REFINITIV

DELTA REPORT

10-Q

FOR - FORESTAR GROUP INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - DECEMBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	615
CHANGES	130
DELETIONS	335
ADDITIONS	150

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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 December 31, 2023 March 31, 2024

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

FOR Logo.jpg

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. x 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). x 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 "emerging growth company" company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ ¨ Accelerated filer ☒x 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 x 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 -- 49,913,423 50,602,722 shares as of January 19, 2024 April 19, 2024

FORESTAR GROUP INC.

TABLE OF CONTENTS

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PART I—FINANCIAL INFORMATION

Item 1. *Financial Statements*

FORESTAR GROUP INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

		December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
		(In millions, except share data)		(In millions, except share data)	
ASSETS	**ASSETS**				
Cash and cash equivalents					
Cash and cash equivalents					
Cash and cash equivalents	Cash and cash equivalents	$ 458.9	$ 616.0		
Real estate	Real estate	2,009.8	1,790.3		
Investment in unconsolidated ventures	Investment in unconsolidated ventures	0.5	0.5		
Property and equipment, net	Property and equipment, net	5.8	5.9		
Other assets	Other assets	58.8	58.0		
Total assets	Total assets	$ 2,533.8	$ 2,470.7		
LIABILITIES	**LIABILITIES**				
Accounts payable					
Accounts payable					
Accounts payable	Accounts payable	$ 65.3	$ 68.4		
Accrued development costs	Accrued development costs	99.9	104.1		
Earnest money on sales contracts	Earnest money on sales contracts	140.9	121.4		
Deferred tax liability, net	Deferred tax liability, net	50.2	50.7		
Accrued expenses and other liabilities	Accrued expenses and other liabilities	63.4	61.2		
Debt	Debt	705.3	695.0		

Total liabilities	Total liabilities	1,125.0	1,100.8	
Commitments and contingencies (Note 11)	Commitments and contingencies (Note 11)			Commitments and contingencies (Note 11)
EQUITY	**EQUITY**			
Common stock, par value $1.00 per share, 200,000,000 authorized shares, 49,909,713 and 49,903,713 shares issued and outstanding at December 31, 2023 and September 30, 2023, respectively		49.9	49.9	
Common stock, par value $1.00 per share, 200,000,000 authorized shares, 50,602,722 and 49,903,713 shares issued and outstanding at March 31, 2024 and September 30, 2023, respectively				
Common stock, par value $1.00 per share, 200,000,000 authorized shares, 50,602,722 and 49,903,713 shares issued and outstanding at March 31, 2024 and September 30, 2023, respectively				
Common stock, par value $1.00 per share, 200,000,000 authorized shares, 50,602,722 and 49,903,713 shares issued and outstanding at March 31, 2024 and September 30, 2023, respectively				
Additional paid-in capital	Additional paid-in capital	644.9	644.2	
Retained earnings	Retained earnings	713.0	674.8	
Stockholders' equity	Stockholders' equity	1,407.8	1,368.9	
Noncontrolling interests	Noncontrolling interests	1.0	1.0	
Total equity	Total equity	1,408.8	1,369.9	

Total liabilities and equity	Total liabilities and equity	$ 2,533.8	$ 2,470.7

See accompanying notes to consolidated financial statements.

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FORESTAR GROUP INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

		Three Months Ended December 31,					
		Three Months Ended March 31,		Three Months Ended March 31,		Six Months Ended March 31,	
		2023	2022	2024	2023	2024	2023
		(In millions, except per share amounts)		(In millions, except per share amounts)			
Revenues	Revenues	$ 305.9	$ 216.7				
Cost of sales	Cost of sales	233.0	169.2				
Selling, general and administrative expense	Selling, general and administrative expense	28.0	22.9				
Gain on sale of assets							
Gain on sale of assets							
Gain on sale of assets	Gain on sale of assets	—	(1.6)				
Interest and other income	Interest and other income	(6.3)	(1.7)				
Income before income taxes	Income before income taxes	51.2	27.9				
Income tax expense	Income tax expense	13.0	7.1				
Net income	Net income	$ 38.2	$ 20.8				
Basic net income per common share	Basic net income per common share	$ 0.76	$ 0.42				

Basic net income per common share			
Basic net income per common share			
Weighted average number of common shares	Weighted average number of common shares	50.1	49.9
Diluted net income per common share	Diluted net income per common share	$ 0.76	$ 0.42
Diluted net income per common share			
Diluted net income per common share			
Adjusted weighted average number of common shares	Adjusted weighted average number of common shares	50.5	49.9

See accompanying notes to consolidated financial statements.

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FORESTAR GROUP INC.
CONSOLIDATED STATEMENTS OF TOTAL EQUITY
(Unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Non-controlling Interests	Total Equity	Common Stock	Additional Paid-in Capital	Retained Earnings	Non-controlling Interests	Total Equity
	(In millions, except share amounts)									
	(In millions, except share amounts)									(In millions, except share amounts)

Balances at September 30, 2023 (49,903,713 shares)	Balances at September 30, 2023 (49,903,713 shares)	$ 49.9	$ 644.2	$ 674.8	$ 1.0	$1,369.9
Net income	Net income	—	—	38.2	—	38.2
Stock issued under employee benefit plans (6,000 shares)	Stock issued under employee benefit plans (6,000 shares)	—	—	—	—	—
Cash paid for shares withheld for taxes	Cash paid for shares withheld for taxes	—	(0.2)	—	—	(0.2)
Stock-based compensation expense	Stock-based compensation expense	—	0.9	—	—	0.9
Balances at December 31, 2023 (49,909,713 shares)	Balances at December 31, 2023 (49,909,713 shares)	$ 49.9	$ 644.9	$ 713.0	$ 1.0	$1,408.8
Net income						
Issuance of common stock (546,174 shares)						
Stock issued under employee benefit plans (146,835 shares)						
Cash paid for shares withheld for taxes						
Stock-based compensation expense						
Balances at March 31, 2024 (50,602,722 shares)						

		Common Stock	Additional Paid-in Capital	Retained Earnings	Non-controlling Interests	Total Equity	Common Stock	Additional Paid-in Capital	Retained Earnings	Non-controlling Interests	Total Equity
		(In millions, except share amounts)									

	(In millions, except share amounts)						(In millions, except share amounts)
Balances at September 30, 2022 (49,761,480 shares)	Balances at September 30, 2022 (49,761,480 shares)	$ 49.8	$ 640.6	$ 507.9	$ 1.0	$1,199.3	
Net income	Net income	—	—	20.8	—	20.8	
Stock issued under employee benefit plans (11,075 shares)	Stock issued under employee benefit plans (11,075 shares)	—	—	—	—	—	
Cash paid for shares withheld for taxes	Cash paid for shares withheld for taxes	—	(0.1)	—	—	(0.1)	
Stock-based compensation expense	Stock-based compensation expense	—	0.6	—	—	0.6	
Balances at December 31, 2022 (49,772,555 shares)	Balances at December 31, 2022 (49,772,555 shares)	$ 49.8	$ 641.1	$ 528.7	$ 1.0	$1,220.6	
Net income							
Stock issued under employee benefit plans (125,154 shares)							
Cash paid for shares withheld for taxes							
Stock-based compensation expense							
Balances at March 31, 2023 (49,897,709 shares)							

See accompanying notes to consolidated financial statements.

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FORESTAR GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

		Three Months Ended December 31,			
Six Months Ended March 31,					**Six Months Ended March 31,**
		2023	**2022**	**2024**	**2023**
		(In millions)		**(In millions)**	
OPERATING ACTIVITIES	**OPERATING ACTIVITIES**				
Net income	Net income	$ 38.2	$ 20.8		
Net income					
Net income					
Adjustments:	Adjustments:				
Depreciation and amortization					
Depreciation and amortization					
Depreciation and amortization	Depreciation and amortization	0.8	0.7		
Deferred income taxes	Deferred income taxes	(0.5)	(2.2)		
Stock-based compensation expense	Stock-based compensation expense	0.9	0.6		
Stock-based compensation expense					
Stock-based compensation expense					
Impairments and land option charges	Impairments and land option charges	0.2	2.4		
Gain on sale of assets	Gain on sale of assets	—	(1.6)		
Other					
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:				

Increase in real estate	(209.8)	(49.9)
(Increase) decrease in other assets	(0.9)	1.8
(Increase) decrease in real estate		
(Increase) decrease in real estate		
(Increase) decrease in real estate		
Increase in other assets		
Decrease in accounts payable and other accrued liabilities		
Decrease in accounts payable and other accrued liabilities	(0.9)	(8.6)
Decrease in accrued development costs	(4.2)	(24.3)
Increase in earnest money deposits on sales contracts	19.5	10.5
Net cash used in operating activities	(156.7)	(49.8)
Increase (decrease) in accrued development costs		
Increase (decrease) in earnest money deposits on sales contracts		
Net cash (used in) provided by operating activities		
INVESTING ACTIVITIES		
INVESTING ACTIVITIES		
Expenditures for property, equipment, software and other		
Expenditures for property, equipment, software and other		

Expenditures for property, equipment, software and other	Expenditures for property, equipment, software and other	(0.2)	(0.1)
Proceeds from sale of assets	Proceeds from sale of assets	—	1.6
Proceeds from sale of assets			
Proceeds from sale of assets			
Net cash (used in) provided by investing activities	Net cash (used in) provided by investing activities	(0.2)	1.5
FINANCING ACTIVITIES	**FINANCING ACTIVITIES**		
Issuance of common stock			
Issuance of common stock			
Issuance of common stock			
Cash paid for shares withheld for taxes	Cash paid for shares withheld for taxes	(0.2)	(0.1)
Net cash used in financing activities		(0.2)	(0.1)
Decrease in cash and cash equivalents		(157.1)	(48.4)
Net cash provided by (used in) financing activities			
(Decrease) increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	616.0	264.8
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	$458.9	$216.4
SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES	**SUPPLEMENTAL DISCLOSURES OF NON-CASH ACTIVITIES**		

Note payable issued for real estate	Note payable issued for real estate	$ 9.9	$ —

Note payable issued for real estate

Note payable issued for real estate

See accompanying notes to consolidated financial statements.

