributions to the owners of the entities comprising our predecessor for estimated federal income taxes on the earnings of our predecessor for the period from January 1, 2013 through June 30, 2013; and
- Adjustments to reflect the incremental compensation cost for equity awards to certain employees and non-employee directors subsequent to this offering;

- The issuance and sale of shares of our common stock to the public in this offering;
- The use of the proceeds from this offering to (i) pay underwriting discounts and commissions and other expenses of this offering, (ii) make a payment of \$36.9 million to GTIS as the cash portion of the GTIS Transaction purchase price and (iii) fund working capital and for other general corporate purposes;
- The completion of the GTIS Transaction concurrent with this offering whereby we will acquire all of GTIS's interests in the LGI/GTIS Joint Ventures, and thereafter own 100% of the equity interests in the LGI/GTIS Joint Ventures. The purchase price of \$41.4 million for the GTIS Transaction includes \$36.9 million in cash and \$4.5 million in newly issued shares of our common stock. The presentation of the GTIS Transaction reflects the application of purchase accounting. The GTIS Transaction has been reflected at estimated fair value and the related pro forma adjustments include:
  - The issuance of 409,091 shares of our common stock (aggregate value of \$4.5 million based on the initial public offering price of \$11.00 per share) to GTIS as the stock portion of the consideration for the GTIS Transaction;
  - Adjustments made as a result of the application of purchase accounting in connection with the GTIS Transaction, including:
    - Recording the net tangible assets of the LGI/GTIS Joint Ventures, primarily real estate inventory, at fair value;
    - Recording goodwill for the excess of the sum of the GTIS Transaction purchase price and the estimated fair value of our predecessor's equity interests in the LGI/GTIS Joint Ventures over the estimated fair value of the identifiable net tangible assets of the LGI/GTIS Joint Ventures;
    - Recording a marketing-related intangible asset;
    - Recording a gain as a result of the re-measurement of our predecessor's equity interests in the LGI/GTIS Joint Ventures to fair value, based on the estimated enterprise value of the LGI/GTIS Joint Ventures; and
    - Recording deferred income taxes related to the conversion of the LGI/GTIS Joint Ventures to taxable entities and purchase accounting adjustments;
  - Taxation as a component of a corporate entity; and
  - Adjustments to eliminate transactions, balances and payments between our predecessor and the LGI/GTIS Joint Ventures which will not be recorded following the GTIS Transaction when our predecessor and the LGI/GTIS Joint Ventures are consolidated, including:
    - The payment of management and warranty fees by GTIS to our predecessor in connection with operating the LGI/GTIS Joint Ventures;
    - Certain other related party transactions between our predecessor and the LGI/GTIS Joint Ventures; and
    - Adjustments to account for our interest in the LGI/GTIS Joint Ventures on a consolidated basis rather than the equity method.

The unaudited pro forma statements of operations and balance sheet were derived by adjusting the historical combined financial statements of our predecessor, LGI Homes Group (Predecessor), and the financial statements of the four LGI/GTIS Joint Ventures (LGI—GTIS Holdings, LLC, LGI—GTIS Holdings II, LLC, LGI—GTIS Holdings III, LLC and LGI—GTIS Holdings IV, LLC), which are combined for presentation in the pro forma financial information as the LGI/GTIS Joint Ventures. The adjustments are based on currently available information and certain estimates and assumptions. Our management believes that the assumptions provide a reasonable basis for presenting the significant effects of the Formation Transactions and this offering as contemplated and the pro forma adjustments give appropriate effect to those assumptions. The pro forma statements of operations do not include an adjustment for the estimated additional general and administrative expenses that we anticipate we will incur as a result of being a public company. All pro forma adjustments and their underlying assumptions are described more fully in the notes to our unaudited pro forma balance sheet and statements of operations.

We estimated the fair value of our communities for purposes of determining the pro forma adjustments related to the GTIS Transaction using a discounted cash flow model. The forecasted cash flows of each community are significantly impacted by estimates related to the absorption pace, sales prices, construction costs, cost of materials, sales and marketing expenses, the local economy and other factors for that particular community. The historical performance of each community as well as current trends in the market and economy impacting the community were evaluated for each of the estimates above. Critical assumptions are the absorption pace, sales prices and the costs to build and deliver homes on a community by community basis as well as the weighted average cost of capital (discount rate).

