UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2019

or

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

For the Transition Period From ______To ______

Commission File Number: 001-33662

FORESTAR GROUP INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**26-1336998**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

2221 E. Lamar Blvd., Suite 790
Arlington, Texas 76006

(Address of Principal Executive Offices, including Zip Code)

(817) 769-1860

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, par value $1.00 per share	FOR	New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $1.00 par value -- 41,959,866 shares as of July 24, 2019

FORESTAR GROUP INC.
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PART I—FINANCIAL INFORMATION

Item 1. ***Financial Statements***

FORESTAR GROUP INC.
Consolidated Balance Sheets
(Unaudited)

	June 30, 2019	September 30, 2018
	(In millions, except share data)	
ASSETS		
Cash and cash equivalents	$ 223.0	$ 318.8
Restricted cash	0.2	16.2
Total cash, cash equivalents and restricted cash	223.2	335.0
Real estate	1,049.5	498.0
Investment in unconsolidated ventures	7.3	11.7
Income taxes receivable	3.3	4.4
Property and equipment, net	2.4	1.7
Deferred tax asset, net	21.0	26.9
Other assets	18.5	15.4
TOTAL ASSETS	$ 1,325.2	$ 893.1
LIABILITIES		
Accounts payable	$ 18.8	$ 7.9
Earnest money deposits on sales contracts	84.8	49.4
Accrued expenses and other liabilities	67.4	49.6
Debt, net	458.9	111.7
TOTAL LIABILITIES	629.9	218.6
COMMITMENTS AND CONTINGENCIES (Note 13)		
EQUITY		
Forestar Group Inc. shareholders' equity:		
Common stock, par value $1.00 per share, 200,000,000 authorized shares, 41,959,866 shares issued at June 30, 2019 and 41,939,403 shares issued at September 30, 2018	42.0	41.9
Additional paid-in capital	507.3	506.3
Retained earnings	145.4	125.1
Total Forestar Group Inc. shareholders' equity	694.7	673.3
Noncontrolling interests	0.6	1.2
TOTAL EQUITY	695.3	674.5
TOTAL LIABILITIES AND EQUITY	$ 1,325.2	$ 893.1

Please read the notes to consolidated financial statements.

FORESTAR GROUP INC.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
	(In millions, except per share amounts)			
Revenues	$ 88.2	$ 23.6	$ 192.0	$ 77.0
Cost of sales	75.3	10.0	149.6	48.9
Selling, general and administrative expense	7.9	6.5	19.8	36.1
Equity in earnings of unconsolidated ventures	—	(1.0)	(0.5)	(9.6)
Gain on sale of assets	(1.5)	(1.3)	(2.4)	(4.1)
Interest expense	—	1.6	—	5.8
Interest and other income	(1.9)	(2.6)	(4.1)	(4.8)
INCOME FROM CONTINUING OPERATIONS BEFORE TAXES	8.4	10.4	29.6	4.7
Income tax expense	1.5	0.1	6.0	12.6
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	6.9	10.3	23.6	(7.9)
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAXES	—	—	—	7.2
CONSOLIDATED NET INCOME (LOSS)	6.9	10.3	23.6	(0.7)
Less: Net income attributable to noncontrolling interests	—	0.9	3.3	2.9
NET INCOME (LOSS) ATTRIBUTABLE TO FORESTAR GROUP INC.	$ 6.9	$ 9.4	$ 20.3	$ (3.6)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	42.0	41.9	42.0	41.9
Diluted	42.0	42.0	42.0	41.9
NET INCOME (LOSS) PER BASIC SHARE				
Continuing operations	$ 0.16	$ 0.22	$ 0.48	$ (0.26)
Discontinued operations	$ —	$ —	$ —	$ 0.17
NET INCOME (LOSS) PER BASIC SHARE	$ 0.16	$ 0.22	$ 0.48	$ (0.09)
NET INCOME (LOSS) PER DILUTED SHARE				
Continuing operations	$ 0.16	$ 0.22	$ 0.48	$ (0.26)
Discontinued operations	$ —	$ —	$ —	$ 0.17
NET INCOME (LOSS) PER DILUTED SHARE	$ 0.16	$ 0.22	$ 0.48	$ (0.09)

Please read the notes to consolidated financial statements.

FORESTAR GROUP INC.
Consolidated Statements of Total Equity
(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Non-controlling Interests	Total Equity
	(In millions, except share data)					
Balances at September 30, 2018 (41,939,403 shares)	$ 41.9	$ 506.3	$ 125.1	$ —	$ 1.2	$ 674.5
Net income	—	—	3.3	—	0.6	3.9
Stock issued under employee incentive plans (20,463 shares)	0.1	(0.1)	—	—	—	—
Stock-based compensation expense	—	0.1	—	—	—	0.1
Distributions to noncontrolling interests	—	—	—	—	(0.5)	(0.5)
Balances at December 31, 2018 (41,959,866 shares)	$ 42.0	$ 506.3	$ 128.4	$ —	$ 1.3	$ 678.0
Net income	—	—	10.1	—	2.7	12.8
Stock-based compensation expense	—	0.1	—	—	—	0.1
Distributions to noncontrolling interests	—	—	—	—	(3.1)	(3.1)
Balances at March 31, 2019 (41,959,866 shares)	$ 42.0	$ 506.4	$ 138.5	$ —	$ 0.9	$ 687.8
Net income	—	—	6.9	—	—	6.9
Stock-based compensation expense	—	0.9	—	—	—	0.9
Distributions to noncontrolling interests	—	—	—	—	(0.3)	(0.3)
Balances at June 30, 2019 (41,959,866 shares)	$ 42.0	$ 507.3	$ 145.4	$ —	$ 0.6	$ 695.3

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Non-controlling Interests	Total Equity
	(In millions, except share data)					
Balances at September 30, 2017 (44,803,603 shares)	$ 44.8	$ 549.4	$ 80.4	$ (44.5)	$ 1.2	$ 631.3
Net income (loss)	—	—	(17.6)	—	2.0	(15.6)
Settlement of equity awards	—	(12.8)	—	—	—	(12.8)
Retirement of treasury shares (2,864,667 shares)	(2.9)	(35.1)	(6.5)	44.5	—	—
Stock-based compensation expense	—	4.5	—	—	—	4.5
Distributions to noncontrolling interests	—	—	—	—	(1.8)	(1.8)
Balances at December 31, 2017 (41,938,936 shares)	$ 41.9	$ 506.0	$ 56.3	$ —	$ 1.4	$ 605.6
Net income	—	—	4.5	—	0.1	4.6
Stock-based compensation expense	—	0.1	—	—	—	0.1
Distributions to noncontrolling interests	—	—	—	—	(0.3)	(0.3)
Balances at March 31, 2018 (41,938,936 shares)	$ 41.9	$ 506.1	$ 60.8	$ —	$ 1.2	$ 610.0
Net income	—	—	9.4	—	0.9	10.3
Stock-based compensation expense	—	0.1	—	—	—	0.1
Distributions to noncontrolling interests	—	—	—	—	(0.2)	(0.2)
Balances at June 30, 2018 (41,938,936 shares)	$ 41.9	$ 506.2	$ 70.2	$ —	$ 1.9	$ 620.2

Please read the notes to consolidated financial statements.

FORESTAR GROUP INC.
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended June 30,	
	2019	2018
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income (loss)	$ 23.6	$ (0.7)
Adjustments:		
Depreciation and amortization	4.8	3.9
Deferred income taxes	5.9	(1.0)
Equity in earnings of unconsolidated ventures	(0.5)	(9.6)
Distributions of earnings of unconsolidated ventures	4.9	8.3
Share-based compensation	1.1	4.3
Asset impairments	0.5	9.3
Loss on debt extinguishment, net	—	0.6
Gain on sale of assets	(2.4)	(4.1)
Other	0.9	1.3
Changes in operating assets and liabilities:		
Increase in real estate	(551.5)	(274.0)
Increase in other assets	(4.1)	(2.2)
Increase in accounts payable and other accrued liabilities	30.2	11.3
Increase in earnest money deposits on sales contracts	35.4	29.7
Decrease in income taxes receivable	1.1	16.9
Net cash used in operating activities	(450.1)	(206.0)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property, equipment, software and other	(0.9)	(0.1)
Investment in unconsolidated ventures	—	(0.1)
Return of investment in unconsolidated ventures	0.1	7.4
Proceeds from sale of assets	—	228.6
Net cash (used in) provided by investing activities	(0.8)	235.8
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of debt	(85.0)	(10.6)
Additions to debt	435.0	1.5
Deferred financing fees	(6.9)	(0.2)
Distributions to noncontrolling interests, net	(3.9)	(2.2)
Settlement of equity awards	(0.1)	(12.8)
Net cash provided by (used in) financing activities	339.1	(24.3)
Net (decrease) increase in cash, cash equivalents and restricted cash	(111.8)	5.5
Cash, cash equivalents and restricted cash at beginning of period	335.0	402.2
Cash, cash equivalents and restricted cash at end of period	$ 223.2	$ 407.7

Please read the notes to consolidated financial statements.

FORESTAR GROUP INC.
Notes to Consolidated Financial Statements
(Unaudited)

Note 1 —Basis of Presentation

The accompanying unaudited, consolidated financial statements include the accounts of Forestar Group Inc. (Forestar) and all of its 100% owned, majority-owned and controlled subsidiaries, which are collectively referred to as the "Company," "we," or "our," unless the context otherwise requires. The Company accounts for its investment in other entities in which it has significant influence over operations and financial policies using the equity method. The Company eliminates all material intercompany accounts and transactions. Noncontrolling interests in consolidated pass-through entities are recognized before income taxes.

The financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, these financial statements reflect all adjustments considered necessary to fairly state the results for the interim periods shown, including normal recurring accruals and other items. These financial statements, including the consolidated balance sheet as of September 30, 2018 , which was derived from audited financial statements, do not include all of the information and notes required by GAAP for complete financial statements and should be read in conjunction with the consolidated financial statements and accompanying notes included in the Company's annual report on Form 10-KT for the nine months ended September 30, 2018 .

The Company divested substantially all of its oil and gas working interest properties in 2016 and completed the sale of all oil and gas assets and related entities in 2017. As a result of selling the entities in 2017, the Company recognized a tax benefit during the nine months ended June 30, 2018 that has been recorded as income from discontinued operations. There was no activity related to these discontinued operations during the three and nine months ended June 30, 2019 .

The transactions included in net income in the consolidated statements of operations are the same as those that would be presented in comprehensive income. Thus, the Company's net income equates to comprehensive income.