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

Note 1 — Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP" (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and include the accounts of Forestar Group Inc. ("Forestar" (“Forestar”) and all of its 100% owned, majority-owned and controlled subsidiaries, which are collectively referred to as the Company 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. All intercompany accounts, transactions and balances have been eliminated in consolidation. Noncontrolling interests in consolidated pass-through entities are recognized before income taxes. Net income attributable to noncontrolling interests is zero for all periods presented in the Company's statements of operations. 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.

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, 2023, 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-K for the fiscal year ended September 30, 2023.

In October 2017, Forestar became a majority-owned subsidiary of D.R. Horton, Inc. (" (“D.R. Horton" Horton”) by virtue of a merger with a wholly-owned subsidiary of D.R. Horton. 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. As of December 31, 2023 March 31, 2024, D.R. Horton owned approximately 63% 62% of the Company's outstanding common stock.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Pending Accounting Standards

In November 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-07, “Segment Reporting - Improvements to Reportable Segment Disclosures,” which is intended to improve reportable segment disclosures. The ASU expands public entities’ segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss. It also requires disclosure of the amount and description of the composition of other segment items and interim disclosures of a reportable segment’s profit or loss and assets. The guidance is effective for the Company beginning October 1, 2024, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes - Improvements to Income Tax Disclosures,” which requires disclosure of disaggregated income taxes paid, prescribes standard categories for the components of the effective tax rate reconciliation and modifies other income tax related disclosures. The guidance is effective for the Company beginning October 1, 2025, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its consolidated financial statements and related disclosures.

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Note 2 — Segment Information

The Company manages its operations through its real estate segment, which is its core business and generates substantially all of its revenues. The real estate segment primarily acquires land and installs infrastructure for single-family residential communities, and its revenues generally come from sales of residential single-family finished lots to local, regional and national homebuilders. The Company has other business activities for which the related assets and operating results are immaterial and therefore are included within the Company's real estate segment.

Note 3 — Real Estate

Real estate consists of:

		December 31, 2023	**September 30, 2023**		
	March 31, 2024			**March 31, 2024**	**September 30, 2023**
		(In millions)		**(In millions)**	
Developed and under development projects	Developed and under development projects	$ 1,895.7	$ 1,760.8		

Land held for future development	Land held for future development	114.1	29.5
		$ 2,009.8	$ 1,790.3
	$		

In the three six months ended December 31, 2023 March 31, 2024, the Company invested $228.0 million $350.0 million for the acquisition of residential real estate and $226.5 million $450.3 million for the development of residential real estate. At December 31, 2023 March 31, 2024 and September 30, 2023, land held for future development primarily consisted of undeveloped land which the Company has the contractual right to sell to D.R. Horton at a sales price equal to the carrying value of the land at the time of sale plus additional consideration of 12% to 16% per annum.

Each quarter, the Company reviews the performance and outlook for all of its real estate for indicators of potential impairment and performs detailed impairment evaluations and analyses when necessary. As a result of this process, no impairment charges were recorded for either period presented in the consolidated statements of operations. three and six months ended March 31, 2024. In the three and six months ended March 31, 2023, impairment charges totaled $19.4 million.

In the three and six months ended December 31, 2023 and 2022, March 31, 2024, land purchase contract deposit and pre-acquisition cost write-offs related to land purchase contracts that the Company has terminated or expects to terminate were $0.2 million and $2.4 million $0.4 million, respectively. respectively, compared to $0.9 million and $3.3 million in the prior year periods. These land option charges and the impairments discussed above are included in cost of sales in the consolidated statements of operations.

Note 4 — Revenues

Revenues consist of:

		Three Months Ended December 31,					
	Three Months Ended March 31,			Three Months Ended March 31,		Six Months Ended March 31,	
		2023	2022	2024	2023	2024	2023
		(In millions)		(In millions)			
Residential lot sales	Residential lot sales	$304.2	$206.7				
Deferred development lot sales	Deferred development lot sales	1.3	6.7				
Tract sales and other	Tract sales and other	0.4	3.3				
		$305.9	$216.7				
	$						

In the three and six months ended December 31, 2023 and 2022, March 31, 2024, the Company recognized $1.3 million $1.7 million and $6.7 million, respectively, in $3.0 million of revenues as a result of its progress towards completion of its remaining unsatisfied performance obligations on deferred development projects. projects, compared to $7.5 million and $14.3 million in the prior year periods.

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Note 5 — Capitalized Interest

The Company capitalizes interest costs to real estate throughout the development period (active real estate). Capitalized interest is charged to cost of sales as the related real estate is sold. During periods in which the Company's active real estate is lower than its debt level, a portion of the interest incurred is reflected as interest expense in the period incurred. In the first three six months of fiscal 2024 and fiscal 2023, the Company's active real estate exceeded its debt level, and all interest incurred was capitalized to real estate.

The following table summarizes the Company's interest costs incurred, capitalized and expensed in the three and six months ended December 31, 2023 March 31, 2024 and 2022. 2023.

		Three Months Ended December 31,					
Three Months Ended March 31,				Three Months Ended March 31,		Six Months Ended March 31,	
		2023	2022	2024	2023	2024	2023
		(In millions)		(In millions)			
Capitalized interest, beginning of period	Capitalized interest, beginning of period	$58.5	$52.5				
Interest incurred	Interest incurred	8.1	8.2				
Interest charged to cost of sales	Interest charged to cost of sales	(6.1)	(5.0)				
Capitalized interest, end of period	Capitalized interest, end of period	$60.5	$55.7				

Note 6 — Other Assets, Accrued Expenses and Other Liabilities

The Company's other assets at December 31, 2023 March 31, 2024 and September 30, 2023 were as follows:

		December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
		(In millions)		(In millions)	
Receivables, net	Receivables, net	$ 28.4	$ 25.7		
Lease right of use assets	Lease right of use assets	7.9	7.6		
Prepaid expenses	Prepaid expenses	12.5	15.7		
Land purchase contract deposits	Land purchase contract deposits	8.2	7.0		
Other assets	Other assets	1.8	2.0		
		$ 58.8	$ 58.0		
Other assets					
Other assets					
	$				

The Company's accrued expenses and other liabilities at December 31, 2023 March 31, 2024 and September 30, 2023 were as follows:

		December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
		(In millions)		(In millions)	
Accrued employee compensation and benefits	Accrued employee compensation and benefits	$ 5.6	$ 11.2		
Accrued property taxes	Accrued property taxes	2.3	7.9		
Lease liabilities	Lease liabilities	8.4	8.1		
Accrued interest	Accrued interest	6.9	7.0		
Contract liabilities	Contract liabilities	9.2	10.0		
Deferred income	Deferred income	4.1	4.1		

Income taxes payable	Income taxes payable	18.0	4.4
Other accrued expenses	Other accrued expenses	5.2	4.8
Other liabilities	Other liabilities	3.7	3.7
		$ 63.4	$ 61.2
	$		

Contract liabilities at December 31, 2023 March 31, 2024 and September 30, 2023 include $3.4 million $2.1 million and $3.5 million, respectively, related to the Company's remaining unsatisfied performance obligations on deferred development lot sales.

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Note 7 — Debt

The Company's notes payable at their carrying amounts consist of the following:

		December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
		(In millions)		(In millions)	
Unsecured:	Unsecured:				
Revolving credit facility	Revolving credit facility	$ —	$ —		
Revolving credit facility					
Revolving credit facility					
3.85% senior notes due 2026 (1)	3.85% senior notes due 2026 (1)	397.7	397.4		
5.0% senior notes due 2028 (1)	5.0% senior notes due 2028 (1)	297.7	297.6		
Other note payable	Other note payable	9.9	—		
		$ 705.3	$ 695.0		
	$				

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(1) Unamortized debt issuance costs that were deducted from the carrying amounts of the senior notes totaled $4.6 million $4.2 million and $5.0 million at December 31, 2023 March 31, 2024 and September 30, 2023, respectively.