In order to arrive at the assumed absorption pace for home sales included in our cash flow model by community, we primarily analyzed the historical absorption pace in the community and other comparable communities in the geographical area. In addition, we considered internal market data, which generally includes, but is not limited to, the availability of competing products in the geographic area. When analyzing our historical absorption pace for home sales and corresponding internal market data, we placed greater emphasis on more current metrics and trends such as the absorption pace realized in the most recent quarters. In order to determine the assumed sales prices included in our cash flow models, we analyzed the historical sales prices realized on homes delivered in the community and other comparable communities in the geographical area. In order to arrive at our assumed costs to build and deliver homes, we generally assumed a cost structure reflecting contracts currently in place with vendors adjusted for any anticipated cost reduction initiatives or increases in cost structure.

Using all available information, we calculated the best estimate of projected cash flows for each community. While many of the estimates were calculated based on historical and projected trends, all estimates are subjective and change from market to market as market and economic conditions change. The determination of fair value also requires discounting the estimated cash flows at a rate we believe a market participant would determine to be commensurate with the inherent risks associated with the assets and related estimated cash flows. The discount rate used in determining each asset's fair value depends on the community's projected life and development stage. The discount rates used to value our predecessor's investments in the LGI/GTIS Joint Ventures were 16-18% depending on the length of the remaining development cycle of the communities in each joint venture.

We will not finalize the purchase price allocation until the fair values of the identifiable assets and liabilities in the GTIS Transaction have been determined as of the closing date of this offering using the methods and assumptions used to estimate the fair values presented herein. The components of the real estate inventory could change significantly due to the normal operations of

the LGI/GTIS Joint Ventures from the preliminary valuation date of June 30, 2013 through the closing of this offering, primarily due to changes in the quantities of finished lots, homes in progress and completed homes. The enterprise fair value of the LGI/GTIS Joint Ventures (discussed in note (d) below) could also change due to the recognition of revenues from normal operations from June 30, 2013 through the closing of this offering.

The unaudited pro forma financial information is included for illustrative purposes only and does not purport to reflect our results of operations or financial position that would have occurred had the Formation Transactions been consummated during the periods presented, and this offering would have been completed as of June 30, 2013, or to project our results of operations or financial position for any future period. The unaudited pro forma financial information should be read in conjunction with the sections of this prospectus captioned “Use of Proceeds,” “Capitalization,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” the audited and unaudited combined financial statements of our predecessor, LGI Homes Group (Predecessor), and related notes, and the audited and unaudited financial statements of the LGI/GTIS Joint Ventures and related notes included elsewhere in this prospectus.

**LGI HOMES, INC.**  
**UNAUDITED PRO FORMA BALANCE SHEET**  
**AS OF JUNE 30, 2013**  
**(in thousands)**

	<u>LGI Homes Group (Predecessor) (unaudited)</u>	<u>LGI/GTIS Joint Ventures(1) (unaudited)</u>	<u>Adjustments</u>		<u>LGI Homes, Inc. Pro Forma</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 15,205	\$ 4,643	\$ 49,854	(a)(b)(i)	\$ 69,702
Accounts receivable	2,718	1,690	—		4,408
Accounts receivable, related parties	885	174	(1,025)	(g)	34
Real estate inventory	49,191	33,744	7,224	(c)	90,159
Pre-acquisition costs and deposits	3,060	—	—		3,060
Investments in subsidiaries	5,326	—	(5,326)	(g)	—
Property and equipment, net	874	139	—		1,013
Goodwill and other intangible assets	—	—	9,481	(d)(e)	9,481
Other assets	2,544	179	(814)	(a)	1,909
Total assets	<u>\$ 79,803</u>	<u>\$ 40,569</u>	<u>\$ 59,394</u>		<u>\$ 179,766</u>
<b>LIABILITIES AND EQUITY</b>					
Accounts payable	\$ 6,312	\$ 3,333	\$ —		\$ 9,645
Accounts payable, related parties	42	983	(1,025)	(g)	—
Accrued expenses and other liabilities	3,107	747	(700)	(j)	3,154
Deferred tax liabilities, net	—	—	1,738	(h)	1,738
Notes payable	23,065	—	—		23,065
Total liabilities	<u>32,526</u>	<u>5,063</u>	<u>13</u>		<u>37,602</u>
<b>COMMITMENTS AND CONTINGENCIES</b>					
<b>Equity:</b>					
Common stock	—	—	194	(i)	194
Additional paid in capital	—	—	138,173	(i)	138,173
Predecessor owners' equity	32,114	35,506	(67,620)	(i)	—
Retained earnings	—	—	3,797	(f)(h)	3,797
Total owners' equity	<u>32,114</u>	<u>35,506</u>	<u>74,544</u>		<u>142,164</u>
Non-controlling interest	15,163	—	(15,163)	(i)	—
Total equity	<u>47,277</u>	<u>35,506</u>	<u>59,381</u>		<u>142,164</u>
Total liabilities and equity	<u>\$ 79,803</u>	<u>\$ 40,569</u>	<u>\$ 59,394</u>		<u>\$ 179,766</u>