On October 5, 2017 , Forestar became a majority-owned subsidiary of D.R. Horton, Inc. (D.R. Horton) by virtue of a merger with a wholly-owned subsidiary of D.R. Horton (the Merger). Immediately following the Merger, D.R. Horton owned 75% of the Company's outstanding common stock. In connection with the Merger, the Company entered into certain agreements with D.R. Horton including a Stockholder's Agreement, a Master Supply Agreement, and a Shared Services Agreement. D.R. Horton is considered a related party of Forestar under GAAP.

Changes in Presentation and Reclassifications

Certain items have been reclassified in the prior year financial statements to conform to the presentation and classifications used in the current year. Receivables, prepaid expenses, land purchase contract deposits, and intangible assets have been reclassified to other assets in the prior year consolidated balance sheet. Accrued employee compensation and benefits, accrued property taxes, accrued interest, other accrued expenses and other liabilities have been reclassified to accrued expenses and other liabilities in the prior year consolidated balance sheet. Other operating expense and general and administrative expense have been combined into one line item which is titled selling, general and administrative expense in the prior year consolidated statement of operations. In addition, certain items have been reclassified from selling, general and administrative expenses to cost of sales in the prior year statement of operations to conform to classifications used in the current year. The Company has reclassified the change in earnest money deposits in the prior year statement of cash flows from change in accounts payable and other accrued liabilities to conform to the classifications used in the current year. The Company has reclassified real estate cost of sales, real estate development and acquisition expenditures and reimbursements from utility and improvement districts to change in real estate in the prior year statement of cash flows to conform to classifications used in the current year. The Company has reclassified proceeds from land and lot closings held for the Company's benefit at title companies in the prior year consolidated balance sheet from receivables to cash and cash equivalents to conform to the classification used in the current year. These reclassifications had no effect on the Company's consolidated operating results, balance sheet or cash flows.

In connection with the Company's adoption of Accounting Standards Update (ASU) 2016-18 on October 1, 2018, restricted cash is included with cash and cash equivalents when reconciling beginning and ending cash amounts in the consolidated statements of cash flows. Prior period amounts have been reclassified to conform to the current year presentation, resulting in a decrease in cash used in financing activities of $39.7 million for the nine months ended June 30, 2018 .

Adoption of New Accounting Standards

On October 1, 2018, the Company adopted Accounting Standards Codification 606, "Revenue from Contracts with Customers" (ASC 606), which is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services and satisfaction of performance obligations to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The Company applied the modified retrospective method to contracts that were not completed as of October 1, 2018. Results for the reporting period beginning on October 1, 2018 are presented under ASC 606, while prior period amounts were not adjusted and will continue to be reported under the previous accounting standards. Under ASC 606, the Company's performance obligations are typically satisfied at closing. However, there may be instances in which the Company has an unsatisfied remaining performance obligation at the time of closing. In these instances, the Company records contract liabilities and recognizes those revenues over time as the performance obligations are completed. Generally, the Company's unsatisfied remaining performance obligations are expected to have an original duration of less than one year. As of October 1, 2018, the Company established contract liabilities of $6.4 million related to its remaining unsatisfied performance obligations at the time of adoption of ASC 606. There was no impact to the amount or timing of revenues recognized as a result of applying ASC 606 for the three and nine months ended June 30, 2019 , and there have not been significant changes to the Company’s business processes, systems, or internal controls as a result of implementing the standard.

A summary of items impacted as the result of adopting ASC 606 follows:

	As of June 30, 2019		
	As Reported	Impact of Adoption	As Adjusted
		(In millions)	
Real estate	$ 1,049.5	$ 8.7	$ 1,040.8
Contract liabilities	9.9	9.9	—
Deferred income	9.4	(1.2)	10.6

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230), to address eight specific cash flow issues with the objective of reducing the existing diversity in practice. The updated standard is effective for financial statements issued for annual periods beginning after December 15, 2017 and interim periods within those fiscal years. The adoption of this guidance as of October 1, 2018 did not have a material impact on the Company's consolidated statements of cash flows.

In November 2016, the FASB issued ASU 2016-18, “Statement of Cash Flows - Restricted Cash,” which requires amounts generally described as restricted cash be included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statement of cash flows. The Company adopted the guidance as of October 1, 2018 on a retrospective basis and made the required changes to its statements of cash flows as described in the “Changes in Presentation and Reclassifications” section above.

In May 2017, the FASB issued ASU 2017-09, “Compensation - Stock Compensation: Scope of Modification Accounting,” which clarifies which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. Under the new guidance, modification accounting is required if the fair value, vesting conditions or classification (equity or liability) of the new award are different from the original award immediately before the original award is modified. The adoption of this guidance as of October 1, 2018 did not have a material impact on the Company's consolidated financial position, results of operations or cash flows.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires lessees to put most leases on their balance sheets but recognize expenses on their income statements in a manner that is similar to today's accounting. This guidance also eliminates today's real estate-specific provisions for all entities. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The new standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the effect the updated standard will have on our financial position, results of operations and cash flows. This guidance is effective for the Company on October 1, 2019 and is not expected to have a material impact on its consolidated financial position, results of operations and cash flows.

Note 2 —Segment Information

Historically, the Company managed its operations through its real estate segment, mineral resources segment (previously referred to as oil and gas) and other segment (previously referred to as other natural resources). During the three months ended December 31, 2018 , the Company began managing its operations through one real estate segment. As such, the operating results of the Company's real estate segment are consistent with its consolidated operating results and no separate disclosure is required as of and for the three and nine months ended June 30, 2019 . The Company's real estate segment is its core business and is expected to generate all of the Company’s revenues in fiscal 2019. The real estate segment primarily acquires land and develops infrastructure for single-family residential communities. The Company's real estate segment generates its revenues principally from sales of residential single-family finished lots to local, regional and national homebuilders.

The Company has other business activities which were presented in its other segment in prior periods. The assets and results of operations of these business activities are immaterial and are included within the Company's real estate segment in the current periods.

Additionally, as of and for the three and nine months ended June 30, 2019 , all assets and results of operations have been included in the real estate segment. In prior periods, certain costs and assets were not allocated to the Company’s segments. During the three months ended December 31, 2018 , the Company began evaluating the results of operations of its real estate segment based on income from continuing operations before income taxes. As a result, all of the Company’s results of operations have been allocated to the real estate segment for the three and nine months ended June 30, 2019 . This change in the measure of segment profit (loss) was adopted prospectively and the prior period segment results have not been adjusted to conform to the current period. In prior periods, segment earnings (loss) consist of operating income, equity in earnings (loss) of unconsolidated ventures, gain on sales of assets, interest income and net income (loss) attributable to noncontrolling interests. Items not allocated to segments in prior periods consist of general and administrative expense, share-based and long-term incentive compensation, gain on sale of timberland assets, interest expense, and other corporate interest and other income.

The accounting policies of the reporting segment is described throughout Note 1 in the Company's annual report on Form 10-KT for the nine months ended September 30, 2018 .

Total assets by segment at September 30, 2018 are as follows:

	September 30, 2018			
	Real Estate	Other	Items Not Allocated	Consolidated
	(In millions)			
Cash and cash equivalents	$ —	$ —	$ 318.8	$ 318.8
Restricted cash	—	—	16.2	16.2
Real estate	498.0	—	—	498.0
Investment in unconsolidated ventures	11.7	—	—	11.7
Income taxes receivable	—	—	4.4	4.4
Property and equipment, net	—	1.5	0.2	1.7
Deferred tax asset, net	—	—	26.9	26.9
Other assets	12.4	0.4	2.6	15.4
	$ 522.1	$ 1.9	$ 369.1	$ 893.1

Segment results for the three and nine months ended June 30, 2018 are as follows:

	Three Months Ended June 30, 2018			
	Real Estate	Other	Items Not Allocated	Consolidated
	(In millions)			
Revenues	$ 23.6	$ —	$ —	$ 23.6
Cost of sales	9.9	0.1	—	10.0
Selling, general and administrative expense	2.9	—	3.6	6.5
Equity in earnings of unconsolidated ventures	(1.0)	—	—	(1.0)
Gain on sale of assets	(1.3)	—	—	(1.3)
Interest expense	—	—	1.6	1.6
Interest and other income	(1.0)	—	(1.6)	(2.6)
Income (loss) from continuing operations before taxes	$ 14.1	$ (0.1)	$ (3.6)	$ 10.4
Net income attributable to noncontrolling interests	0.9	—	—	0.9
Income (loss) from continuing operations before taxes attributable to Forestar Group Inc.	$ 13.2	$ (0.1)	$ (3.6)	$ 9.5

	Nine Months Ended June 30, 2018			
	Real Estate	Other	Items Not Allocated	Consolidated
	(In millions)			
Revenues	$ 77.0	$ —	$ —	$ 77.0
Cost of sales	42.4	6.5	—	48.9
Selling, general and administrative expense	10.3	0.2	25.6	36.1
Equity in earnings of unconsolidated ventures	(9.6)	—	—	(9.6)
Gain on sale of assets	(4.1)	—	—	(4.1)
Interest expense	—	—	5.8	5.8
Interest and other income	(1.8)	—	(3.0)	(4.8)
Income (loss) from continuing operations before taxes	$ 39.8	$ (6.7)	$ (28.4)	$ 4.7
Net income attributable to noncontrolling interests	2.9	—	—	2.9
Income (loss) from continuing operations before taxes attributable to Forestar Group Inc.	$ 36.9	$ (6.7)	$ (28.4)	$ 1.8

Note 3 —Real Estate

Real estate consists of:

	June 30, 2019	September 30, 2018
	(In millions)	
Developed and under development projects	$ 988.7	$ 463.1
Undeveloped land	60.8	34.9
	$ 1,049.5	$ 498.0

In the nine months ended June 30, 2019 , the Company invested $476.9 million for the acquisition of residential real estate and $202.3 million for the development of residential real estate. At June 30, 2019 and September 30, 2018 , undeveloped land primarily consists of undeveloped land which the Company has the contractual right to sell to D.R. Horton within approximately one year of its purchase or, if D.R. Horton elects, at an earlier date, at a sales price equal to the carrying value of the land at the time of sale plus additional consideration which ranges from 12% to 16% per annum.