Bank Credit Facility

The Company has a $410 million senior unsecured revolving credit facility with an uncommitted accordion feature that could increase the size of the facility to $600 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 the greater of $100 million and 50% of the total revolving credit commitments. Borrowings under the revolving credit facility are subject to a borrowing base calculation based on the book value of the Company's real estate assets and unrestricted cash. Letters of credit issued under the facility reduce the available borrowing capacity. The maturity date of the facility is October 28, 2026. At December 31, 2023 March 31, 2024, there were no borrowings outstanding and $24.3 million $28.0 million of letters of credit issued under the revolving credit facility, resulting in available capacity of $385.7 million $382.0 million.

The revolving credit facility is guaranteed by the Company’s wholly-owned subsidiaries that are not immaterial subsidiaries or have not been designated as unrestricted subsidiaries. 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 December 31, 2023 March 31, 2024, the Company was in compliance with all of the covenants, limitations and restrictions of its revolving credit facility.

Senior Notes

The Company has outstanding senior notes as described below that were issued pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended (the "Securities Act" “Securities Act”). The notes represent senior unsecured obligations that rank equally in right of payment to all existing and future senior unsecured indebtedness and may be redeemed prior to maturity, subject to certain limitations and premiums defined in the indenture agreements. The notes are guaranteed by each of the Company's subsidiaries to the extent such subsidiaries guarantee the Company's revolving credit facility.

The Company's $400 million principal amount of 3.85% senior notes (the "2026 notes" “2026 notes”) mature May 15, 2026 with interest payable semi-annually. On or after May 15, 2023, the 2026 notes may be redeemed at 101.925% of their principal amount plus any accrued and unpaid interest. In accordance with the indenture, the redemption price decreases annually thereafter and the 2026 notes can be redeemed at par on or after May 15, 2025 through maturity. The annual effective interest rate of the 2026 notes after giving effect to the amortization of financing costs is 4.1%.

The Company's $300 million principal amount of 5.0% senior notes (the "2028 notes" “2028 notes”) mature March 1, 2028 with interest payable semi-annually. On or after March 1, 2023, the 2028 notes may be redeemed at 102.5% of their principal amount plus any accrued and unpaid interest. In accordance with the indenture, the redemption price decreases annually thereafter and the 2028 notes can be redeemed at par on or after March 1, 2026 through maturity. The annual effective interest rate of the 2028 notes after giving effect to the amortization of financing costs is 5.2%.

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The indentures governing the senior notes require that, upon the occurrence of both a change of control and a rating decline (as defined in each indenture), the Company offer to purchase the applicable series of 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 such notes equal to the excess net cash proceeds at a purchase price of 100% of their principal amount. The indentures contain 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. At December 31, 2023 March 31, 2024, the Company was in compliance with all of the limitations and restrictions associated with its senior note obligations.

Effective April 30, 2020, the Board of Directors authorized the repurchase of up to $30 million of the Company's debt securities. The authorization has no expiration date. All of the $30 million authorization was remaining at December 31, 2023 March 31, 2024.

Other Note Payable

In December 2023, the Company issued a note payable of $9.9 million as part of a transaction to acquire real estate for development. The note is non-recourse and is secured by the underlying real estate, accrues interest at 4.0% per annum and matures in December 2025.

Note 8 — Earnings per Share

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

		Three Months Ended December 31,					
	Three Months Ended March 31,			**Three Months Ended March 31,**		**Six Months Ended March 31,**	
		2023	**2022**	**2024**	**2023**	**2024**	**2023**
		(In millions, except share and per share amounts)		**(In millions, except share and per share amounts)**			
Numerator:	Numerator:						
Net income	Net income	$ 38.2	$ 20.8				
Net income							
Net income							
Denominator:	Denominator:						
Weighted average common shares outstanding — basic							
Weighted average common shares outstanding — basic							

Weighted average common shares outstanding — basic	Weighted average common shares outstanding — basic	50,065,832	49,890,481
Dilutive effect of stock-based compensation	Dilutive effect of stock-based compensation	396,250	8,541
Total weighted average shares outstanding — diluted	Total weighted average shares outstanding — diluted	50,462,082	49,899,022
Basic net income per common share	Basic net income per common share	$ 0.76	$ 0.42
Basic net income per common share			
Basic net income per common share			
Diluted net income per common share	Diluted net income per common share	$ 0.76	$ 0.42

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Note 9 — Income Taxes

The Company's income tax expense for the three and six months ended December 31, 2023 March 31, 2024 was $13.0 million $13.9 million and $26.9 million compared to $7.1 million $9.0 million and $16.1 million in the prior year period. periods. The effective tax rate was 23.6% and 24.4% for the three and six months ended March 31, 2024 compared to 25.1% and 25.2% in the prior year periods. The effective tax rate for both all periods was 25.4% and included an expense for state income taxes and nondeductible expenses. The effective tax rate for the three and six months ended March 31, 2024 also included a benefit for stock-based compensation.

At December 31, 2023 March 31, 2024, the Company had deferred tax liabilities, net of deferred tax assets, of $49.3 $50.0 million. The deferred tax assets were partially offset by a valuation allowance of $0.9 $0.8 million, resulting in a net deferred tax liability of $50.2 $50.8 million. At September 30, 2023, deferred tax liabilities, net of deferred tax assets, were $49.8 million. The deferred tax assets were partially offset by a valuation allowance of $0.9 million, resulting in a net deferred tax liability of $50.7 million. The valuation allowance for both periods 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.

Note 10 — Stockholders' Equity and Stock-Based Compensation

Stockholders' Equity

The Company has an effective shelf registration statement, filed with the Securities and Exchange Commission in October 2021, registering $750 million of equity securities, of which $300 million was reserved for sales under the at-the-market equity offering program that became effective in November 2021. In the three months ended December 31, 2023 March 31, 2024, there were no the Company issued 546,174 shares of common stock issued under the Company's its at-the-market equity offering program. program for proceeds of $19.7 million, net of commissions and other issuance costs totaling $0.4 million. At December 31, 2023 March 31, 2024, $748.2 million $728.1 million remained available for issuance under the shelf registration statement, of which $298.2 million $278.1 million was reserved for sales under the at-the-market equity offering program.

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). 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.

In the three months ended December 31, 2023 March 31, 2024, a total of 24,000 154,034 time-based RSUs were granted. The weighted average grant date fair value of these equity awards was $23.47 $40.19 per unit, and they vest annually in equal installments over periods of three to five years. Total stock-based compensation expense related to the Company's RSUs for the three and six months ended December 31, 2023 March 31, 2024 was $0.9 million $1.8 million and $2.7 million compared to $0.6 million $1.9 million and $2.5 million in the prior year period. periods. Stock-based compensation expense in both the three and six months ended March 31, 2024 included $0.7 million of expense recognized for employees that were retirement eligible on the date of grant compared to $1.3 million in both prior year periods.

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Note 11 — Commitments and Contingencies

Contractual Obligations and Off-Balance Sheet Arrangements

In support of the Company's residential lot development business, it issues letters of credit under the revolving credit facility and has a surety bond program that provides financial assurance to beneficiaries related to the execution and performance of certain development obligations. At December 31, 2023 March 31, 2024, the Company had outstanding letters of credit of $24.3 million $28.0 million under the revolving credit facility and surety bonds of $669.1 million $660.9 million issued by third parties to secure performance under various contracts. The Company expects that its performance obligations secured by these letters of credit and bonds will generally be completed in the ordinary course of business and in accordance with the applicable contractual terms. When the Company completes its performance obligations, the related letters of credit and bonds are generally released shortly thereafter, leaving the Company with no continuing obligations. The Company has no material third-party guarantees.

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.

Land Purchase Contracts

The Company enters into land purchase contracts to acquire land for the development of residential lots. Under these contracts, the Company will fund a stated deposit in consideration for the right, but not the obligation, to purchase land or lots at a future point in time with predetermined terms. Under the terms of many of the purchase contracts, the deposits are not refundable in the event the Company elects to terminate the contract. Land purchase contract deposits and capitalized pre-acquisition costs are expensed to inventory and land option charges cost of sales when the Company believes it is probable that it will not acquire the property under contract and will not be able to recover these costs through other means.

At December 31, 2023 March 31, 2024, the Company had total deposits of $8.2 million $11.7 million related to contracts to purchase land with a total remaining purchase price of approximately $483.9 million $752.0 million. At December 31, 2023 March 31, 2024, none of the land purchase contracts were subject to specific performance provisions.

Note 12 — Related Party Transactions

D.R. Horton

The Company has a Shared Services Agreement with D.R. Horton whereby D.R. Horton provides the Company with certain administrative, compliance, operational and procurement services. In the three six months ended December 31, 2023 March 31, 2024 and 2022, 2023, selling, general and administrative expense in the consolidated statements of operations included $1.3 million $2.6 million and $0.9 million $1.9 million for these shared services, $2.4 million $4.0 million and $2.3 million $4.2 million reimbursed to D.R. Horton for the cost of health insurance and other employee benefits and $0.3 million $3.1 million and $0.6 million $0.9 million for other corporate and administrative expenses paid by D.R. Horton on behalf of the Company.

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 December 31, 2023 March 31, 2024 and September 30, 2023, the Company owned approximately 55,400 57,400 and 52,400 residential lots, respectively, of which D.R. Horton had the following involvement.