(1) This column is a combination of the financial statements of LGI—GTIS Holdings, LLC, LGI—GTIS Holdings II, LLC, LGI—GTIS Holdings III, LLC and LGI—GTIS Holdings IV, LLC, each of which is presented in separate financial statements included elsewhere in this prospectus.

## Notes to Unaudited Pro Forma Balance Sheet

- (a) Reflects adjustments to cash for the proceeds from this offering of \$99.0 million, net of underwriting discounts and commissions and expenses to be paid related to this offering. The net cash proceeds from the offering are included in the pro forma adjustments to cash which consist of the following (in thousands):

Cash proceeds from this offering	\$ 99,000
Total estimated underwriting discounts and commissions and expenses	\$(9,910)
Less: \$0.8 million of expenses incurred and paid as of June 30, 2013 related to this offering recorded to other assets	<u>814</u>
	(9,096)
Cash consideration to be paid in connection with the GTIS Transaction (see note (b) below)	(36,850)
Planned cash distributions to the equity owners of the entities comprising our predecessor for estimated income taxes on the results of operations for the period from January 1, 2013 through June 30, 2013 (see note (i) below)	<u>(3,200)</u>
Net pro forma adjustment to cash and cash equivalents	<u>\$ 49,854</u>

- (b) Reflects the GTIS Transaction concurrent with this offering. The purchase price of \$41.4 million for the GTIS Transaction includes \$36.9 million cash and 409,091 shares of our common stock (\$4.5 million aggregate value based on the initial public offering price of \$11.00 per share). The presentation of the GTIS Transaction reflects the application of purchase accounting. The GTIS Transaction has been reflected at estimated fair value.
- (c) Reflects an increase by approximately \$7.2 million (step up) to the historical cost basis of the real estate inventory of the LGI/GTIS Joint Ventures of \$33.7 million to reflect the real estate inventory at its estimated fair value as a result of the GTIS Transaction. The estimated fair values of finished lots and completed homes, including sales models, as of June 30, 2013 of \$8.5 million and \$20.1 million, respectively, were determined, in conjunction with realized sales prices, by comparing the sales prices of lots and homes with similar size, amenities and community developments of nearby communities, generally in the immediate vicinity. The fair value of homes in progress as of June 30, 2013 of \$6.9 million was estimated by multiplying the estimated fair value of a completed home in the development by the respective percentage of completion of each home in progress. The estimated fair value of land under development of \$5.4 million was based upon the development costs incurred as of June 30, 2013 and the forecasted cash flows of the planned community; the estimated fair value of land under development approximates book value.

The pro forma statements of operations for the six months ended June 30, 2013 and the year ended December 31, 2012 do not reflect an increase in the cost of sales associated with the step up of the real estate inventory since the step up does not have a continuing impact on the results of our operations due to the short term (less than one year) impact on our financial performance. Based upon the forecasted sale of primarily all of the finished lots, homes in progress and completed homes and models to which the pro forma step up applies, \$7.1 million of the pro forma step up is expected to be charged to cost of sales over the twelve month period following the GTIS Transaction with the remaining \$75,000 recognized in the following year. The timing of the amortization is dependent upon our

ability to complete the development of the land, construction of the homes, and the sales of the related inventory, as fully explained in the introduction to the pro forma financial statements.