Note 4 —Revenues

On October 1, 2018, the Company adopted Accounting Standards Codification 606, "Revenue from Contracts with Customers" (ASC 606), which is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services and satisfaction of performance obligations to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The Company applied the modified retrospective method to contracts that were not completed as of October 1, 2018. Results for the reporting period beginning on October 1, 2018 are presented under ASC 606, while prior period amounts were not adjusted and will continue to be reported under the previous accounting standards. Under ASC 606 the Company's performance obligations are typically satisfied at closing. However, there may be instances in which the Company has an unsatisfied remaining performance obligation at the time of closing. In these instances, the Company records contract liabilities and recognizes those revenues over time as the performance obligations are completed. Generally, the Company's unsatisfied remaining performance obligations are expected to have an original duration of less than one year. As of October 1, 2018, the Company established contract liabilities of $6.4 million related to its remaining unsatisfied performance obligations at the time of adoption of ASC 606. There was no impact to the amount or timing of revenues recognized as a result of applying ASC 606 for the three and nine months ended June 30, 2019 .

Revenues consist of:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Residential lot sales	$ 87.6	$ 19.9	$ 171.6	$ 61.3
Residential tract sales	—	3.4	—	5.7
Commercial tract sales	—	—	18.5	9.2
Other	0.6	0.3	1.9	0.8
	$ 88.2	$ 23.6	$ 192.0	$ 77.0

In the three and nine months ended June 30, 2019 the Company recognized $1.0 million and $4.8 million of residential lot sales revenue as a result of its progress towards completion of its remaining unsatisfied performance obligations.

Note 5 —Investment in Unconsolidated Ventures

At June 30, 2019 , the Company had ownership interests in four ventures that it accounted for using the equity method. Combined summarized balance sheet and income statement information for these unconsolidated ventures follows:

	June 30, 2019	September 30, 2018
	(In millions)	
Assets:		
Cash and cash equivalents	$ 1.6	$ 10.2
Real estate	13.6	17.2
Other assets	0.1	0.1
Total assets	$ 15.3	$ 27.5
Liabilities and Equity:		
Accounts payable and other liabilities	$ 0.3	$ 0.6
Equity	15.0	26.9
Total liabilities and equity	$ 15.3	$ 27.5
Forestar's investment in unconsolidated ventures	$ 7.3	$ 11.7

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Revenues	$ 0.1	$ 2.8	$ 1.9	$ 14.8
Earnings	(0.1)	2.7	1.3	24.4
Forestar's equity in earnings of unconsolidated ventures	—	1.0	0.5	9.6

In the nine months ended June 30, 2018 , a venture in which the Company owned a 30% interest sold a multifamily project in Nashville for $71.7 million and recognized a gain of $19.0 million . The Company's share of earnings from this transaction was $7.8 million .

Note 6 —Discontinued Operations

The Company divested substantially all of its oil and gas working interest properties in 2016 and completed the sale of all oil and gas assets and related entities in 2017. As a result of selling the entities in 2017, the Company recognized a tax benefit of $7.2 million in the nine months ended June 30, 2018 that has been recorded as income from discontinued operations. There was no activity related to these discontinued operations during the nine months ended June 30, 2019 .

Note 7 —Other Assets, Accrued Expenses and Other Liabilities

The Company's other assets at June 30, 2019 and September 30, 2018 were as follows:

	June 30, 2019	September 30, 2018
	(In millions)	
Receivables, net	$ 1.4	$ 2.7
Prepaid expenses	4.0	3.1
Land purchase contract deposits	7.4	4.1
Intangible assets	—	0.5
Other assets	5.7	5.0
	$ 18.5	$ 15.4

The Company's accrued expenses and other liabilities at June 30, 2019 and September 30, 2018 were as follows:

	June 30, 2019	September 30, 2018
	(In millions)	
Accrued employee compensation and benefits	$ 5.6	$ 6.7
Accrued property taxes	1.8	1.7
Accrued interest	7.6	0.4
Contract liabilities	9.9	—
Deferred income	9.4	11.6
Other accrued expenses	30.2	27.2
Other liabilities	2.9	2.0
	$ 67.4	$ 49.6

Contract liabilities at June 30, 2019 represents the Company's unsatisfied remaining performance obligations in the development of 382 lots that have been sold to D.R. Horton which will be recognized over time as the performance obligations are completed.

Note 8 —Debt

Debt consists of:

	June 30, 2019	September 30, 2018
	(In millions)	
3.75% convertible senior notes due 2020, net of discount and fees	$ 115.5	$ 111.7
8.0% senior unsecured notes due 2024, net of fees	343.4	—
Senior unsecured revolving credit facility, maturing 2021	—	—
	$ 458.9	$ 111.7

Senior Unsecured Revolving Credit Facility

On August 16, 2018 , the Company entered into a $380 million senior unsecured revolving credit facility with an uncommitted $190 million accordion feature that could increase the size of the facility to $570 million , subject to certain conditions and availability of additional bank commitments. The facility also provides for the issuance of letters of credit with a sublimit equal to 50% of the revolving credit commitment. Borrowings under the revolving credit facility are subject to a borrowing base formula based on the book value of the Company's real estate and unrestricted cash. The maturity date of the facility is August 16, 2021 . The maturity date of the revolving credit facility may be extended by up to one year on up to three occasions, subject to approval of lenders holding a majority of the commitments. Letters of credit issued under the facility reduce the available borrowing capacity. Borrowings and repayments under the facility were $85 million each during the nine months ended June 30, 2019 . At June 30, 2019 , there were no borrowings outstanding and $21.7 million of letters of credit issued under the revolving credit facility, resulting in available borrowing capacity of $358.3 million .

The revolving credit facility includes customary affirmative and negative covenants, events of default and financial covenants. The financial covenants require a minimum level of tangible net worth, a minimum level of liquidity, and a maximum allowable leverage ratio. These covenants are measured as defined in the credit agreement governing the facility and are reported to the lenders quarterly. A failure to comply with these financial covenants could allow the lending banks to terminate the availability of funds under the revolving credit facility or cause any outstanding borrowings to become due and payable prior to maturity. At June 30, 2019 , the Company was in compliance with all of the covenants, limitations and restrictions of its revolving credit facility.

3.75% Convertible Senior Notes due 2020

At June 30, 2019 , the principal amount of the 3.75% convertible senior notes due March 2020 was $118.9 million and the unamortized debt discount was $3.1 million . The effective interest rate on the liability component was 8.0% and the carrying amount of the equity component was $16.8 million . The Company intends to settle the principal amount of these notes in cash in 2020 , with any excess conversion value to be settled in shares of its common stock. At June 30, 2019 and September 30, 2018 , the Company had $0.3 million and $0.7 million in unamortized deferred financing fees that were deducted from the carrying value of these notes.

8.0% Senior Unsecured Notes due 2024

In April 2019 , the Company issued $350 million principal amount of 8.0% senior unsecured notes pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended. The notes are due April 15, 2024 with interest payable semi-annually and represent the Company's senior unsecured obligations and rank equally with the Company's other existing and future senior unsecured indebtedness. The notes may be redeemed prior to maturity, subject to certain limitations and premiums defined in the indenture agreement. The notes are guaranteed by each of the Company's subsidiaries to the extent such subsidiaries guarantee the Company's revolving credit facility. At June 30, 2019 , the Company had $6.6 million in unamortized deferred financing fees that were deducted from the carrying value of these notes. The annual effective interest rate of the notes after giving effect to the amortization of financing costs is 8.5% .

The indenture governing the notes requires that, upon the occurrence of both a Change of Control and a Rating Decline (each as defined in the indenture), the Company offer to purchase the notes at 101% of their principal amount. If the Company or its restricted subsidiaries dispose of assets, under certain circumstances, the Company will be required to either invest the net cash proceeds from such asset sales in its business within a specified period of time, repay certain senior secured debt or debt of its non-guarantor subsidiaries, or make an offer to purchase a principal amount of the notes equal to the excess net cash proceeds at a purchase price of 100% of their principal amount. The indenture contains covenants that, among other things, restrict the ability of the Company and its restricted subsidiaries to pay dividends or distributions, repurchase equity, prepay subordinated debt and make certain investments; incur additional debt or issue mandatorily redeemable equity; incur liens on assets; merge or consolidate with another company or sell or otherwise dispose of all or substantially all of the Company's assets; enter into transactions with affiliates; and allow to exist certain restrictions on the ability of subsidiaries to pay dividends or make other payments. Certain of the covenants will not apply to the notes so long as the notes have investment grade ratings from two specified rating agencies.

At June 30, 2019 , the Company was in compliance with all of the limitations and restrictions associated with our senior note obligations.

Note 9 —Fair Value

Fair value is the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants. In arriving at a fair value measurement, the Company uses a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable. The three levels of inputs used to establish fair value are the following:

- Level 1 — Quoted prices in active markets for identical assets or liabilities;
- Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company elected not to use the fair value option for cash and cash equivalents, restricted cash and debt.

For the financial assets and liabilities that the Company does not reflect at fair value, the following tables present both their respective carrying value and fair value at June 30, 2019 and September 30, 2018 .

		Fair Value at June 30, 2019			
	Carrying Value	Level 1	Level 2	Level 3	Total
			(in millions)		
Cash and cash equivalents [(a)]	$ 223.0	$ 223.0	$ —	$ —	$ 223.0
Restricted cash [(a)]	0.2	0.2	—	—	0.2
Debt [(b)]	465.8	—	485.8	—	485.8

		Fair Value at September 30, 2018			
	Carrying Value	Level 1	Level 2	Level 3	Total
			(in millions)		
Cash and cash equivalents [(a)]	$ 318.8	$ 318.8	$ —	$ —	$ 318.8
Restricted cash [(a)]	16.2	16.2	—	—	16.2
Debt [(b)]	112.4	—	113.2	—	113.2

[(a)] The fair values of cash, cash equivalents and restricted cash approximate their carrying values due to their short-term nature and are classified as Level 1 within the fair value hierarchy.

[(b)] The fair value of the convertible senior notes and the senior unsecured notes is determined based on quoted prices, which is classified as Level 2 within the fair value hierarchy.

Non-financial assets measured at fair value on a non-recurring basis principally include real estate assets which are measured for impairment.

Non-financial assets measured at fair value on a non-recurring basis are as follows:

	June 30, 2019				September 30, 2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
				(In millions)				
Real estate	$ —	$ —	$ —	$ —	$ —	$ 0.2	$ —	$ 0.2

At September 30, 2018 , the Company based the valuations of its real estate primarily on offers received from third parties.