	December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
	(Dollars in millions)		(Dollars in millions)	

Residential lots under contract to sell to D.R. Horton	Residential lots under contract to sell to D.R. Horton	16,200	14,400
Owned lots subject to right of first offer with D.R. Horton based on executed purchase and sale agreements	Owned lots subject to right of first offer with D.R. Horton based on executed purchase and sale agreements	17,500	17,000
Earnest money deposits from D.R. Horton for lots under contract	Earnest money deposits from D.R. Horton for lots under contract	$ 136.1	$ 117.1
Remaining sales price of lots under contract with D.R. Horton	Remaining sales price of lots under contract with D.R. Horton	$ 1,500.8	$ 1,319.2

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Lot and land sales to D.R. Horton in the three and six months ended December 31, 2023 March 31, 2024 and 2022 2023 were as follows:

	Three Months Ended December 31,					
Three Months Ended March 31,			Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2024	2023	2024	2023
	(Dollars in millions)		(Dollars in millions)			

Residential lots sold to D.R. Horton	Residential lots sold to D.R. Horton	2,834	2,094
Residential lot sales revenues from sales to D.R. Horton	Residential lot sales revenues from sales to D.R. Horton	$272.8	$187.1
Decrease in contract liabilities on lot sales to D.R. Horton	Decrease in contract liabilities on lot sales to D.R. Horton	$ 0.7	$ 2.7
Tract acres sold to D.R. Horton			
Tract sales revenues from sales to D.R. Horton			

In the three and six months ended December 31, 2023 March 31, 2024, the Company reimbursed D.R. Horton approximately $4.6 million $6.1 million and $10.7 million for pre-acquisition and other due diligence and development costs related to land purchase contracts identified by D.R. Horton that the Company independently underwrote and closed compared to reimbursements of $4.7 million $5.7 million and $10.4 million in the prior year period. periods. In the three and six months ended December 31, 2023 March 31, 2024, the Company reimbursed D.R. Horton approximately $13.3 million $5.4 million and $18.7 million for previously paid earnest money related to those land purchase contracts compared contracts. In the six months ended March 31, 2023, the Company reimbursed D.R. Horton approximately $0.1 million for previously paid earnest money related to reimbursements of $0.1 million in the prior year period. those land purchase contracts.

In the three and six months ended December 31, 2023 and 2022, March 31, 2024, the Company paid D.R. Horton $0.5 million $0.2 million and $0.2 million, respectively, $0.7 million for land development services. services compared to $0.3 million and $0.5 million for these services in the prior year periods. These amounts are included in cost of sales in the Company's consolidated statements of operations.

At December 31, 2023 March 31, 2024 and September 30, 2023, land held for future development primarily consisted of undeveloped land which the Company has the contractual right to sell to D.R. Horton at a sales price equal to the carrying value of the land at the time of sale plus additional consideration of 12% to 16% per annum.

At December 31, 2023 March 31, 2024 and September 30, 2023, accrued expenses and other liabilities on the Company's consolidated balance sheets included $3.5 million $1.4 million and $3.2 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.

R&R

In the three six months ended December 31, 2023 March 31, 2024, the Company acquired a tract of residential real estate from Double R DevCo, LLC ("R&R") for $11.3 million and simultaneously entered into a finished lot purchase agreement with D.R. Horton. The tract was originally under contract with D.R. Horton. The Company independently underwrote the transaction and chose to close in place of D.R. Horton. R&R is owned and controlled by Ryan and Reagan Horton, the adult sons of Donald R. Horton, Chairman of D.R. Horton.

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Note 13 — Fair Value Measurements

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 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 December 31, 2023 March 31, 2024 and September 30, 2023.

		Fair Value at December 31, 2023								
		Fair Value at March 31, 2024					Fair Value at March 31, 2024			
	Carrying Value	Level 1	Level 2	Level 3	Total	Carrying Value	Level 1	Level 2	Level 3	Total

		(in millions)					(in millions)
Cash and cash equivalents (a)	Cash and cash equivalents (a)	$ 458.9	$458.9	$ —	$ —	$458.9	
Debt (b) (c)	Debt (b) (c)	705.3	—	673.5	9.9	683.4	

	Carrying Value	Fair Value at September 30, 2023 Level 1	Level 2	Level 3	Total
			(in millions)		
Cash and cash equivalents (a)	$ 616.0	$ 616.0	$ —	$ —	$ 616.0
Debt (b)	695.0	—	633.2	—	633.2

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

(b) At December 31, 2023 March 31, 2024 and September 30, 2023, debt primarily consisted of the Company's senior notes. The fair value of the senior notes is determined based on quoted market prices in markets that are not active, which is classified as Level 2 within the fair value hierarchy.

(c) The fair value of the Company's other note payable approximates its carrying value due to its short-term nature and is classified as Level 3 within the fair value hierarchy.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included in this quarterly report and with our annual report on Form 10-K for the fiscal year ended September 30, 2023. Some of the information contained in this discussion and analysis constitutes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those discussed in these forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those described in the "Forward-Looking Statements" section following this discussion.

Our Operations

Forestar Group Inc. is a national, well-capitalized residential lot development company with operations in 57 markets in 23 states as of December 31, 2023. We are focused primarily on making investments in land acquisition and development to sell finished single-family residential lots to homebuilders. Our common stock is listed on the New York Stock Exchange (NYSE) under the ticker symbol "FOR." The terms "Forestar," the "Company," "we" and "our" used herein refer to Forestar Group Inc., a Delaware corporation, and its predecessors and subsidiaries.

In October 2017, Forestar became a majority-owned subsidiary of D.R. Horton, Inc. (" (“D.R. Horton" Horton“) by virtue of a merger with a wholly-owned subsidiary of D.R. Horton. Immediately following the merger, D.R. Horton owned 75% of the Company's outstanding common stock. As of December 31, 2023 March 31, 2024, D.R. Horton owned approximately 63% 62% of the Company's outstanding common stock. As our controlling shareholder, D.R. Horton has significant influence in guiding our strategic direction and operations.

We manage our operations through our real estate segment, which is our core business and generates substantially all of our revenues. The real estate segment primarily acquires land and installs infrastructure for single-family residential communities, and its revenues generally come from sales of residential single-family finished lots to local, regional and national homebuilders. We have other business activities for which the related assets and operating results are immaterial and therefore are included within our real estate segment.

Our real estate segment conducts a wide range of project planning and management activities related to the entitlement, acquisition, community development and sale of residential lots. We generally secure entitlements while the land is under contract by creating plans that meet the needs of the markets where we operate, and we aim to have all entitlements secured before closing on the investment. Moving land through the entitlement and development process creates significant value. We primarily invest in entitled short-duration projects that can be developed in phases, enabling us to complete and sell lots at a pace that matches market demand, consistent with our focus on maximizing capital efficiency and returns. We occasionally make short-term strategic investments in finished lots (lot banking) and undeveloped land (land banking) with the intent to sell these assets within a short time period to utilize available capital prior to its deployment into longer-term lot development projects. For the six months ended March 31, 2024, we sold 6,439 lots with an average sales price of $97,400. At March 31, 2024, our lot position consisted of 96,100 residential lots, of which approximately 57,400 were owned and 38,700 were controlled through purchase contracts. Of our 57,400 owned lots, approximately 18,000 lots are under contract to be sold for an aggregate remaining sales price of approximately $1.6 billion.

We have expanded and diversified our lot development operations across 57 markets in 23 states by investing available capital into our existing markets and by entering new markets. We believe our geographically diverse operations provide a strong platform for us to consolidate market share in the highly fragmented lot development industry. We also believe our geographic diversification lowers our operational risks and enhances our earnings potential by mitigating the effects of local and regional economic cycles.

Our customers are primarily local, regional and national homebuilders. The lots we deliver in our communities are primarily for entry-level, first-time move-up and active adult homes. Entry-level and first-time move-up homebuyers are the largest segments of the new home market. We also market some of our communities towards build-to-rent operators.

Demand for residential lots, particularly at affordable price points, remained strong in the three six months ended December 31, 2023 March 31, 2024, and our lot sales revenues increased 39% 23% from the prior year period. The supply of new and existing homes at affordable price points remains limited, and low resale supply continues to support the demand for new construction. Demographics supporting housing demand remain favorable despite higher mortgage rates and inflationary pressures, and homebuilders have continued to adjust to current market conditions by using incentives and price adjustments accordingly. adjustments. While the disruptions in the supply chain for

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certain construction materials and tightness in the labor market have improved, largely subsided, municipality delays are still extending development cycle times, and development costs remain elevated. We increase our land and lot sales prices when market conditions permit, and we attempt to offset cost increases in one component with savings in another. another, and we increase our land and lot sales prices when market conditions permit. However, if market conditions are challenging, we may have to reduce selling prices or may not be able to offset cost increases with higher selling prices.

We believe we are well-positioned to operate effectively through changing economic conditions consolidate market share in the highly fragmented lot development industry because of our low net leverage and strong liquidity position, our low overhead model, our geographically diverse lot portfolio that is focused on affordable price points and our strategic relationship with D.R. Horton. We plan to remain disciplined when investing in land opportunities and to remain focused on managing our lot sales pace and lot pricing at each community to optimize the return on our investments.