- (d) Records goodwill resulting from the GTIS Transaction of approximately \$8.7 million, which will have an indefinite life. Goodwill was estimated based on the excess of the (i) sum of (x) the GTIS Transaction purchase price of \$41.4 million and (y) the re-measurement of our predecessor's equity interests in the LGI/GTIS Joint Ventures at the estimated fair value of \$10.8 million for a total estimated enterprise fair value of the LGI/GTIS Joint Ventures of \$52.2 million over (ii) the estimated fair value of the identifiable net assets at June 30, 2013 of \$43.5 million. Because we will obtain control of the LGI/GTIS Joint Ventures by acquiring the equity interests of the other members through the GTIS Transaction, we do not believe the purchase price of the GTIS transaction is indicative of a market participant's fair value of our pre-existing non-controlling investment in the joint ventures. Our acquisition of the LGI/GTIS Joint Ventures includes a premium for acquiring the operations of the LGI/GTIS Joint Ventures that, when combined with our predecessor's operations, enables greater access to capital markets. Therefore, we estimated the fair value of 100% of the equity interests of the LGI/GTIS Joint Ventures on a stand-alone basis of \$46.7 million as of June 30, 2013 using the discounted cash flow model for all communities included in the GTIS Transaction and using discount rates of 16-18% as noted above. Our predecessor's expected share of the present value of the forecasted cash flows by community of \$14.4 million is based upon the distribution allocations established in the respective joint venture agreements applied to the total present value of the forecasted cash flows of each joint venture. The stand-alone value of our predecessor's equity interests in the GTIS Joint Ventures of \$10.8 million was estimated by applying a lack of control and marketability discount of 25% to our predecessor's share of the discounted future cash flows of \$14.4 million. We believe the lack of control and marketability discount of 25% is appropriate given our predecessor's shared control of the LGI/GTIS Joint Ventures.
- (e) Reflects an intangible asset recognized as a result of the GTIS Transaction for the reacquired rights to the LGI Homes trade name used in the operations of the LGI/GTIS Joint Ventures at the estimated fair value of \$0.8 million. The estimated fair value was calculated based upon the forecasted revenues of the LGI/GTIS Joint Ventures using a relief-from-royalty valuation model. The significant assumptions used in the relief-from-royalty model were the forecasted revenues of the LGI/GTIS Joint Ventures, a royalty rate of 0.5% and a discount rate of 25%. The royalty rate of 0.5% was selected due to the lack of exclusive use of our trade name and the minimal impact of our trade name on forecasted sales due to limited brand recognition and the nature of our operating model. The pre-tax discount rate of 25% is the expected return on the marketing-related intangible asset used in the weighted average return on assets model prepared as part of the enterprise valuation discussed in note (d) above and is greater than the 16-18% discount rate discussed above because the 25% discount rate reflects a risk premium associated with intangible assets. The useful life of three years is consistent with the timing of a majority of the forecasted revenues to be earned over the remaining development cycle of the LGI/GTIS Joint Ventures' communities.
- (f) Reflects a gain recognized as a result of the GTIS Transaction of \$5.5 million from the re-measurement of our predecessor's equity interests in the LGI/GTIS Joint Ventures to estimated fair value of \$10.8 million. Additionally, a deferred tax liability of \$1.9 million for the difference in the fair value and the tax basis of our predecessor's equity interests of \$5.3 million was recorded on the balance sheet as of June 30, 2013 (also see note (h) below). The gain on re-measurement and the deferred tax liability are recognized on the pro forma balance sheet as of June 30, 2013 with offsetting entries to retained earnings for a net

adjustment to retained earnings of \$3.6 million. Because the gain on re-measurement and the related deferred taxes are one-time charges recognized in the period of acquisition, these charges are not reflected in the pro forma statements of operations.

- (g) Eliminates our predecessor's investment in the LGI/GTIS Joint Ventures and our related party receivable balance of \$5.3 million and \$1.0 million, respectively.
- (h) Records a net deferred income tax liability of \$1.7 million for deferred income taxes calculated using the estimated 35% statutory federal and state income tax rate related to the GTIS Transaction, our predecessor's conversion to a taxable entity and the conversion of the LGI/GTIS Joint Ventures to taxable entities. The net deferred tax liability consists of the following:

	<u>Temporary difference</u>	<u>Deferred tax liability</u>
	<u>(in thousands)</u>	
<b>Predecessor:</b>		
Difference in the fair value of \$10.8 million and the tax basis of our predecessor’s equity interests of \$5.3 million (see note (f) above)	\$ 5,503	\$ 1,926
Management and executive bonuses to be settled with restricted stock units which are not currently deductible for tax (see note (j) below)	(700)	(245)
Excess tax depreciation over book depreciation	548	192
Warranty reserve which is not currently deductible for tax	(475)	(166)
<b>LGI/GTIS Joint Ventures:</b>		
Excess tax depreciation over book depreciation	120	42
Warranty reserve which is not currently deductible for tax	(30)	(11)
		<u>\$ 1,738</u>