Note 10 —Net Income per Share

The computations of basic and diluted earnings per share are as follows:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
	(In millions, except share data)			
Numerator:				
Continuing operations				
Net income (loss) from continuing operations	$ 6.9	$ 10.3	$ 23.6	$ (7.9)
Less: Net income attributable to noncontrolling interest	—	0.9	3.3	2.9
Net income (loss) from continuing operations attributable to Forestar Group Inc.	$ 6.9	$ 9.4	$ 20.3	$ (10.8)
Discontinued operations				
Net income from discontinued operations available for diluted earnings per share	$ —	$ —	$ —	$ 7.2
Denominator:				
Weighted average common shares outstanding — basic	41,959,866	41,938,936	41,957,408	41,945,099
Dilutive effect of share based compensation	50,355	27,377	20,931	—
Total weighted average shares outstanding — diluted	42,010,221	41,966,313	41,978,339	41,945,099
Anti-dilutive awards excluded from diluted weighted average shares	—	—	—	28,558

The Company intends to settle the principal amount of its convertible senior notes in cash with any excess conversion value to be settled in shares of its common stock. Therefore, only the amount in excess of the par value of the notes will be included in the calculation of diluted net income per share using the treasury stock method. As such, the notes have no impact on diluted net income per share until the price of the Company's common stock exceeds the conversion price of the notes of $51.42 . The price of the Company's common stock did not exceed the conversion price so the notes had no impact on diluted net income per share in any of the periods presented.

Note 11 —Income Taxes

The Company's effective tax rate from continuing operations was 18% and 20% for the three and nine months ended June 30, 2019 . The Company’s effective tax rate is less than the statutory tax rate primarily due to tax benefits for noncontrolling interests. The Company's effective tax rate from continuing operations was 1% for the three months ended June 30, 2018 , which included the impact of the Tax Cuts and Jobs Act (Tax Act) and a tax benefit from the release of a portion of its valuation allowance as the result of the realization of certain deferred tax assets. The Company’s effective tax rate from continuing operations was 268% for the nine months ended June 30, 2018 which included nondeductible transaction costs related to the Merger, the impairment of nondeductible goodwill related to the Company's oil and gas operations, other adjustments to the Company's valuation allowance as a result of the generation and utilization of its deferred tax assets, and the impact of the Tax Act. The Company’s effective tax rates for all periods include the effect of state income taxes, nondeductible items and benefits for noncontrolling interests.

At June 30, 2019 and September 30, 2018 , deferred tax assets, net of deferred tax liabilities, were $24.3 million and $30.3 million , offset by a valuation allowance of $3.3 million and $3.4 million for the portion of the deferred tax assets that the Company has determined is more likely than not to be unrealizable. The valuation allowance was recorded because it is more likely than not that a portion of the Company's state deferred tax assets, primarily net operating loss (NOL) carryforwards, will not be realized because the Company is no longer operating in some states or the NOL carryforward periods are too brief to realize the related deferred tax asset. The Company will continue to evaluate both the positive and negative evidence in determining the need for a valuation allowance on its deferred tax assets. Any reversal of the valuation allowance in future periods will impact the effective tax rate.

On October 5, 2017 , D.R. Horton Inc. acquired 75% of the Company’s common stock resulting in an ownership change under Section 382 of the Internal Revenue Code. Section 382 limits the Company’s ability to use certain tax attributes and built-in losses and deductions in a given year. The Company’s tax attributes or built-in losses and deductions that were limited in 2017 or 2018 are expected to be fully utilized in future years with the exception of some state NOL carryforwards.

The Company's unrecognized tax benefits totaled $1.1 million at June 30, 2019 , all of which would affect its effective tax rate, if recognized.

Note 12 —Stockholders' Equity and Stock Based Compensation

Stockholders' Equity

The Company has an effective shelf registration statement filed with the Securities and Exchange Commission (SEC) on September 24, 2018 , which became effective on October 4, 2018 , registering $500 million of equity securities.

Restricted Stock Units (RSUs)

The Company’s Stock Incentive Plan provides for the granting of stock options and restricted stock units to executive officers, other key employees and non-management directors. Restricted stock unit awards may be based on performance (performance-based) or on service over a requisite time period (time-based). Performance-based and time-based RSU equity awards represent the contingent right to receive one share of the Company’s common stock per RSU if the vesting conditions and/or performance criteria are satisfied. The RSUs have no voting rights until vested.

During the three months ended June 30, 2019 , a total of 149,400 time-based RSUs were granted. The weighted average grant date fair value of these equity awards was $20.24 per unit, and they vest annually in equal installments over periods of three to five years . Stock based compensation expense for the three and nine months ended June 30, 2019 was $0.9 million and $1.1 million and in both periods includes $0.6 million of stock based compensation expense related to employees that were retirement eligible on the date of grant.

Note 13 —Commitments and Contingencies

Contractual Obligations and Off-Balance Sheet Arrangements

In support of our residential lot development business, we have a surety bond program that provides financial assurance to beneficiaries related to the execution and performance of certain development obligations. At June 30, 2019 , the Company had $111.4 million of surety bonds outstanding.

Litigation

The Company is involved in various legal proceedings that arise from time to time in the ordinary course of business and believes that adequate reserves have been established for any probable losses. The Company does not believe that the outcome of any of these proceedings will have a significant adverse effect on its financial position, long-term results of operations or cash flows. It is possible, however, that charges related to these matters could be significant to the Company's results or cash flows in any one accounting period.

Note 14 —Related Party Transactions

On October 6, 2017 , the Company entered into a Shared Services Agreement with D.R. Horton whereby D.R. Horton provides the Company with certain administrative, compliance, operational and procurement services. During the nine months ended June 30, 2019 and 2018 , the Company paid D.R. Horton $1.6 million and $0.6 million for these shared services and $1.1 million and $0.6 million for the cost of health insurance and other employee benefits. These expenses are included within selling, general and administrative expense in the consolidated statement of operations.

Under the terms of the Master Supply Agreement with D.R. Horton, both companies identify land development opportunities to expand Forestar's portfolio of assets. At June 30, 2019 , the Company owned or controlled through option purchase contracts approximately 37,400 residential lots, of which approximately 13,900 are under contract to sell to D.R. Horton. Additionally, D.R. Horton has the right of first offer on approximately 10,200 of these residential lots based on executed purchase and sale agreements. At June 30, 2019 and September 30, 2018 , the Company had earnest money deposit liabilities of $83.7 million and $45.3 million related to earnest money deposits from land and lot option purchase contracts with D.R. Horton. In the three months ended June 30, 2019 , the Company sold 995 residential lots to D.R. Horton for $75.2 million . In the nine months ended June 30, 2019 , the Company sold 1,903 residential lots to D.R. Horton for $145.4 million . In the three months ended June 30, 2018 , the Company sold 141 residential lots to D.R. Horton for $10.1 million and 79 residential tract acres to D.R. Horton for $2.0 million . In the nine months ended June 30, 2018 , the Company sold 324 residential lots to D.R. Horton for $18.6 million and 79 residential tract acres to D.R. Horton for $2.0 million . In addition, the net impact of the change in contract liabilities or revenue deferrals decreased revenues on lot sales to D.R. Horton by $2.0 million and $3.6 million in the three and nine months ended June 30, 2019 and $3.2 million in both the three and nine months ended June 30, 2018 . At June 30, 2019 , the Company had contract liabilities of $9.9 million related to its unsatisfied remaining performance obligations in the development of 382 lots that have been sold to D.R. Horton which will be recognized over time as the performance obligations are completed.

During the three and nine months ended June 30, 2019 , the Company reimbursed D.R. Horton approximately $10.8 million and $27.6 million for previously paid earnest money and $4.7 million and $8.4 million for pre-acquisition and other due diligence and development costs related to land purchase contracts whereby D.R. Horton assigned its rights under these land purchase contracts to the Company. During the three and nine months ended June 30, 2018 , the Company reimbursed D.R. Horton approximately $2.9 million and $16.9 million for previously paid earnest money and $4.6 million and $12.8 million for pre-acquisition and other due diligence and development costs.

During the three and nine months ended June 30, 2019, the Company paid D.R. Horton $0.6 million and $1.4 million for land development services and $0.1 million for these services in both prior year periods. These amounts are included in cost of sales in the Company’s consolidated statements of operations.

At June 30, 2019 and September 30, 2018 , undeveloped land was $60.8 million and $ 34.9 million . Undeveloped land primarily consists of undeveloped land which the Company has the contractual right to sell to D.R. Horton within approximately one year of its purchase or, if D.R. Horton elects, at an earlier date, at a sales price equal to the carrying value of the land at the time of sale plus additional consideration which ranges from 12% to 16% per annum.

At June 30, 2019 and September 30, 2018 , accrued expenses and other liabilities on the Company's consolidated balance sheets included $0.7 million and $3.3 million owed to D.R. Horton for any accrued and unpaid shared service charges, land purchase contract deposits and due diligence and other development cost reimbursements.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our financial statements and related notes included in this quarterly report and our 2018 Annual Report on Form 10-KT.

Forward-Looking Statements

This Quarterly Report on Form 10-Q and other materials we have filed or may file with the Securities and Exchange Commission contain "forward-looking statements" within the meaning of the federal securities laws. These forward-looking statements are identified by their use of terms and phrases such as "believe," "anticipate," "could," "estimate," "likely," "intend," "may," "plan," "expect," and similar expressions, including references to assumptions. These statements reflect our current views with respect to future events and are subject to risks and uncertainties. We note that a variety of factors and uncertainties could cause our actual results to differ significantly from the results discussed in the forward-looking statements. Factors and uncertainties that might cause such differences include, but are not limited to:

- the effect of D.R. Horton, Inc.'s (D.R. Horton) controlling level of ownership on us and our stockholders and holders of notes;
- our ability to realize the potential benefits of the strategic relationship with D.R. Horton;
- the effect of our strategic relationship with D.R. Horton on our ability to maintain relationships with our vendors and customers;
- demand for new housing, which can be affected by a number of factors including the availability of mortgage credit, job growth and fluctuations in interest rates;
- competitive actions by other companies;
- accuracy of estimates and other assumptions related to investment in and development of real estate, the expected timing and pricing of land and lot sales and related cost of real estate sales;
- our ability to hire and retain key personnel;
- changes in governmental policies, laws or regulations and actions or restrictions of regulatory agencies;
- general economic, market or business conditions where our real estate activities are concentrated;
- our ability to achieve our strategic initiatives;
- our ability to obtain future entitlement and development approvals;
- our partners' ability to fund their capital commitments and otherwise fulfill their operating and financial obligations;
- our ability to obtain or the availability of surety bonds to secure our performance related to construction and development activities and the pricing of bonds;
- obtaining reimbursements and other payments from special improvement districts and other agencies and timing of such payments;
- the levels of resale housing inventory in our development projects and the regions in which they are located;
- fluctuations in costs and expenses, including impacts from shortages in materials or labor;
- the opportunities (or lack thereof) that may be presented to us and that we may pursue;
- the strength of our information technology systems and the risk of cybersecurity breaches;
- the conditions of the capital markets and our ability to raise capital to fund expected growth; and
- our ability to comply with our debt covenants, restrictions and limitations.