Results of Operations

The following tables and related discussion set forth key operating and financial data as of and for the three and six months ended December 31, 2023 March 31, 2024 and 2022. 2023.

Operating Results

Components of income before income taxes were as follows:

		Three Months Ended December 31,					
		2023	2022				
		(In millions)					
	Three Months Ended March 31,			Three Months Ended March 31,		Six Months Ended March 31,	
	2024			2024	2023	2024	2023
	(In millions)					(In millions)	
Revenues	Revenues	$305.9	$216.7				
Cost of sales	Cost of sales	233.0	169.2				
Selling, general and administrative expense	Selling, general and administrative expense	28.0	22.9				
Gain on sale of assets	Gain on sale of assets	—	(1.6)				
Gain on sale of assets							
Gain on sale of assets							
Interest and other income	Interest and other income	(6.3)	(1.7)				
Income before income taxes	Income before income taxes	$ 51.2	$ 27.9				

Lot Sales

Residential lots sold consisted of:

Three Months Ended March 31,	Three Months Ended March 31,	Six Months Ended March 31,

	2024	2023	2024	2023
Development projects				
Lot banking projects				

	Three Months Ended December 31,	
	3,289	
	2023	2022
Development projects	3,150	2,263
	3,289	
	3,289	
Average sales price per lot (a)	Average sales price per lot (a) $96,400	$90,100
Average sales price per lot (a)		
Average sales price per lot (a)		

(a) Excludes lots sold from deferred development projects and any impact from change in contract liabilities.

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Revenues

Revenues consisted of:

	Three Months Ended December 31,					
Three Months Ended March 31,			Three Months Ended March 31,		Six Months Ended March 31,	
	2023	2022	2024	2023	2024	2023
	(In millions)		(In millions)			

Residential lot sales:	Residential lot sales:		
Development projects	Development projects	$303.5	$204.0
Development projects			
Development projects			
Lot banking projects			
Decrease in contract liabilities	Decrease in contract liabilities	0.7	2.7
		304.2	206.7
	325.9		
Deferred development projects	Deferred development projects	1.3	6.7
		305.5	213.4
	327.6		
Tract sales and other	Tract sales and other	0.4	3.3
Total revenues	Total revenues	$305.9	$216.7

Residential lots sold and residential lot sales revenues in the three and six months ended December 31, 2023 March 31, 2024 have increased compared to the prior year periods primarily as a result of improved demand for finished lots as homebuilders have increased their pace of new home starts to better match the stronger demand for new homes, particularly at affordable price points.

Residential lot sales to D.R. Horton and customers other than D.R. Horton excluding deferred development projects, consisted of:

		Three Months Ended December 31,					
	Three Months Ended March 31,			**Three Months Ended March 31,**		**Six Months Ended March 31,**	
		2023	**2022**	**2024**	**2023**	**2024**	**2023**
Residential lots sold to D.R. Horton	Residential lots sold to D.R. Horton	2,834	2,094				

Residential lots sold to customers other than D.R. Horton	Residential lots sold to customers other than D.R. Horton	316	169
		3,150	2,263
	3,289		

Residential lot revenues from lot sales to D.R. Horton and customers other than D.R. Horton, before deferred development projects and changes in contract liabilities, consisted of:

		Three Months Ended December 31,					
	Three Months Ended March 31,			Three Months Ended March 31,		Six Months Ended March 31,	
		2023	2022	2024	2023	2024	2023
		(In millions)		(In millions)			
Revenues from lot sales to D.R. Horton	Revenues from lot sales to D.R. Horton	$272.8	$187.1				
Revenues from lot sales to customers other than D.R. Horton	Revenues from lot sales to customers other than D.R. Horton	30.7	16.9				
		$303.5	$204.0				
	$						

Lots sold to customers other than D.R. Horton in the three six months ended December 31, 2023 March 31, 2024 included 124 lots that were sold for $15.1 million to a lot banker who expects to sell those lots to D.R. Horton at a future date. Lots sold to customers other than D.R. Horton in the six months ended March 31, 2023 included 147 lots that were sold for $16.0 million to a lot banker who expects to sell those lots to D.R. Horton at a future date.

Tract sales and other revenue in the three and six months ended March 31, 2023 primarily consisted of 34 tract acres sold to third parties for $8.0 million and 379 tract acres sold to D.R. Horton for $32.5 million.

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Cost of Sales, Real Estate Impairment and Land Option Charges and Interest Incurred

Cost of sales in the three and six months ended December 31, 2023 March 31, 2024 increased compared to the prior year period periods primarily due to the increase in the number of lots sold. Cost of sales related to tract sales and other revenues was $25.5 million in both the three and six months ended March 31, 2023.

Each quarter, we review the performance and outlook for all of our real estate for indicators of potential impairment and perform detailed impairment evaluations and analyses when necessary. As a result of this process, there were no impairment charges were recorded for in the three and six months ended December 31, 2023 and 2022. March 31, 2024. In the three and six months ended December 31, 2023 March 31, 2023, we recorded non-cash impairment charges of $19.4 million. In the three and six months ended March 31, 2024, land purchase contract deposit and pre-acquisition cost write-offs related to land purchase contracts that the we have terminated or expect to terminate were $0.2 million and $0.4 million, respectively, compared to $2.4 million $0.9 million and $3.3 million in the prior year period. periods.

We capitalize interest costs throughout the development period (active real estate). Capitalized interest is charged to cost of sales as the related real estate is sold. sold to the buyer. Interest incurred was $8.1 million $8.2 million and $16.3 million in the three and six months ended December 31, 2023 March 31, 2024 compared to $8.2 million and $16.4 million in the prior year period. periods. Interest charged to cost of sales was 2.6% of total cost of sales (excluding impairments and land option charges) in both the three and six months ended December 31, 2023 March 31, 2024 compared to 3.0% 2.3% and 2.6% in the prior year period. periods.

Selling, General and Administrative (SG&A) Expense and Other Income Statement Items

SG&A expense in the three and six months ended December 31, 2023 March 31, 2024 was $28.0 million $29.2 million and $57.2 million compared to $22.9 million $22.0 million and $44.9 million in the prior year period and periods. SG&A expense as a percentage of revenues was 9.2% 8.7% and 8.9% in the three and six months ended March 31, 2024 compared to 10.6%. 7.3% and 8.7% in the prior year periods. Our SG&A expense primarily consisted of employee compensation and related costs. Our business operations employed 329 340 and 277 271 employees at December 31, 2023 March 31, 2024 and 2022, 2023, respectively. We attempt to control our SG&A costs while ensuring that our infrastructure supports our operations; however, we cannot make assurances that we will be able to maintain or improve upon the current SG&A expense as a percentage of revenues.

Income Taxes

Our income Income tax expense for the three and six months ended December 31, 2023 March 31, 2024 was $13.0 million $13.9 million and $26.9 million compared to $7.1 million $9.0 million and $16.1 million in the prior year period. periods. Our effective tax rate was 23.6% and 24.4% for both the three and six months ended March 31, 2024 compared to 25.1% and 25.2% in the prior year periods. The effective tax rate for all periods was 25.4% and included an expense for state income taxes and nondeductible expenses. The effective tax rate for the three and six months ended March 31, 2024 also included a benefit for stock-based compensation.

At December 31, 2023 March 31, 2024, we had deferred tax liabilities, net of deferred tax assets, of $49.3 $50.0 million. The deferred tax assets were partially offset by a valuation allowance of $0.9 $0.8 million, resulting in a net deferred tax liability of $50.2 million. $50.8 million. At September 30, 2023, deferred tax liabilities, net of deferred tax assets, were $49.8 million. The deferred tax assets were partially offset by a valuation allowance of $0.9 million, resulting in a net deferred tax liability of $50.7 million. $50.7 million. The valuation allowance for both periods was recorded because it is more likely than not that a portion of our state deferred tax assets, primarily NOL 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.

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Land and Lot Position

Our land and lot position at December 31, 2023 March 31, 2024 and September 30, 2023 is summarized as follows:

		December 31, 2023	September 30, 2023	March 31, 2024	September 30, 2023
Lots owned	Lots owned	55,400	52,400		
Lots controlled through land and lot purchase contracts	Lots controlled through land and lot purchase contracts	27,000	26,800		
Total lots owned and controlled	Total lots owned and controlled	82,400	79,200		
Owned lots under contract to sell to D.R. Horton	Owned lots under contract to sell to D.R. Horton	16,200	14,400		
Owned lots under contract to sell to D.R. Horton					
Owned lots under contract to sell to D.R. Horton					
Owned lots under contract to customers other than D.R. Horton	Owned lots under contract to customers other than D.R. Horton	500	600		

Total owned lots under contract	Total owned lots under contract	16,700	15,000
Owned lots subject to right of first offer with D.R. Horton based on executed purchase and sale agreements	Owned lots subject to right of first offer with D.R. Horton based on executed purchase and sale agreements	17,500	17,000
Owned lots subject to right of first offer with D.R. Horton based on executed purchase and sale agreements			
Owned lots subject to right of first offer with D.R. Horton based on executed purchase and sale agreements			
Owned lots fully developed	Owned lots fully developed	7,300	6,400
Owned lots fully developed related to lot banking			

Liquidity and Capital Resources

Liquidity

At December 31, 2023 March 31, 2024, we had $458.9 million $416.2 million of cash and cash equivalents and $385.7 million $382.0 million of available borrowing capacity on our revolving credit facility. We have no senior note maturities until fiscal 2026. We believe we are well-positioned to operate effectively during changing economic conditions because of our low net leverage and strong liquidity position, our low overhead model and our strategic relationship with D.R. Horton.