- (i) Reflects the following adjustments attributable to (i) the planned cash distribution to the equity owners of the entities comprising our predecessor for estimated income taxes on predecessor earnings, (ii) the LGI Transaction and the issuance of 10,003,358 shares of our common stock to (x) the equity owners of the entities comprising our predecessor and (y) the non-controlling interests in a subsidiary of one of the entities comprising our predecessor in exchange for their non-controlling interests in the subsidiary, (iii) elimination of the equity ownership of GTIS in the LGI/GTIS Joint Ventures as a result of the GTIS Transaction and the issuance of 409,091 shares of our common stock (aggregate value of \$4.5 million based on the initial public offering price of \$11.00 per share) as part of the purchase consideration, (iv) the issuance of 63,636 restricted stock units in settlement of accrued management and executive bonuses, and (v) the issuance of 9,000,000 shares of our common stock pursuant to this offering.



The pro forma adjustments reflect the issuance of equity interests, including:

	Predecessor's owners' equity	Non- controlling interests (in thousands)	Paid in capital
Planned cash distributions to the equity owners of the entities comprising our predecessor for estimated income taxes on the results of operations for the period from January 1, 2013 through June 30, 2013.	\$ (3,200)		
Contribution of our predecessor's businesses and exchange of the non-controlling interests in a subsidiary of our predecessor in connection with the LGI Transaction and the issuance of shares of common stock (less \$101 par value of shares issued)	(28,914)	\$ (15,163)	\$ 43,976
Elimination of the LGI/GTIS Joint Ventures' equity and issuance of shares of common stock to GTIS (less \$3 par value of shares issued) (see note (b) above)	(35,506)		4,497
Issuance of restricted stock units in settlement of accrued management and executive bonuses (see note (j) below)			700
Issuance of shares of common stock in this offering (less \$90 par value of shares issued) (see note (a) above)			98,910
Underwriting fees and other offering expenses (see note (a) above)			(9,910)
	<u>\$ (67,620)</u>	<u>\$ (15,163)</u>	<u>\$138,173</u>

The LGI Transaction reflects a combination of entities under common control. Additional cash distributions of approximately \$1.3 million are expected to be made to the owners of our predecessor prior to this offering for estimated income taxes on the results of operations for the period from July 1, 2013 through the date of this offering and the LGI Transaction.

The exchange of the non-controlling interest in a subsidiary reflects the commitment made by certain principals of our predecessor to exchange shares of our common stock equal to the value of 1.5 times the non-controlling interests' investment amount only in the event of an initial public offering. The exchange, when completed, will be accounted for as an equity transaction because the transaction represents the acquisition of the non-controlling interest in the subsidiary and our predecessor has control of the subsidiary prior to the transaction and will retain control of the subsidiary after the transaction.

- (j) Reflects the settlement of accrued liabilities for management and executive bonuses of \$0.7 million earned and recorded as compensation expense as part of a performance based cash bonus plan through June 30, 2013 through the issuance of 63,636 restricted stock units of equal value (based on the initial public offering price of \$11.00 per share). Additional management and executive bonuses to be earned from July 1, 2013 through the closing date of this offering under our existing performance based cash bonus plan of approximately \$0.5 million will be settled through the issuance of 45,455 restricted stock units of equal value (based on the initial public offering price of \$11.00 per share) in connection with this offering. The restricted stock units will vest on the one year anniversary of the grant and will be settled in shares of our common stock.

**LGI HOMES, INC.**  
**UNAUDITED PRO FORMA STATEMENT OF OPERATIONS**  
**SIX MONTHS ENDED JUNE 30, 2013**  
**(in thousands, except per share data)**

	<u>LGI Homes Group (Predecessor) (unaudited)</u>	<u>LGI/GTIS Joint Ventures(1) (unaudited)</u>	<u>Adjustments</u>		<u>LGI Homes, Inc. Pro Forma</u>
Home sales	\$ 57,998	\$ 37,971	\$ —		\$ 95,969
Management and warranty fees	1,302	—	(1,302)	(c)	—
Total revenues	59,300	37,971	(1,302)		95,969
Cost of sales	42,142	27,390	(67)	(c)	69,465
Selling expenses	5,493	3,671	—		9,164
General and administrative				(b) (c)	
	5,026	2,049	(1,002)	(d)	6,073
Income from unconsolidated joint ventures	(944)	—	944	(a)	—
Operating income	7,583	4,861	(1,177)		11,267
Interest expense	(6)	—	—		(6)
Other income, net	22	62	—		84
Net income before income taxes	7,599	4,923	(1,177)		11,345
Income taxes	136	96	3,744	(e)	3,976
Net income	7,463	4,827	(4,921)		7,369
Loss attributable to non-controlling interests	(146)	—	146	(f)	—
Net income attributable to owners	<u>\$ 7,609</u>	<u>\$ 4,827</u>	<u>\$ (5,067)</u>		<u>\$ 7,369</u>
Pro forma net income per share:					
Basic					\$ 0.38(g)
Diluted					\$ 0.38(g)
Pro forma weighted average common shares					
outstanding:					
Basic					19,497(g)
Diluted					19,510(g)