Other factors, including the risk factors described in Item 1A of our 2018 Annual Report on Form 10-KT and in Part II Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2019 , may also cause actual results to differ materially from those projected by our forward-looking statements. New factors emerge from time to time and it is not possible for us to predict all such factors, nor can we assess the impact of any such factor on our business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement.

Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by law, we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events.

Our Operations

We are a residential lot development company with operations in 50 markets in 20 states as of June 30, 2019 . In October 2017, we became a majority-owned subsidiary of D.R. Horton. Our alignment with and support from D.R. Horton provides us an opportunity to grow our business into a national, well-capitalized residential lot developer selling lots to D.R. Horton and other homebuilders. As our controlling shareholder, D.R. Horton has significant influence in guiding our strategic direction and operations. Our strategy is focused on making investments in land acquisition and development to expand our residential lot development business into a geographically diversified national platform. We are primarily investing in short duration, phased development projects that generate returns similar to production-oriented homebuilders. This strategy is a unique, lower-risk business model that we expect will produce more consistent returns than other public and private land developers.

Discontinued Operations

We divested substantially all of our oil and gas working interest properties in 2016 and completed the sale of all oil and gas assets and related entities in 2017. As a result of selling the entities in 2017, we recognized a tax benefit of $7.2 million in the nine months ended June 30, 2018 that has been recorded as income from discontinued operations. There was no activity related to these discontinued operations during the three and nine months ended June 30, 2019 .

Business Segments

Historically, we managed our operations through our real estate segment, mineral resources segment (previously referred to as oil and gas) and other segment (previously referred to as other natural resources). During the three months ended December 31, 2018, we began managing our operations through one real estate segment. As such, the operating results of our real estate segment are consistent with our consolidated operating results and no separate disclosure is required as of and for the three and nine months ended June 30, 2019 . Our real estate segment is our core business and is expected to generate all of our revenues in fiscal 2019. The real estate segment primarily acquires land and develops infrastructure for single-family residential communities. Our real estate segment generates its revenues principally from sales of residential single-family finished lots to local, regional and national homebuilders.

We have other business activities which were presented in our other segment in prior periods. The assets and results of operations of these business activities are immaterial and are included in our real estate segment in the current periods.

Additionally, as of and for the three and nine months ended June 30, 2019 , all assets and results of operations have been included in the real estate segment. In prior periods, certain costs and assets were not allocated to the segments. During the three months ended December 31, 2018, we began evaluating the results of operations of our real estate segment based on income from continuing operations before income taxes. As a result, all of our results of operations have been allocated to the real estate segment for the three and nine months ended June 30, 2019 . This change in the measure of segment profit (loss) has been adopted prospectively and the prior period segment results have not been adjusted to conform to the current period. In prior periods, segment earnings (loss) consist of operating income, equity in earnings (loss) of unconsolidated ventures, gain on sales of assets, interest income and net income (loss) attributable to noncontrolling interests. Items not allocated to segments in prior periods consist of general and administrative expense, share-based and long-term incentive compensation, gain on sale of timberland assets, interest expense, and other corporate interest and other income.

Results of Operations

Real estate segment results for the three and nine months ended June 30, 2019 were:

	Three Months Ended June 30, 2019	Nine Months Ended June 30, 2019
	(In millions)	
Revenues	$ 88.2	$ 192.0
Cost of sales	75.3	149.6
Selling, general and administrative expense	7.9	19.8
Equity in earnings of unconsolidated ventures	—	(0.5)
Gain on sale of assets	(1.5)	(2.4)
Interest expense	—	—
Interest and other income	(1.9)	(4.1)
Income from continuing operations before taxes	$ 8.4	$ 29.6

Segment results for the three and nine months ended June 30, 2018 were:

	Three Months Ended June 30, 2018			
	Real Estate	Other	Items Not Allocated	Consolidated
	(In millions)			
Revenues	$ 23.6	$ —	$ —	$ 23.6
Cost of sales	9.9	0.1	—	10.0
Selling, general and administrative expense	2.9	—	3.6	6.5
Equity in earnings of unconsolidated ventures	(1.0)	—	—	(1.0)
Gain on sale of assets	(1.3)	—	—	(1.3)
Interest expense	—	—	1.6	1.6
Interest and other income	(1.0)	—	(1.6)	(2.6)
Income (loss) from continuing operations before taxes	$ 14.1	$ (0.1)	$ (3.6)	$ 10.4
Net income attributable to noncontrolling interests	0.9	—	—	0.9
Income (loss) from continuing operations before taxes attributable to Forestar Group Inc.	$ 13.2	$ (0.1)	$ (3.6)	$ 9.5

	Nine Months Ended June 30, 2018			
	Real Estate	Other	Items Not Allocated	Consolidated
	(In millions)			
Revenues	$ 77.0	$ —	$ —	$ 77.0
Cost of sales	42.4	6.5	—	48.9
Selling, general and administrative expense	10.3	0.2	25.6	36.1
Equity in earnings of unconsolidated ventures	(9.6)	—	—	(9.6)
Gain on sale of assets	(4.1)	—	—	(4.1)
Interest expense	—	—	5.8	5.8
Interest and other income	(1.8)	—	(3.0)	(4.8)
Income (loss) from continuing operations before taxes	$ 39.8	$ (6.7)	$ (28.4)	$ 4.7
Net income attributable to noncontrolling interests	2.9	—	—	2.9
Income (loss) from continuing operations before taxes attributable to Forestar Group Inc.	$ 36.9	$ (6.7)	$ (28.4)	$ 1.8

Real Estate

We are a residential lot development company with operations in 50 markets and 20 states as of June 30, 2019 . Our real estate segment primarily acquires land and develops infrastructure for single-family residential communities. Our real estate segment revenues are principally derived from the sales of residential single-family lots that we have developed. Our real estate segment also makes short term investments in finished lots (lot banking) and undeveloped land with the intent to sell these assets within a short time period, primarily to D.R. Horton, utilizing available capital prior to its deployment into longer term lot development projects.

Residential lots sold consist of:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
Development projects	723	294	1,597	767
Lot banking projects	435	3	627	89
	1,158	297	2,224	856
Average sales price per lot [a]	$ 77,400	$ 77,900	$ 78,800	$ 75,300

[a] Excludes any impact from change in contract liabilities or deferred revenue.

Revenues consist of:

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2019	2018	2019	2018
	(In millions)			
Residential lot sales:				
Development projects	$ 59.0	$ 23.0	$ 129.7	$ 61.8
Lot banking projects	30.6	0.1	45.5	2.7
Change in contract liabilities or deferred revenue	(2.0)	(3.2)	(3.6)	(3.2)
	87.6	19.9	171.6	61.3
Residential tract sales	—	3.4	—	5.7
Commercial tract sales	—	—	18.5	9.2
Other	0.6	0.3	1.9	0.8
	$ 88.2	$ 23.6	$ 192.0	$ 77.0

Residential lots sold and residential lot sales revenues have increased in all periods presented primarily due to our strategic relationship with D.R. Horton. In the three months ended June 30, 2019 , we sold 995 residential lots to D.R. Horton for $75.2 million . In the nine months ended June 30, 2019 , we sold 1,903 residential lots to D.R. Horton for $145.4 million . In the three months ended June 30, 2018 , we sold 141 residential lots to D.R. Horton for $10.1 million . In the nine months ended June 30, 2018 , we sold 324 residential lots to D.R. Horton for $18.6 million . At June 30, 2019 , our lot position consisted of 37,400 residential lots, of which approximately 28,800 were owned and 8,600 were controlled through option purchase contracts. Of our total owned and controlled lots, approximately 13,900 are under contract to sell to D.R. Horton. Additionally, D.R. Horton has the right of first offer on approximately 10,200 of these residential lots based on executed purchase and sale agreements. At June 30, 2019 , lots owned included approximately 4,500 that are fully developed, of which approximately 3,000 are related to lot banking. At June 30, 2019 , we have approximately 200 lots under contract to sell to builders other than D.R. Horton.

Residential tract sales for the three and nine months ended June 30, 2018 includes the sale of 79 residential tract acres to D.R. Horton for $2.0 million .

Commercial tract sales principally consist of the sale of tracts to commercial developers that specialize in the construction and operation of income producing properties such as apartments, retail centers, or office buildings. The commercial tract sales revenues in the nine months ended June 30, 2019 relate primarily to the sale of 49 acres from a consolidated venture for $ 17.7 million .

Cost of sales in the three and nine months ended June 30, 2019 increased as compared to the prior year periods primarily due to the increases in the number of lots sold.

Consolidated selling, general and administrative expense in the nine months ended June 30, 2018 includes $18.1 million in costs incurred as a result of the Merger.

Equity in earnings from unconsolidated ventures in the nine months ended June 30, 2018 includes $7.8 million which represents our share of a gain from the sale of a multifamily project in Nashville from a venture in which we owned a 30% interest.

Gain on sale of assets in the three months ended June 30, 2019 and June 30, 2018 primarily consists of gains associated with the reduction of our remaining obligation in connection with the Cibolo Canyons Special Improvement District (CCSID) issuance of bonds in 2014. As our obligation expires over time, deferred gains are recognized. Gain on sale of assets in the nine months ended June 30, 2019 also includes a gain of $0.9 million of excess hotel occupancy and sales and use tax revenues from CCSID. Gain on sale of assets in the nine months ended June 30, 2018 also includes a gain of $2.0 million related to the sale of our interest in a venture and a gain of $0.7 million related to our strategic sale of assets.

The decrease in interest expense in the three and nine months ended June 30, 2019 compared to the three and nine months ended June 30, 2018 , is due to an increase in our active real estate development projects which resulted in the capitalization of all interest costs to real estate inventory in the current year periods.

Interest and other income principally represents interest earned on our cash deposits.

Other

In the nine months ended June 30, 2018 , we recorded a non-cash impairment charge of $5.8 million primarily related to our central Texas water assets which is included within cost of sales.

Income Taxes

Our effective tax rate from continuing operations was 18% and 20% for the three and nine months ended June 30, 2019 . Our effective tax rate is less than the statutory tax rate primarily due to tax benefits for noncontrolling interests. Our effective tax rate from continuing operations was 1% for the three months ended June 30, 2018 , which included the impact of the Tax Cuts and Jobs Act (Tax Act) and a tax benefit from the release of a portion of our valuation allowance as the result of the realization of certain deferred tax assets. Our effective tax rate from continuing operations was 268% for the nine months ended June 30, 2018 which included nondeductible transaction costs related to the Merger, the impairment of nondeductible goodwill related to our oil and gas operations, other adjustments to our valuation allowance as a result of the generation and utilization of our deferred tax assets, and the impact of the Tax Act. The effective tax rates for all periods include the effect of state income taxes, nondeductible items and benefits for noncontrolling interests.