At December 31, 2023 March 31, 2024, our ratio of debt to total capital (debt divided by stockholders' equity plus debt) was 33.4% 32.4% compared to 33.7% at September 30, 2023 and 36.7% 36.2% at December 31, 2022 March 31, 2023. Our ratio of net debt to total capital (debt net of unrestricted cash divided by stockholders' equity plus debt net of unrestricted cash) was 14.9% 16.4% compared to 5.5% at September 30, 2023 and 28.7% 25.2% at December 31, 2022 March 31, 2023. Over the long term, we intend to maintain our ratio of net debt to total capital at approximately 40% or less. We believe that the ratio of net debt to total capital is useful in understanding the leverage employed in our operations. We are confident that we are well-positioned to operate effectively during changing economic conditions because of our low net leverage and strong liquidity position, our low overhead model and our strategic relationship with D.R. Horton.

We believe that our existing cash resources and revolving credit facility will provide sufficient liquidity to fund our near-term working capital needs. Our ability to achieve our long-term growth objectives will depend on our ability to obtain financing in sufficient amounts. 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. We may, at any time, be considering or preparing for the purchase or sale of our debt securities, the sale of our common stock or a combination thereof.

Bank Credit Facility

We have a $410 million senior unsecured revolving credit facility with an uncommitted accordion feature that could increase the size of the facility to $600 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 the greater of $100 million and 50% of the total revolving credit commitments. Borrowings under the revolving credit facility are subject to a borrowing base calculation based on the book value of our real estate assets and unrestricted cash. Letters of credit issued under the facility reduce the available borrowing capacity. The maturity date of the facility is October 28, 2026. At December 31, 2023 March 31, 2024, there were no borrowings outstanding and $24.3 million $28.0 million of letters of credit issued under the revolving credit facility, resulting in available capacity of $385.7 million $382.0 million.

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The revolving credit facility is guaranteed by our wholly-owned subsidiaries that are not immaterial subsidiaries or have not been designated as unrestricted subsidiaries. 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 December 31, 2023 March 31, 2024, we were in compliance with all of the covenants, limitations and restrictions of our revolving credit facility.

Senior Notes

We have outstanding senior notes as described below that were issued pursuant to Rule 144A and Regulation S under the Securities Act of 1933, as amended. The notes represent senior unsecured obligations that rank equally in right of payment to all existing and future senior unsecured indebtedness and may be redeemed prior to maturity, subject to certain limitations and premiums defined in the respective indenture. The notes are guaranteed by each of our subsidiaries to the extent such subsidiaries guarantee our revolving credit facility.

Our $400 million principal amount of 3.85% senior notes (the "2026 notes" “2026 notes”) mature May 15, 2026 with interest payable semi-annually. On or after May 15, 2023, the 2026 notes may be redeemed at 101.925% of their principal amount plus any accrued and unpaid interest. In accordance with the indenture, the redemption price decreases annually thereafter, and the 2026 notes can be redeemed at par on or after May 15, 2025 through maturity. The annual effective interest rate of the 2026 notes after giving effect to the amortization of financing costs is 4.1%.

We also have $300 million principal amount of 5.0% senior notes (the "2028 notes" “2028 notes”) outstanding, which mature March 1, 2028 with interest payable semi-annually. On or after March 1, 2023, the 2028 notes may be redeemed at 102.5% of their principal amount plus any accrued and unpaid interest. In accordance with the indenture, the redemption price decreases annually thereafter and the 2028 notes can be redeemed at par on or after March 1, 2026 through maturity. The annual effective interest rate of the 2028 notes after giving effect to the amortization of financing costs is 5.2%.

The indentures governing our senior notes require that, upon the occurrence of both a change of control and a rating decline (as defined in each indenture), we offer to purchase the applicable series of notes at 101% of their principal amount. If we or our restricted subsidiaries dispose of assets, under certain circumstances, we will be required to either invest the net cash proceeds from such asset sales in our business within a specified period of time, repay certain senior secured debt or debt of our non-guarantor subsidiaries, or make an offer to purchase a principal amount of such notes equal to the excess net cash proceeds at a purchase price of 100% of their principal amount. The indentures contain covenants that, among other things, restrict the ability of us and our 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 our assets; enter into transactions with affiliates; and allow to exist certain restrictions on the ability of subsidiaries to pay dividends or make other payments. At December 31, 2023 March 31, 2024, we were in compliance with all of the limitations and restrictions associated with our senior note obligations.

Effective April 30, 2020, our Board of Directors authorized the repurchase of up to $30 million of our debt securities. The authorization has no expiration date. All of the $30 million authorization was remaining at December 31, 2023 March 31, 2024.

Other Note Payable

In December 2023, we issued a note payable of $9.9 million as part of a transaction to acquire real estate for development. The note is non-recourse and is secured by the underlying real estate, accrues interest at 4.0% per annum and matures in December 2025.

Issuance of Common Stock

We have an effective shelf registration statement filed with the Securities and Exchange Commission in October 2021, registering $750 million of equity securities, of which $300 million was reserved for sales under our at-the-market equity offering program that became effective November 2021. In the three months ended December 31, 2023 March 31, 2024, there were no we issued 546,174 shares of common stock issued under our at-the-market equity offering program. program for proceeds of $19.7 million, net of commissions and other issuance costs totaling $0.4 million. At December 31, 2023 March 31, 2024, $748.2 million $728.1 million remained available for issuance under the shelf registration statement, of which $298.2 million $278.1 million was reserved for sales under our at-the-market equity offering program.

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Operating Cash Flow Activities

In the three six months ended December 31, 2023 March 31, 2024, net cash used in operating activities was $156.7 million $215.9 million, which was primarily the result of the increase in real estate, partially offset by net income generated in the period and the increase in earnest money on sales contracts. In the three six months ended December 31, 2022 March 31, 2023, net cash used in provided by operating activities was $49.8 million $21.3 million, which was primarily the result of the increase in real estate, partially offset by our net income generated in the period. period adjusted for impairments and land option charges, partially offset by the decreases in accounts payable and other accrued liabilities and accrued development costs.

Investing Cash Flow Activities

In the three six months ended December 31, 2023 March 31, 2024, net cash used in investing activities was $0.2 million $0.8 million compared to $1.5 million $1.3 million of cash provided by investing activities in the prior year period.

Financing Cash Flow Activities

In the three six months ended December 31, 2023 March 31, 2024, net cash provided by financing activities was $16.9 million compared to $0.7 million net cash used in financing activities was $0.2 million compared to $0.1 million in the prior year period. Cash provided by financing activities in the six months ended March 31, 2024 was primarily the result of the issuance of common stock under our at-the-market equity offering program for net proceeds of $19.7 million.

Critical Accounting Policies and Estimates

There have been no material changes in our critical accounting policies or estimates from those disclosed in our 2023 Annual Report on Form 10-K.

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.

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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's controlling level of ownership on us and the holders of our securities;
- 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 customers;
- the cyclical nature of the homebuilding and lot development industries and changes in economic, real estate and other conditions;
- the impact of significant inflation, higher interest rates or deflation;
- supply shortages and other risks of acquiring land, construction materials and skilled labor;
- the effects of public health issues such as a major epidemic or pandemic on the economy and our business;
- the impacts of weather conditions and natural disasters;
- health and safety incidents relating to our operations;
- 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;
- the strength of our information technology systems and the risk of cybersecurity breaches and our ability to satisfy privacy and data protection laws and regulations;
- the impact of governmental policies, laws or regulations and actions or restrictions of regulatory agencies;
- our ability to achieve our strategic initiatives;
- continuing liabilities related to assets that have been sold;
- the cost and availability of property suitable for residential lot development;
- general economic, market or business conditions where our real estate activities are concentrated;
- our dependence on relationships with national, regional and local homebuilders;
- competitive conditions in our industry;
- obtaining reimbursements and other payments from governmental districts and other agencies and timing of such payments;
- our ability to succeed in new markets;
- the conditions of the capital markets and our ability to raise capital to fund expected growth;
- our ability to manage and service our debt and comply with our debt covenants, restrictions and limitations;
- the volatility of the market price and trading volume of our common stock; and
- our ability to hire and retain key personnel.

Other factors, including the risk factors described in Item 1A of our 2023 Annual Report on Form 10-K, 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.

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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.

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

Interest Rate Risk

We are subject to interest rate risk on our senior debt, revolving credit facility and our other note payable. 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.