1) This column is a combination of the financial statements of LGI—GTIS Holdings, LLC, LGI—GTIS Holdings II, LLC, LGI—GTIS Holdings III, LLC and LGI—GTIS Holdings IV, LLC, each of which is presented in separate financial statements included elsewhere in this prospectus.

**Notes to Unaudited Pro Forma Statement of Operations for Six Months Ended June 30, 2013**

The following pro forma adjustments reflect the GTIS Transaction and the LGI Transaction as if they had been completed as of January 1, 2012. The presentation of the GTIS Transaction reflects the application of purchase accounting. The presentation of the LGI Transaction reflects the combination of entities under common control.

- (a) Eliminates our predecessor's equity in the income of the LGI/GTIS Joint Ventures.
- (b) Reflects amortization of the intangible asset recorded in the GTIS Transaction of \$0.8 million. The trade name rights have an estimated useful life of three years based upon the timing of the majority of the forecasted revenues to be earned over the remaining

development cycle of the LGI/GTIS Joint Ventures' communities. Amortization is recorded on a straight-line basis. Pro forma amortization expense was \$133,000 for the six months ended June 30, 2013.

- (c) Reflects the elimination of \$1.3 million of management and warranty fees our predecessor charged to the LGI/GTIS Joint Ventures during the period pursuant to the management services agreements. Effective as of the completion of the GTIS Transaction, the applicable agreements will be terminated, and the fees will no longer be charged. The corresponding charges of \$1.2 million and \$67,000 were recorded to general and administrative expense and cost of sales, respectively, by the LGI/GTIS Joint Ventures.
- (d) Reflects the incremental compensation cost of \$100,000 included in general and administrative expenses for restricted stock units to be granted to employees and non-employee directors subsequent to this offering. Concurrent with this offering, as part of our new Equity Incentive Plan, \$100,000 and \$200,000 of restricted stock units to be settled with shares of our common stock have been designated for annual awards to certain employees and the non-employee directors, respectively; the shares will vest ratably over a three year period and total compensation cost of \$300,000 will be recognized on a straight-line basis over the requisite service period resulting in annual compensation cost for each annual award of \$100,000. The number of restricted stock units to be granted concurrently with the closing of this offering will be determined upon the closing of this offering based on the price of our common stock in this offering. Pro forma compensation cost for the six months ended June 30, 2013 includes compensation costs of \$50,000 for the awards associated with each of the first and second year grants.
- (e) Reflects the pro forma federal and state income taxes of \$2.5 million and \$1.2 million attributable to the change in the taxable status of our predecessor as a result of the LGI Transaction and the LGI/GTIS Joint Ventures as a result of the GTIS Transaction, respectively. State income taxes have been recognized in the results of operations of our predecessor and the LGI/GTIS Joint Ventures for the six months ended June 30, 2013. Certain states require pass-through entities to pay corporate income taxes when the parent is a taxable entity for federal income tax purposes. The federal and incremental state income taxes resulting from the change to a taxable entity were calculated using an estimated 33% effective tax rate. The difference between the effective tax rate of 33% and the statutory tax rate is primarily due to the estimated Domestic Production Activities Deduction (DPAD) as calculated in accordance with the Internal Revenue Code. Since our predecessor and the LGI/GTIS Joint Ventures were pass-through entities, the DPAD reduced the taxable income of the owners; we will receive the DPAD upon our conversion to a taxable entity and our acquisition of the LGI/GTIS Joint Ventures.
- (f) Eliminates income attributed to the non-controlling interests in an entity formed in 2013 and consolidated by our predecessor for the period from inception through June 30, 2013 that will become our wholly-owned subsidiary upon the completion of the LGI Transaction.

- (g) The following sets forth the computation of the unaudited pro forma basic and diluted net income per share at June 30, 2013 (in thousands, except per share amounts).