At June 30, 2019 and September 30, 2018 , deferred tax assets, net of deferred tax liabilities, were $24.3 million and $30.3 million , offset by a valuation allowance of $3.3 million and $3.4 million for the portion of the deferred tax assets that we have determined is more likely than not to be unrealizable. The valuation allowance was recorded because it is more likely than not that a portion of our state deferred tax assets, primarily net operating loss (NOL) carryforwards, will not be realized because we are no longer operating in some states or the NOL carryforward periods are too brief to realize the related deferred tax asset. We will continue to evaluate both the positive and negative evidence in determining the need for a valuation allowance on our deferred tax assets. Any reversal of the valuation allowance in future periods will impact our effective tax rate.

On October 5, 2017 , D.R. Horton Inc. acquired 75% of our common stock resulting in an ownership change under Section 382 of the Internal Revenue Code. Section 382 limits our ability to use certain tax attributes and built-in losses and deductions in a given year. Our tax attributes or built-in losses and deductions that were limited in 2017 or 2018 are expected to be fully utilized in future years with the exception of some state NOL carryforwards.

Our unrecognized tax benefits totaled $1.1 million at June 30, 2019 , all of which would affect our effective tax rate, if recognized.

Liquidity and Capital Resources

Liquidity

The Merger and strategic relationship with D.R. Horton has provided us with an opportunity for substantial growth. Since the Merger, we have funded our growth with available cash, borrowings under our revolving credit facility and the issuance of senior unsecured notes. In August 2018, we entered into a $380 million senior unsecured revolving credit facility, in September 2018 we filed a shelf registration statement with the SEC registering $500 million of equity securities and in April 2019 we issued $350 million principal amount of 8.0% senior unsecured notes. At June 30, 2019, our ratio of net debt to total capital (debt net of unrestricted cash divided by stockholders' equity plus debt net of unrestricted cash) was 25.3%. Over the long term, we intend to maintain our ratio of net debt to total capital at or below 40%. We believe that the ratio of net debt to total capital is useful in understanding the leverage employed in our operations.

Our ability to achieve our long-term growth objectives will depend on our ability to obtain financing in sufficient capacities. We regularly evaluate alternatives for managing our capital structure and liquidity profile in consideration of expected cash flows, growth and operating capital requirements and capital market conditions. As market conditions permit, we may, at any time, be considering or preparing for the purchase or sale of our common stock, debt securities, convertible securities or a combination thereof.

Senior Unsecured Revolving Credit Facility

On August 16, 2018 , we entered into a $380 million senior unsecured revolving credit facility with an uncommitted $190 million accordion feature that could increase the size of the facility to $570 million , subject to certain conditions and availability of additional bank commitments. The facility also provides for the issuance of letters of credit with a sublimit equal to 50% of the revolving credit commitment. Borrowings under the revolving credit facility are subject to a borrowing base formula based on the book value of our real estate and unrestricted cash. The maturity date of the facility is August 16, 2021 . The maturity date of the revolving credit facility may be extended by up to one year on up to three occasions, subject to approval of lenders holding a majority of the commitments. Letters of credit issued under the facility reduce the available borrowing capacity. Borrowings and repayments under the facility were $85 million each during the nine months ended June 30, 2019 . At June 30, 2019 , there were no borrowings outstanding and $21.7 million of letters of credit issued under the revolving credit facility, resulting in available borrowing capacity of $358.3 million .

The revolving credit facility includes customary affirmative and negative covenants, events of default and financial covenants. The financial covenants require a minimum level of tangible net worth, a minimum level of liquidity, and a maximum allowable leverage ratio. These covenants are measured as defined in the credit agreement governing the facility and are reported to the lenders quarterly. A failure to comply with these financial covenants could allow the lending banks to terminate the availability of funds under the revolving credit facility or cause any outstanding borrowings to become due and payable prior to maturity. At June 30, 2019 , we were in compliance with all of the covenants, limitations and restrictions of our revolving credit facility.

3.75% Convertible Senior Notes due 2020

At June 30, 2019 , the principal amount of the 3.75% convertible senior notes due March 2020 was $118.9 million and the unamortized debt discount was $3.1 million . The effective interest rate on the liability component was 8.0% and the carrying amount of the equity component was $16.8 million . We intend to settle the principal amount of these notes in cash in 2020 , with any excess conversion value to be settled in shares of our common stock. At June 30, 2019 and September 30, 2018 , we had $0.3 million and $0.7 million in unamortized deferred financing fees that were deducted from the carrying value of these notes.

8.0% Senior Unsecured Notes due 2024

In April 2019 , we issued $350 million principal amount of 8.0% senior unsecured notes pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended. The notes are due April 15, 2024 with interest payable semi-annually and represent our senior unsecured obligations and rank equally with our other existing and future senior unsecured consolidated indebtedness. The notes may be redeemed prior to maturity, subject to certain limitations and premiums defined in the indenture agreement. The notes are guaranteed by each of the Company's subsidiaries to the extent such subsidiaries guarantee the Company's revolving credit facility. At June 30, 2019 , we had $6.6 million in unamortized deferred financing fees that were deducted from the carrying value of these notes. The annual effective interest rate of the notes after giving effect to the amortization of financing costs is 8.5% .

The indenture governing the notes requires that, upon the occurrence of both a Change of Control and a Rating Decline (each as defined in the indenture), the Company offer to purchase the notes at 101% of their principal amount. If the Company or its restricted subsidiaries dispose of assets, under certain circumstances, the Company will be required to either invest the net cash proceeds from such asset sales in its business within a specified period of time, repay certain senior secured debt or debt of its non-guarantor subsidiaries, or make an offer to purchase a principal amount of the notes equal to the excess net cash proceeds at a purchase price of 100% of their principal amount. The indenture contains covenants that, among other things, restrict the ability of the Company and its restricted subsidiaries to pay dividends or distributions, repurchase equity, prepay subordinated debt and make certain investments; incur additional debt or issue mandatorily redeemable equity; incur liens on assets; merge or consolidate with another company or sell or otherwise dispose of all or substantially all of the Company’s assets; enter into transactions with affiliates; and allow to exist certain restrictions on the ability of subsidiaries to pay dividends or make other payments. Certain of the covenants will not apply to the notes so long as the notes have investment grade ratings from two specified rating agencies.

At June 30, 2019 , we were in compliance with all of the limitations and restrictions associated with our senior note obligations.

Contractual Obligations and Off-Balance Sheet Arrangements

In support of our residential lot development business, we have a surety bond program that provides financial assurance to beneficiaries related to the execution and performance of our business. At June 30, 2019 , we had $111.4 million of surety bonds outstanding.

Cash Flows from Operating Activities

In the nine months ended June 30, 2019 , net cash used in operating activities was $450.1 million compared to $206.0 million in the nine months ended June 30, 2018 . The increase in net cash used in operating activities year over year was principally due to higher real estate acquisition and development expenditures as a result of our strategy to grow our company into a national lot developer.

Cash Flows from Investing Activities

In the nine months ended June 30, 2019 , we used $0.8 million of net cash in investing activities compared to $235.8 million in net cash provided by investing activities in the nine months ended June 30, 2018 , which was principally the result of the proceeds from the strategic sale of assets.

Cash Flows from Financing Activities

In the nine months ended June 30, 2019 , net cash provided by financing activities was $339.1 million compared to $24.3 million in net cash used in financing activities in the nine months ended June 30, 2018 . The net cash provided in the current year period was principally due to the issuance of $350 million principal amount of 8.0% senior notes due April 2024 . The net cash used in the prior year was principally due to $10.6 million of debt payments and $12.8 million of payments to settle share-based awards related to the Merger.

Critical Accounting Policies and Estimates

There have been no significant changes in our critical accounting policies or estimates from those disclosed in our 2018 Annual Report on Form 10-KT.

New and Pending Accounting Pronouncements

Please read **Note 1—Basis of Presentation** to the consolidated financial statements included in this Quarterly Report on Form 10-Q.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Interest Rate Sensitivity

We are subject to interest rate risk on our long-term debt. We monitor our exposure to changes in interest rates and utilize both fixed and variable rate debt. For fixed rate debt, changes in interest rates generally affect the fair value of the debt instrument, but not our earnings or cash flows. Conversely, for variable rate debt, changes in interest rates generally do not impact the fair value of the debt instrument, but may affect our future earnings and cash flows. Except in very limited circumstances, we do not have an obligation to prepay fixed-rate debt prior to maturity and, as a result, interest rate risk and changes in fair value would not have a significant impact on our cash flows related to our fixed-rate debt until such time as we are required to refinance, repurchase or repay such debt.

Our fixed rate debt consists of $118.9 million principal amount of 3.75% convertible senior notes due March 2020 and $350 million principal amount of 8.0% senior notes due April 2024 . Our variable rate debt consists of a $380 million senior unsecured revolving credit facility due August 2021 . At June 30, 2019 , we had no borrowings outstanding under the revolving credit facility.

Foreign Currency Risk

We have no exposure to foreign currency fluctuations.

Commodity Price Risk

We have no significant exposure to commodity price fluctuations.

Item 4. ***Controls and Procedures***

(a) Disclosure Controls and Procedures

Our management, with the participation of the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (or the Exchange Act)), as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures were effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control over Financial Reporting

During the three months ended June 30, 2019, the Company implemented a new general ledger and accounts payable system to standardize accounting systems with D.R. Horton and improve management reporting. As a result of this implementation we have updated our control activities impacted by the change. Pre-implementation testing and post-implementation reviews were conducted by management to ensure that internal controls surrounding the system implementation process, the application, and the closing process were properly designed to prevent material financial statement errors. Such procedures included the review of required documents, user acceptance testing, change management procedures, assessment of access controls, data migration processes and reconciliations.

PART II—OTHER INFORMATION

Item 1. *Legal Proceedings*

We are involved in various legal proceedings that arise from time to time in the ordinary course of our business. We believe we have established adequate reserves for any probable losses and that the outcome of any of the proceedings should not have a material adverse effect on our financial position or long-term results of operations or cash flows. It is possible, however, that charges related to these matters could be significant to our results of operations or cash flow in any single accounting period.

Item 1A. *Risk Factors*

There are no material changes to the risk factors disclosed in our 2018 Annual Report on Form 10-KT, as supplemented by the risk factors disclosed in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019.