At December 31, 2023 March 31, 2024, our fixed rate debt consisted of $400 million principal amount of 3.85% senior notes due May 2026, $300 million principal amount of 5.0% senior notes due March 2028 and $9.9 million principal amount of 4.0% other note payable due in December 2025. Our variable rate debt consisted of the outstanding borrowings on our $410 million senior unsecured revolving credit facility, of which there were none at December 31, 2023 March 31, 2024.

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 (the "Exchange Act" “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 were 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

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2023 March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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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 5. *Other Information.*

(c) Trading Plans

During the three months ended December 31, 2023 March 31, 2024, no director or Section 16 officer adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

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Item 6. *Exhibits.*

Exhibit Number	Exhibit
10.1* 10.1	Separation Agreement and General Release, dated as of January 1, 2024. (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on January 24, 2024).
10.2* 10.2	Consulting Agreement dated as of January 2, 2024. (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on January 24, 2024).
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS**	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH**	Inline XBRL Taxonomy Extension Schema Document.
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104**	Cover Page Interactive Data File (embedded within the Inline XBRL document contained in Exhibit 101).

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* Filed or furnished herewith.

** Submitted electronically herewith.

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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: January 24, April 23, 2024	By: /s/ James D. Allen
	James D. Allen, on behalf of Forestar Group Inc.
	as Executive Vice President and Chief Financial Officer
	(Principal Financial and Principal Accounting Officer)

SEPARATION AGREEMENT AND GENERAL RELEASE

WHEREAS, Daniel C. Bartok (“Employee”) was hired by Forestar (USA) Real Estate Group to work as a Chief Executive Officer as an at will employee; and

WHEREAS, Forestar (as defined below) has paid Employee all employment-related compensation and provided Employee with all employment-related benefits to which Employee is entitled through January 1, 2024, with the exception of (1) redemption of Restricted Stock Units and (2) any final pay (including pay for accrued unused vacation) not yet paid at the time this Agreement is executed; and

WHEREAS, Forestar and Employee desire to fully and finally sever their relationship with one another and to resolve any current or possible disputes between them, including without limitation any such disputes arising out of Employee’s employment with Forestar; and

WHEREAS, Forestar has voluntarily offered to pay Employee monies in the form of a severance payment, in exchange for the releases and promises set forth below. The parties agree that such severance payment will not be due and owing and this agreement will not be effective unless (1) Employee executes this agreement and delivers the original to Forestar within the time prescribed herein, and (2) the revocation period described in paragraph 5 expires; and

NOW, THEREFORE, Forestar and Employee (collectively, the “Parties”), in consideration for the mutual promises, agreements, and covenants described above and below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties, execute this Separation Agreement and General Release (the "Agreement"), and agree as follows:

1. Definitions.

A. "Forestar"means Forestar (USA) Real Estate Group, any subsidiary corporations, and all other entities related directly or indirectly to Forestar (USA) Real Estate Group, and each of their agents, employees, representatives, servants, attorneys, assigns, partners, officers, directors, and predecessors and/or successors in interest, whether current or past.

B. "Employee" means the above-described Employee, together with Employee’s heirs, assigns, insurers, attorneys, legal representatives, successors in interest, agents, delegates, designees, and other representatives.

2. Termination of Employment. Employee’s employment with Forestar has ended effective January 1, 2024 (the “Termination Date”).

3. Consideration. In consideration for the releases set forth below, Forestar agrees to pay Employee additional compensation, to which Employee is not otherwise entitled, in the gross total amount of $100,000.00 (One Hundred Thousand Dollars). Deductions shall be made for applicable withholding and taxes from such payment. Employee agrees that the payment described herein is the only monetary payment made in return for entering into this Agreement and it constitutes a full settlement and compromise of all disputes Employee has or may have against the Released Parties (as defined below). Employee agrees Employee is not aware of or entitled to any amount of back pay, lost wages, or punitive or exemplary damages. Employee acknowledges receipt of payment for all wages, salary, and expenses due Employee as of the Termination Date, except for any final pay (including pay for accrued unused vacation) not yet paid at the time this Agreement is executed. Employee acknowledges that this Agreement provides benefits in excess of anything to which Employee would be entitled under any Forestar policies or severance plans, and these benefits are provided in lieu of any other payments rather

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than in addition to them. The benefits set forth in this Agreement are all the benefits Employee will receive as a result of Employee's employment with and separation from Forestar.

Forestar also agrees to reimburse Employee with the first twelve (12) months of COBRA premiums (valued at $7,317.12) if Employee timely elects to continue his group health insurance coverage and provides Forestar evidence that Employee has paid such premiums.

The above amounts shall be paid in full within fourteen days after the revocation period described in paragraph 5 expires.

4. Full Release of All Claims. In exchange for the consideration discussed above in Paragraph 3, Employee releases and forever discharges Forestar (and its past and present parents, subsidiaries, predecessors, successors, assigns, partners, joint ventures, affiliates, alleged joint or co-employers, and related corporations or companies) and D.R. Horton Inc. (and its past and present parents, subsidiaries, predecessors, successors, assigns, partners, joint ventures, affiliates, and related corporations or companies), together with the board members, officers, employees, agents, servants, insurers, and attorneys of each, whether current or past, (collectively "Released Parties") from all actions, causes of action, suits, debts, accounts, judgments, claims, and demands whatsoever, whether legal or equitable, including without limitation all claims for attorneys' fees and any claim Employee has made or might have made under any state or federal law or regulation, including without limitation those related to or arising either directly or indirectly from Employee's relationship with Forestar. Employee agrees not to institute or prosecute any civil action or arbitration claims covered by this release against any of the Released Parties.

Without limiting the generality of this section, Employee knowingly and voluntarily waives and agrees to release and discharge the Released Parties from all lawsuits, civil actions, arbitration claims, suits, and demands Employee may have based upon, arising from, or related to any act or omission arising before the date Employee executes this Agreement, including without limitation any such claim related to or arising out of Employee's employment with Forestar, or the termination of such employment, including without limitation any and all claims for injunctive relief, attorneys' fees, or compensatory or punitive damages and any and all claims for physical injuries; mental anguish; physical pain and suffering; wrongful discharge; any rights Employee may have under any local, state, or federal common law, statute, regulation, ordinance, or treaty; Title VII of the Civil Rights Act of 1964; Section 1981 of the Civil Rights Act of 1866; the Americans with Disabilities Act of 1990; the Family and Medical Leave Act of 1993 ("FMLA"); the Employee Retirement Income Security Act of 1974; the Age Discrimination in Employment Act of 1967; the Consolidated Omnibus Budget Reconciliation Act of 1985; the Health Insurance Portability and Accountability Act; the Occupational and Safety Health Act; the Equal Pay Act; the Uniformed Services Employment and Re-employment Act of 1994; Executive Orders 11246 and 11141; the Worker Adjustment and Retraining Notification Act; the Rehabilitation Act of 1973;the Sarbanes-Oxley Corporate Reform Act of 2002; all state causes of action based upon the laws of any applicable state, including, but not limited to, sexual harassment; sex discrimination; sexual orientation discrimination; race discrimination; age discrimination; employment discrimination; familial discrimination; national origin discrimination; religious discrimination; disability; incapacity; failure to pay proper wage, minimum wage, and/or overtime wages; unpaid wages; loss of wages; loss of earning capacity; loss of job security; defamation; libel; slander; humiliation; physical impairment and/or disfigurement; loss of consortium; harm to reputation; medical expenses; personal property; negligence; gross negligence; invasion of privacy; intentional infliction of emotional distress; negligent infliction of emotional distress; loss or diminution of career advancement; loss of dignity; breach of contract; and any and all claims arising under any other federal, state, or local statute, law, ordinance, regulation, or order, including those prohibiting employment discrimination; any such claim under tort, wrongful discharge, breach of contract, or breach of

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agreement; or any other claim or cause of action whatsoever for any other offense, quasi-offense, or delict, whether known or unknown.

Without waiving any prospective rights under the FMLA, Employee admits that Employee has received from Forestar all rights and benefits, if any, potentially due to Employee pursuant to the FMLA. Similarly, Employee expressly acknowledges that Forestar has paid Employee in full for all wages due, except for any final pay (including pay for accrued unused vacation) not yet paid at the time this Agreement is executed, and no outstanding claims or charges are pending under the Fair Labor Standards Act ("FLSA") or other laws. The Parties intend for Employee to release all claims that can legally be released, but no more than that. By entering into this

Agreement, it is Employee's intent to waive and release all claims and potential claims against the Released Parties, save and except a claim against Forestar for unemployment benefits. In the unlikely event that a claim or potential claim (save and except a claim for unemployment benefits) has been omitted from this Release, Employee hereby assigns and conveys said claim(s) and potential claim(s) to Forestar in exchange for Forestar's obligations herein.