	Six months ended June 30, 2013
<b>Net income attributable to common stockholders (numerator):</b>	
Pro forma net income to owners	\$ 7,369
<b>Weighted-average shares outstanding (denominator):</b>	
Common shares issued	1
Common shares to be issued in the LGI Transaction	10,003
Common shares to be issued in the GTIS Transaction	409
Common shares to be issued in this offering	9,000
Incremental shares related to vested restricted stock units	84
Pro forma basic weighted common shares outstanding	19,497
Plus: Incremental shares related to unvested restricted stock unit grants to employees, executives and non-employee directors	13
Pro forma diluted weighted common shares outstanding	19,510
Pro forma basic net income per common share	\$ 0.38
Pro forma diluted net income per common share	\$ 0.38

Pro forma basic net income per share is computed by dividing the pro forma net income available to common stockholders by the pro forma weighted average of common shares outstanding during the period. Pro forma diluted net income per share adjusts pro forma basic net income per share for the effects of employee, executive and non-employee director restricted stock unit awards in the periods in which such effects are dilutive.

Our predecessor did not declare dividends during the six months ended June 30, 2013. We do not intend to declare dividends in the near future subsequent to our becoming a public company (see “Dividend Policy”).

The computation of the pro forma basic net income per share is based on the number of common shares outstanding after giving effect for the issuance of 19,412,449 shares of common stock pursuant to (i) the LGI Transaction, (ii) the GTIS Transaction and (iii) this offering as if these issuances had occurred on January 1, 2012.

The computation of the pro forma diluted net income per share also takes into account the number of common stock equivalents outstanding determined using the treasury stock method for the 45,457 unvested restricted stock units awarded to employees and non-employee directors and in settlement of management and executive bonuses, as if these grants had occurred on January 1, 2012.

**LGI HOMES, INC.**  
**UNAUDITED PRO FORMA STATEMENT OF OPERATIONS**  
**YEAR ENDED DECEMBER 31, 2012**  
**(in thousands, except per share data)**

	<u>LGI Homes Group (Predecessor) (unaudited)</u>	<u>LGI/GTIS Joint Ventures(1) (unaudited)</u>	<u>Adjustments</u>	<u>LGI Homes, Inc. Pro Forma</u>
Home sales	\$ 73,820	\$ 69,558	\$ —	\$ 143,378
Management and warranty fees	2,401	—	(2,401) (c)	—
Total revenues	76,221	69,558	(2,401)	143,378
Cost of sales	54,531	49,830	(132) (c)	104,229
Selling expenses	7,269	6,101	—	13,370
General and administrative	6,096	3,305	(1,752) (b)(c)(d)	7,649
Income from unconsolidated joint ventures	(1,526)	—	1,526 (a)	—
Operating income	9,851	10,322	(2,043)	18,130
Interest expense	(1)	—	—	(1)
Other income, net	173	42	—	215
Net income before income taxes	10,023	10,364	(2,043)	18,344
Income taxes	155	187	6,053 (e)	6,395
Net income	9,868	10,177	(8,096)	11,949
Income attributable to non-controlling interests	163	—	—	163
Net income attributable to owners	<u>\$ 9,705</u>	<u>\$ 10,177</u>	<u>\$ (8,096)</u>	<u>\$ 11,786</u>
Pro forma net income per share				
Basic				\$ 0.61 (f)
Diluted				0.60 (f)
Pro forma weighted average common shares outstanding:				
Basic				19,413 (f)
Diluted				19,486 (f)

(1) This column is a combination of the financial statements of LGI—GTIS Holdings, LLC, LGI—GTIS Holdings II, LLC, LGI—GTIS Holdings III, LLC and LGI—GTIS Holdings IV, LLC, each of which is presented in separate financial statements included elsewhere in this prospectus.

**Notes to Unaudited Pro Forma Statement of Operations for Year Ended December 31, 2012**

The following pro forma adjustments reflect the GTIS Transaction and the LGI Transaction as if they had been completed as of January 1, 2012. The presentation of the GTIS Transaction reflects the application of purchase accounting. The presentation of the LGI Transaction reflects the combination of entities under common control.

- (a) Eliminates our predecessor's equity in the income of the LGI/GTIS Joint Ventures.
- (b) Reflects amortization of the intangible asset recorded in the GTIS Transaction of \$0.8 million. The trade name rights have an estimated useful life of three years based upon the

timing of the majority of the forecasted revenues to be earned over the remaining development cycle of the LGI/GTIS Joint Ventures' communities. Amortization is recorded on a straight-line basis. Pro forma amortization expense was \$267,000 for the year ended December 31, 2012.