Item 6. *Exhibits*

Exhibit	Description
4.1	Indenture, dated as of April 12, 2019, by and among Forestar Group Inc., the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 of the Company’s Current Report on Form 8-K filed with the Commission on April 12, 2019).
10.1†*	Form of Restricted Stock Unit Award Agreement (Employee) pursuant to the Company's 2018 Stock Incentive Plan.
10.2†*	Form of Restricted Stock Unit Award Agreement (Director) pursuant to the Company's 2018 Stock Incentive Plan.
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.1**	The following materials from Forestar’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Total Equity, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements.

*	Filed or furnished herewith.
**	Submitted electronically herewith.
†	Management contract or compensatory plan or arrangement.

SIGNATURE

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 thereunto duly authorized.

FORESTAR GROUP INC.

Date: July 30, 2019	By:	/s/ Charles D. Jehl
		Charles D. Jehl
		Chief Financial Officer
		(Principal Financial and Principal Accounting Officer)

Exhibit 10.1

FORESTAR GROUP INC.

RESTRICTED STOCK UNIT AWARD AGREEMENT

EMPLOYEE

[Grant Date]

Forestar Group Inc. , a Delaware corporation ***(the " Company ")*** , pursuant to the Forestar Group Inc. 2018 Stock Incentive Plan, as the same may be amended from time to time ***(the " 2018 SIP ")*** , hereby grants **[Participant Name]** ***(the " Participant ")*** a Restricted Stock Unit Award ***(" Award ")*** as set forth below. This Award is subject to the terms and conditions set forth in this Restricted Stock Unit Award Agreement ***(this " Agreement ")*** and in the 2018 SIP (a copy of which is attached to this Agreement). The Administrator of this Award under the 2018 SIP is the Compensation Committee of the Board of Directors ***(the " Administrator ")*** of the Company and it shall determine or resolve any conflicts in this Agreement and the 2018 SIP. Capitalized terms not defined herein are defined in the 2018 SIP.

1. Terms . Each Restricted Stock Unit represents the right to receive one Share, subject to fulfillment of the vesting, settlement and other conditions set forth in this Agreement.

Participant:	**[Participant Name]**
Number of Restricted Stock Units ***(singular " RSU ")*** :	**[# of Shares]**
Grant Date:	**[Grant Date]**
Vesting Dates:	Subject to the terms of this Agreement, one-fifth of the RSUs will vest on each anniversary of the Grant Date (***each such date, a "Vesting Date"***), with the first such Vesting Date occurring one year from the Grant Date and the last such Vesting Date occurring five years after the Grant Date.

If the Company is in a blackout period on the specified Vesting Date, the vested RSUs will settle on the first day following the end of the blackout period or as soon as practicable thereafter and in all events within 30 days thereafter.

2. Settlement . Each vested RSU will be settled by the delivery of one Share to the Participant or, in the event of the Participant's death, to the Participant's estate or heirs, on or as soon as practicable following the applicable Vesting Date and in all events within 30 days thereafter; provided that the Participant has satisfied all obligations with regard to the Tax-Related Items (as defined below) in connection with the Award, and that the Participant has completed, signed and returned any documents and taken any additional action that the Administrator deems appropriate to enable it to accomplish the delivery of the Shares. No fractional shares will be issued under this Agreement.

3. Status of Award . Until the RSUs vest and are converted into Shares and such Shares are settled to the Participant pursuant to the terms of this Agreement, the Participant will have no rights as a stockholder of the Company with respect to the Shares subject to the Award (including, without limitation, no voting or dividend rights with respect to such Shares). Following the conversion of the RSUs to Shares and the settlement of such Shares to the Participant hereunder, the Participant will be recorded as a stockholder of the Company with respect to such Shares and shall have all voting rights and rights to dividends and other distributions with respect to such Shares.

4. Cease to Serve as Employee . If the Participant experiences a Termination of Employment for any reason, other than a Termination of Employment related to Participant's retirement on or after attainment of age 65, disability, death or Change in Control, the Participant's unvested RSUs shall immediately cease to vest and all unvested RSUs and any rights to the underlying Shares shall be forfeited on the effective date of such Termination of Employment and surrendered to the Company without payment of any consideration.

5. Retirement, Disability, Death or Change in Control . In the event of any of (i) Participant's retirement (at normal retirement age of 65 years old or later) from the Company, (ii) Participant's disability, or (iii) Participant's death, or (iv) a Change in Control of the Company, then in each case, all the RSUs subject to this Award, if the Participant shall have been in continuous status as an employee since the Grant Date, shall immediately vest in full.

6. Administrator's Authority . Any question concerning the interpretation of this Agreement, the 2018 SIP, any adjustments required to be made under the 2018 SIP, any controversy that may arise under the 2018 SIP or this Agreement shall be determined by the Company's Administrator in its sole and absolute discretion. Such decision shall be final and binding on Participant and all persons holding or claiming rights under the 2018 SIP or Award.

7. Transfer Restrictions . Any sale, transfer, pledge, assignment, alienation, or hypothecation of any kind, whether voluntary or by operation of law, directly or indirectly, of RSUs or Shares subject thereto prior to the date such Shares are issued to the Participant pursuant to this Agreement shall be strictly prohibited and void. Any Shares held by the Participant shall not be pledged or otherwise encumbered as long as the Participant is an employee.

8. Securities Law Compliance . The Company may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales or other subsequent transfers of any Shares issued as a result of or under this Award, including without limitation (i) restrictions under an insider trading policy or pursuant to applicable law, (ii) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, or any other similar applicable law covering the Award and/or the Shares underlying the Award, and (iii) restrictions as to the use of a specified brokerage firm or other agent for such resales or other transfers. Any sale of the Shares must also comply with other applicable laws and regulations governing the sale of such Shares.

9. Certain Conditions of the Award . The Participant agrees that he or she will not acquire Shares pursuant to the Award or transfer, assign, sell or otherwise deal with such Shares except in compliance with applicable law. Further, in accepting the Award, the Participant acknowledges that:

(a) The 2018 SIP is established voluntarily by the Company, it is discretionary in nature and it may be amended, altered or discontinued by the Company at any time;

(b) The grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of awards, or benefits in lieu of awards, even if awards have been granted repeatedly in the past. All decisions with respect to future award grants, if any, will be at the sole discretion of the Company;

(c) The Award and the Participant's participation in the 2018 SIP will not be interpreted to form an employment contract or service contract or relationship with the Company or any Subsidiary;

(d) The Participant is voluntarily participating in the 2018 SIP; and

(e) The future value of the underlying Shares is unknown and cannot be predicted with certainty.

10. Tax Withholding .

(a) Responsibility for Taxes . Regardless of any action taken by the Company with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Participant's participation in the 2018 SIP and legally applicable to the Participant ***(the " Tax-Related Items ")*** , the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company (if any). The Participant further acknowledges that the Company (a) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including but not limited to, the grant, vesting or settlement of the Award, the subsequent sale of Shares acquired pursuant to such settlement, or the receipt of any dividends, and (b) does not commit to and is under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, the Participant acknowledges that the Company may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Company may refuse to issue, deliver or settle the Shares or the proceeds of the sale of Shares if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

(b) Withholding in Shares . Subject to applicable law and the Company's discretion, the Company may require the Participant to satisfy Tax-Related Items by deducting from the Shares otherwise deliverable to the Participant in settlement of the Award a number of whole Shares having a fair market value, as defined in the 2018 SIP, as of the date on which the Tax-Related Items arise, not in excess of the amount of such Tax-Related Items.

To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. For tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested Award, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the 2018 SIP.

(c) Permissible Withholding Methods . The Company may satisfy its obligations for Tax-Related Items by:

(i) withholding from the Participant's cash compensation or fees paid to the Participant by the Company; or

(ii) withholding from proceeds of the sale of Shares acquired upon vesting or settlement of the Award either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization); or

(iii) allowing Participant to pay cash in the amount of the Tax-Related Items.; or

(iv) any other method permitted by the Administrator.

11. Delivery of Documents and Notices . Any document relating to participation in the 2018 SIP or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by the Company or a Subsidiary, or upon deposit in the U.S. Post Office, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address shown below that party's signature to this Agreement or at such other address as such party may designate in writing from time to time to the other party.

(a) Description of Electronic Delivery. The 2018 SIP documents, which may include but do not necessarily include: the 2018 SIP, this Agreement, the 2018 SIP Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the 2018 SIP, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) Consent to Electronic Delivery. The Participant acknowledges that the Participant has read the "Delivery of Documents and Notices" section of this Agreement and consents to the electronic delivery of the 2018 SIP documents and this Agreement, as described in this section. The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in this section or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents as described in this section.

12. Severability . The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

13. Governing Law; Venue . This Agreement shall be construed, interpreted and enforced in accordance with applicable federal law and the laws of the State of Delaware, without regard to its conflict of laws rules. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this Award or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Texas and agree that such litigation shall be conducted only in the courts of Tarrant County, Texas, or the federal courts for the United States for the State of Texas, and no other courts, where this Award is made and/or to be performed.

14. Imposition of Other Requirements . The Company reserves the right to impose other requirements on the Participant's participation in the 2018 SIP, on this Award and on any Shares acquired under the 2018 SIP and this Agreement, to the extent the Company determines it is necessary or advisable in order to comply with applicable law or facilitate the administration of the 2018 SIP, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Any conflicts in terms or provisions to the Participant's individual Agreement as compared to this form of Agreement shall be interpreted in favor of the Participant.

[Signature Page Follows]

Acceptance . The Participant hereby acknowledges, agrees and accepts the RSUs pursuant to this Agreement.

COMPANY:

FORESTAR GROUP INC., a Delaware corporation

By: ______________________________
[ ], Executive Chairman

Date: ______________________________

By: ______________________________
[ ], Compensation Committee Chairman

Date: ______________________________

PARTICIPANT:

By: ______________________________

Date: ______________________________

[Signature Page to Restricted Stock Unit Award Agreement]

Exhibit 10.2

FORESTAR GROUP INC.

RESTRICTED STOCK UNIT AWARD AGREEMENT

DIRECTOR

[Grant Date]

Forestar Group Inc. , a Delaware corporation ***(the " Company ")*** , pursuant to the Forestar Group Inc. 2018 Stock Incentive Plan, as the same may be amended from time to time ***(the " 2018 SIP ")*** , hereby grants **[Participant Name]** ***(the " Participant ")*** a Restricted Stock Unit Award ***(" Award ")*** as set forth below. This Award is subject to the terms and conditions set forth in this Restricted Stock Unit Award Agreement ***(this " Agreement ")*** and in the 2018 SIP (a copy of which is attached to this Agreement). The Administrator of this Award under the 2018 SIP is the Board of Directors ***(the " Administrator ")*** of the Company and it shall determine or resolve any conflicts in this Agreement and the 2018 SIP. Capitalized terms not defined herein are defined in the 2018 SIP.

1. Terms . Each Restricted Stock Unit represents the right to receive one Share, subject to fulfillment of the vesting, settlement and other conditions set forth in this Agreement.

Participant:	**[Participant Name]**
Number of Restricted Stock Units ***(singular " RSU ")*** :	**[# of Shares]**
Grant Date:	**[Grant Date]**
Vesting Dates:	Subject to the terms of this Agreement, one-third of the RSUs will vest on each anniversary of the Grant Date (***each such date, a "Vesting Date"***), with the first such Vesting Date occurring one year from the Grant Date and the last such Vesting Date occurring three years after the Grant Date.

If the Company is in a blackout period on the specified Vesting Date, the vested RSUs will settle on the first day following the end of the blackout period or as soon as practicable thereafter and in all events within 30 days thereafter.

2. Settlement . Each vested RSU will be settled by the delivery of one Share to the Participant or, in the event of the Participant's death, to the Participant's estate or heirs, on or as soon as practicable following the applicable Vesting Date and in all events within 30 days thereafter; provided that the Participant has satisfied all obligations with regard to the Tax-Related Items (as defined below) in connection with the Award, and that the Participant has completed, signed and returned any documents and taken any additional action that the Administrator deems appropriate to enable it to accomplish the delivery of the Shares. No fractional shares will be issued under this Agreement.

3. Status of Award . Until the RSUs vest and are converted into Shares and such Shares are settled to the Participant pursuant to the terms of this Agreement, the Participant will have no rights as a stockholder of the Company with respect to the Shares subject to the Award (including, without limitation, no voting or dividend rights with respect to such Shares). Following the conversion of the RSUs to Shares and the settlement of such Shares to the Participant hereunder, the Participant will be recorded as a stockholder of the Company with respect to such Shares and shall have all voting rights and rights to dividends and other distributions with respect to such Shares.

4. Cease to Serve as Director . If the Participant experiences a Termination of Employment for any reason, other than a Termination of Employment related to Participant's retirement on or after attainment of age 77, disability, death or Change in Control, the Participant's unvested RSUs shall immediately cease to vest and all unvested RSUs and any rights to the underlying Shares shall be forfeited on the effective date of such Termination of Employment and surrendered to the Company without payment of any consideration.

5. Retirement, Disability, Death or Change in Control . In the event of any of (i) Participant's retirement (at normal retirement age of 77 years old or later) from the Company, (ii) Participant's disability, or (iii) Participant's death, or (iv) a Change in Control of the Company, then in each case, all the RSUs subject to this Award, if the Participant shall have been in continuous status as a director since the Grant Date, shall immediately vest in full.

6. Administrator's Authority . Any question concerning the interpretation of this Agreement, the 2018 SIP, any adjustments required to be made under the 2018 SIP, any controversy that may arise under the 2018 SIP or this Agreement shall be determined by the Company's Administrator in its sole and absolute discretion. Such decision shall be final and binding on Participant and all persons holding or claiming rights under the 2018 SIP or Award.

7. Transfer Restrictions . Any sale, transfer, pledge, assignment, alienation, or hypothecation of any kind, whether voluntary or by operation of law, directly or indirectly, of RSUs or Shares subject thereto prior to the date such Shares are issued to the Participant pursuant to this Agreement shall be strictly prohibited and void. Any Shares held by the Participant shall not be pledged or otherwise encumbered as long as the Participant is a director.

8. Securities Law Compliance . The Company may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any resales or other subsequent transfers of any Shares issued as a result of or under this Award, including without limitation (i) restrictions under an insider trading policy or pursuant to applicable law, (ii) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, or any other similar applicable law covering the Award and/or the Shares underlying the Award, and (iii) restrictions as to the use of a specified brokerage firm or other agent for such resales or other transfers. Any sale of the Shares must also comply with other applicable laws and regulations governing the sale of such Shares.

9. Certain Conditions of the Award . The Participant agrees that he or she will not acquire Shares pursuant to the Award or transfer, assign, sell or otherwise deal with such Shares except in compliance with applicable law. Further, in accepting the Award, the Participant acknowledges that:

(a) The 2018 SIP is established voluntarily by the Company, it is discretionary in nature and it may be amended, altered or discontinued by the Company at any time;

(b) The grant of the Award is voluntary and occasional and does not create any contractual or other right to receive future grants of awards, or benefits in lieu of awards, even if awards have been granted repeatedly in the past. All decisions with respect to future award grants, if any, will be at the sole discretion of the Company;

(c) The Award and the Participant's participation in the 2018 SIP will not be interpreted to form an employment contract or service contract or relationship with the Company or any Subsidiary;

(d) The Participant is voluntarily participating in the 2018 SIP; and

(e) The future value of the underlying Shares is unknown and cannot be predicted with certainty.

10. Tax Withholding .

(a) Responsibility for Taxes . Regardless of any action taken by the Company with respect to any or all income tax, social insurance, payroll tax, payment on account or other tax-related items related to the Participant's participation in the 2018 SIP and legally applicable to the Participant ***(the " Tax-Related Items ")*** , the Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company (if any). The Participant further acknowledges that the Company (a) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Award, including but not limited to, the grant, vesting or settlement of the Award, the subsequent sale of Shares acquired pursuant to such settlement, or the receipt of any dividends, and (b) does not commit to and is under no obligation to structure the terms of the grant or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable or tax withholding event, as applicable, the Participant acknowledges that the Company may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

The Company may refuse to issue, deliver or settle the Shares or the proceeds of the sale of Shares if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

(b) Withholding in Shares . Subject to applicable law and the Company's discretion, the Company may require the Participant to satisfy Tax-Related Items by deducting from the Shares otherwise deliverable to the Participant in settlement of the Award a number of whole Shares having a fair market value, as defined in the 2018 SIP, as of the date on which the Tax-Related Items arise, not in excess of the amount of such Tax-Related Items.

To avoid negative accounting treatment, the Company may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates. For tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested Award, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items due as a result of any aspect of the Participant's participation in the 2018 SIP.

(c) Permissible Withholding Methods . The Company may satisfy its obligations for Tax-Related Items through:

(i) the Participant's mandatory or elective sale of Shares; or

(ii) having the Company withhold a portion of the Shares that otherwise would be issued to Participant upon the vesting or settlement of the Award; or

(iii) Participant tendering Shares previously acquired.

11. Delivery of Documents and Notices . Any document relating to participation in the 2018 SIP or any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given (except to the extent that this Agreement provides for effectiveness only upon actual receipt of such notice) upon personal delivery, electronic delivery at the e-mail address, if any, provided for the Participant by the Company or a Subsidiary, or upon deposit in the U.S. Post Office, by registered or certified mail, or with a nationally recognized overnight courier service, with postage and fees prepaid, addressed to the other party at the address shown below that party's signature to this Agreement or at such other address as such party may designate in writing from time to time to the other party.

(a) Description of Electronic Delivery. The 2018 SIP documents, which may include but do not necessarily include: the 2018 SIP, this Agreement, the 2018 SIP Prospectus, and any reports of the Company provided generally to the Company's stockholders, may be delivered to the Participant electronically. Such means of electronic delivery may include but do not necessarily include the delivery of a link to a Company intranet or the internet site of a third party involved in administering the 2018 SIP, the delivery of the document via e-mail or such other means of electronic delivery specified by the Company.

(b) Consent to Electronic Delivery. The Participant acknowledges that the Participant has read the "Delivery of Documents and Notices" section of this Agreement and consents to the electronic delivery of the 2018 SIP documents and this Agreement, as described in this section. The Participant acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Participant by contacting the Company by telephone or in writing. The Participant further acknowledges that the Participant will be provided with a paper copy of any documents if the attempted electronic delivery of such documents fails. Similarly, the Participant understands that the Participant must provide the Company or any designated third party administrator with a paper copy of any documents if the attempted electronic delivery of such documents fails. The Participant may revoke his or her consent to the electronic delivery of documents described in this section or may change the electronic mail address to which such documents are to be delivered (if Participant has provided an electronic mail address) at any time by notifying the Company of such revoked consent or revised e-mail address by telephone, postal service or electronic mail. Finally, the Participant understands that he or she is not required to consent to electronic delivery of documents as described in this section.

12. **Severability** . The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

13. **Governing Law; Venue** . This Agreement shall be construed, interpreted and enforced in accordance with applicable federal law and the laws of the State of Delaware, without regard to its conflict of laws rules. For purposes of litigating any dispute that arises directly or indirectly from the relationship of the parties evidenced by this Award or this Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of Texas and agree that such litigation shall be conducted only in the courts of Tarrant County, Texas, or the federal courts for the United States for the State of Texas, and no other courts, where this Award is made and/or to be performed.

14. **Imposition of Other Requirements** . The Company reserves the right to impose other requirements on the Participant's participation in the 2018 SIP, on this Award and on any Shares acquired under the 2018 SIP and this Agreement, to the extent the Company determines it is necessary or advisable in order to comply with applicable law or facilitate the administration of the 2018 SIP, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Any conflicts in terms or provisions to the Participant's individual Agreement as compared to this form of Agreement shall be interpreted in favor of the Participant.

[Signature Page Follows]

Acceptance . The Participant hereby acknowledges, agrees and accepts the RSUs pursuant to this Agreement.

COMPANY:

FORESTAR GROUP INC., a Delaware corporation

By: ______________________________

Date: ______________________________

PARTICIPANT:

By: ______________________________ Director

Date: ______________________________

[Signature Page to Restricted Stock Unit Award Agreement]

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)

I, Daniel C. Bartok, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forestar Group Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Daniel C. Bartok

Daniel C. Bartok
Chief Executive Officer

Date: July 30, 2019

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULE 13a-14(a)

I, Charles D. Jehl, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Forestar Group Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Charles D. Jehl

Charles D. Jehl
Chief Financial Officer

Date: July 30, 2019

Exhibit 32.1

Certification of Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Daniel C. Bartok, Chief Executive Officer of Forestar Group Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, this quarterly report on Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this quarterly report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Forestar Group Inc.

/s/ Daniel C. Bartok

Daniel C. Bartok

Date: July 30, 2019

Exhibit 32.2

Certification of Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as Adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

I, Charles D. Jehl, Chief Financial Officer of Forestar Group Inc., hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, this quarterly report on Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this quarterly report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Forestar Group Inc.

/s/ Charles D. Jehl
Charles D. Jehl

Date: July 30, 2019