- (c) Reflects the elimination of \$2.4 million of management and warranty fees our predecessor charged to the LGI/GTIS Joint Ventures during the period pursuant to management services agreements. Effective as of the completion of the GTIS Transaction, the applicable agreements will be terminated, and the fees will no longer be charged. The corresponding charges of \$2.3 million and \$132,000 were recorded to general and administrative expense and cost of sales, respectively, by the LGI/GTIS Joint Ventures.
- (d) Reflects the incremental compensation cost of \$250,000 included in general and administrative expenses for restricted stock units to be granted to employees and non-employee directors subsequent to this offering. Concurrent with this offering, as part of our new Equity Incentive Plan, \$100,000 and \$200,000 of restricted stock units to be settled with shares of our common stock have been designated for annual awards to certain employees and the non-employee directors, respectively; the shares will vest ratably over a three year period and total compensation cost of \$300,000 will be recognized on a straight-line basis over the requisite service period resulting in annual compensation cost of \$100,000. The number of restricted stock units to be granted concurrently with this offering under the Equity Incentive Plan will be determined upon the closing of this offering based on the price of our common stock in this offering. We also intend to award to each of our employees 50 restricted stock units as a one-time bonus expected to be valued in total at approximately \$150,000; the shares vest at the end of a one year service period. Pro forma compensation cost for these awards is \$100,000 and \$150,000 for the year ended December 31, 2012, respectively.
- (e) Reflects the pro forma federal and incremental state income taxes of \$3.3 million and \$2.8 million attributable to the change in the taxable status of our predecessor as a result of the LGI Transaction and the change in the taxable status of the LGI/GTIS Joint Ventures as a result of the GTIS Transaction, respectively. State income taxes have been recognized in the results of operations of our predecessor and the LGI/GTIS Joint Ventures for the year ended December 31, 2012. Certain states require pass-through entities to pay corporate income taxes when the parent is a taxable entity for federal income tax purposes. The federal and incremental state income taxes resulting from the change to a taxable entity were calculated using an estimated 33% effective tax rate. The difference between the effective tax rate of 33% and the statutory tax rate is primarily due to the Domestic Production Activities Deduction (DPAD) calculated in accordance with the Internal Revenue Code. Since our predecessor and the LGI/GTIS Joint Ventures were pass-through entities, the DPAD reduced the taxable income of the owners of our predecessor and the LGI/GTIS Joint Ventures; we will receive the DPAD upon our conversion to a taxable entity.

- (f) The following sets forth the computation of the unaudited pro forma basic and diluted net income per share at December 31, 2012 (in thousands, except per share amounts).

	Year ended December 31, 2012
<b>Net income attributable to common stockholders (numerator):</b>	
Pro forma net income to owners	\$ 11,786
<b>Weighted-average shares outstanding (denominator):</b>	
Common shares issued	1
Common shares to be issued in the LGI Transaction	10,003
Common shares to be issued in the GTIS Transaction	409
Common shares to be issued in this offering	9,000
Pro forma basic weighted common shares outstanding	19,413
Plus: Incremental shares related to unvested restricted stock unit grants to employees, executives and non-employee directors	73
Pro forma diluted weighted common shares outstanding	19,486
Pro forma basic net income per common share	\$ 0.61
Pro forma diluted net income per common share	\$ 0.60

Pro forma basic net income per share is computed by dividing the pro forma net income available to common stockholders by the pro forma weighted average of common shares outstanding during the period. Pro forma diluted net income per share adjusts pro forma basic net income per share for the effects of employee, executive and non-employee director restricted stock unit awards in the periods in which such effects are dilutive.

Our predecessor did not declare dividends during the year ended December 31, 2012. We do not intend to declare dividends in the near future subsequent to our becoming a public company (see “Dividend Policy”).

The computation of the pro forma basic net income per share is based on the number of common shares outstanding after giving effect for the issuance of 19,412,449 shares of common stock pursuant to (i) the LGI Transaction, (ii) the GTIS Transaction, and (iii) this offering as if these issuances had occurred on January 1, 2012.

The computation of the pro forma diluted net income per share also takes into account the number of common stock equivalents outstanding determined using the treasury stock method for the 101,811 unvested restricted stock units awarded to employees and non-employee directors, and in settlement of management and executive bonuses, as if these grants had occurred on January 1, 2012.