Employee covenants that Employee shall not, in any way, encourage or assist any person or entity (including, but not limited to, any past, present, or future employee(s) of Forestar) to take or participate in any legal or administrative action against Released Parties, except as otherwise required or protected by law. Nothing in the Agreement shall be interpreted or applied in a manner that affects or limits Employee's otherwise lawful ability to bring an administrative charge with the Equal Employment Opportunity Commission, Department of Labor, Occupational Safety and Health Administration, Securities and Exchange Commission, or other federal, state, or local administrative agency ("Government Agencies"). Nothing contained in this letter agreement is intended to or will preclude the filing by Employee of any charge or complaint with any Government Agency, or the participation in, or the cooperation with, any lawful government investigation. The initiation of a charge or complaint with a Government Agency and/or the participation in or cooperation with a government investigation shall not be considered a breach of any obligation otherwise set forth in this Agreement. However, the Parties agree that Employee has released all Released Parties from all liability arising from the laws, statutes, and common law listed in or referred to in Section 4 and, as such, Employee is not, and will not, be entitled to any monetary or other comparable relief on Employee's own behalf to the extent allowed by law. Nothing in this Agreement shall be interpreted or applied in a manner that affects or limits Employee's ability to challenge (with a lawsuit or administrative charge) the validity of the release of claims in this Agreement. Other than a challenge to the validity of the release of claims under this Agreement, Employee has released all Released Parties from all liability with respect to the laws, statutes, and common law listed in Section 4, including the ADEA.

5. ADEA Release and Revocation. Employee acknowledges and agrees that Employee is releasing and waiving all claims under the federal Age Discrimination in Employment Act ("ADEA") and the amendments to the ADEA contained in the Older Workers Benefit Protection Act of 1990. Nothing in this Agreement shall be interpreted or applied in a manner that affects or limits Employee's ability to challenge (with a lawsuit or administrative charge) the validity of Employee's release of Forestar for age claims under the ADEA. However, other than a challenge to the validity of the release of Employee's ADEA claims, Employee has released Forestar from all liability with respect to the laws, statutes, and common laws listed above, including the ADEA.

Employee certifies that Employee has been given a period of at least twenty-one (21) days to study this Agreement and to consult with an attorney, accountant, or other advisor before signing the Agreement, and that the actual time Employee has taken for such purposes was adequate for all appropriate consultations. Employee understands that this Agreement shall not be effective and enforceable until seven (7) days from the date Employee signs this Agreement.

During this seven-day period, Employee may change his mind and revoke this Agreement by notifying Forestar of his wish to revoke this Agreement in the form of a signed, written statement. To revoke the Agreement, Employee understands that Employee must notify Vicki Jones, Vice President Human Resources, 1341 Horton Circle, Arlington, TX 76011. If mailed, the revocation must be both post-marked and received during the seven-day period, properly addressed to Vicki Jones and sent via certified mail, return receipt requested, and an additional copy must be sent via facsimile to (817) 390-1706.

6. Confidentiality of this Agreement. Employee covenants he has not reviewed, discussed, or disclosed, orally or in writing, the existence of the Agreement, the negotiations leading to the Agreement, or any of the terms or conditions of the Agreement (collectively referred to as "Agreement Information") with any person, organization, or entity other than Employee's immediate family, attorney, accountant, and/or tax consultant. Employee expressly agrees to keep Agreement Information completely confidential, and Employee will not hereafter disclose any Agreement Information to anyone other than Employee's immediate family, attorneys, accountants, or as may be required by due legal process (in which case Employee shall immediately notify Forestar). Employee must inform the recipients of Agreement Information of this confidentiality requirement and secure their agreement to maintain such confidentiality. Notwithstanding the above, nothing in this Agreement is intended to prohibit good faith reporting of possible violations of applicable law or regulation to any Government Agency or entity, including but not limited to the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, or in making disclosures where such disclosures are protected under applicable law or regulation, and advance notice of such disclosures is not required to be provided to Forestar; provided, however, that either party is free to make wholly truthful statements (1) solely to Governmental Agencies in participation with a governmental investigation; (2) when testifying at a trial, arbitration, or other legal proceeding when sworn under oath and under subpoena to testify; and/or (3) to the extent applicable, in exercise of section 7 rights under the National Labor Relations Act.

7. Representations. Employee represents that Employee has returned or will return immediately to Forestar all documents, equipment, or other property of Forestar in Employee's possession or control. Employee agrees to immediately return to Forestar all property belonging to Forestar, such as keys, credit cards, telephones, computers, and pagers, as well as all originals, copies, or other physical embodiments of Forestar's confidential information and trade secrets (regardless of whether it is in paper, electronic, or other form), including any such information in any programs, business forms, manuals, correspondence, files, databases, or on computer disks or any other storage medium. Employee also represents that Employee is old enough to sign and be legally bound by this Agreement and has had the opportunity to seek and obtain, or has sought and obtained, the advice of a lawyer in connection with this Agreement. Employee agrees that Employee is legally able and entitled to receive the consideration for this Agreement being provided by Forestar. By agreeing to sign this Agreement, Employee has not relied on any statements or explanations made by Forestar or any of its agents except as specifically set forth in this Agreement.

Employee affirms, covenants, and warrants that Employee has made no claim for illness or injury against, nor is Employee aware of any facts supporting any claim against, the Released Parties under which the Released

Parties could be liable for medical expenses incurred by Employee before or after the execution of this Agreement. Furthermore, Employee is aware of no medical expenses that Medicare has paid and for which the Released Parties are or could be liable now or in the future. Employee agrees and affirms that, to the best of Employee's knowledge, no liens of any governmental entities, including those for Medicare conditional payments, exist.

8. Attorney's Fees. The Parties agree that if either party contests or challenges the validity or enforceability of this Agreement or any of its provisions, or asserts any action or cause of action against the other relating to the matters settled herein, the prevailing party in such litigation or arbitration may recover from the other party any and all reasonable attorneys' fees or expenses incurred to enforce this Agreement or any of its provisions, or defend any such action or cause of action against the other party.

9. No Admission of Liability. It is expressly understood and agreed that any injuries or damages or legal liability claimed by Employee against Forestar are disputed and denied, and that the payment and other consideration given in this Agreement are not, and are not to be construed as, an admission of liability by Forestar. Even though Forestar agrees to the terms contained in this Agreement, Forestar denies that it is responsible or legally obligated to pay Employee for any claim Employee currently has or any claim Employee may bring, including those that Employee has released in Section 4. Forestar expressly denies any wrongdoing.

10. Later Discovered Facts. Employee acknowledges that additional facts may be discovered later, but that it is the Parties' intention to fully, finally, and forever settle and release all matters and any related claims, known or unknown, that now exist, or formerly existed, against Forestar. Employee acknowledges that this Agreement shall be and will remain in effect as a full and complete general release of such matters, notwithstanding the discovery or existence of any additional or different facts.

11. Tax Liability. Employee agrees he has made no claims of sexual harassment or abuse and, therefore, neither party believes that Section 162(q) of the Tax Cuts and Jobs Act of 2017 is applicable to this Agreement. Employee agrees Forestar has not made any representations to her regarding the legal tax consequences of any funds received pursuant to this Agreement. Employee agrees to pay any federal or state taxes remaining due that may be required to be paid with respect to this Agreement and agrees to indemnify and hold Forestar harmless for any tax liability whatsoever.

12. Entire Agreement. It is expressly understood and agreed that this Agreement embodies the entire agreement between the Parties and supersedes any and all prior agreements, arrangements or understandings between and among the Parties, except for any non-disclosure, non-competition, non-solicitation, or arbitration agreements, which are reaffirmed by Employee as consideration for this Agreement and incorporated herein, and except for (1) agreements relating to Restricted Stock Units, and (2) the Consulting Agreement between the parties. No oral understandings, statements, promises, terms, conditions, obligations, or agreements contrary or in addition to the terms of this Agreement exist.

13. Severability and Reformation: If any particular term, paragraph, subparagraph, or portion of this Agreement is determined by an appropriate court or arbitrator to be invalid or unenforceable as written, it shall be modified, as necessary, and as permitted under the law to be made valid or enforceable, and such modification shall not affect the remaining provisions of this Agreement. If it cannot be modified to be made valid or enforceable, then it shall be severed from this Agreement, and all remaining terms and provisions shall remain enforceable.

14. **Counterparts**. This Agreement may be executed in counterparts, any one of which need not contain the signatures of more than one party, but all of which, taken together, shall constitute one and the same Agreement.

15. Non-Disparagement. Employee agrees not to make disparaging or derogatory statements about the Released Parties or statements that imply or allege wrongdoing of any kind by the Released Parties, either oral or written, or otherwise disparage the Released Parties or their practices, procedures, products, or services; provided, however, that Employee is free to make wholly truthful statements (1) solely to Governmental Agencies in participation of a governmental investigation; (2) when testifying at a trial, arbitration, or other legal proceeding when sworn under oath and under subpoena to testify; and/or (3) to the extent applicable, in exercise of section 7 rights under the National Labor Relations Act. Likewise, Forestar agrees not to make disparaging or derogatory statements about Employee or statements that imply or allege wrongdoing of any kind by Employee, either oral or written, or otherwise disparage Employee in any way.

17. **Waiver**. The waiver by Forestar of any breach of this Agreement by Employee shall not be effective unless in writing, and no such waiver with regards to Employee or any other person under a similar agreement shall operate or be construed as a waiver of the same type of breach or any other breach on a subsequent occasion by Employee or any other person or entity.

18. **Assignment and Successorship**. This Agreement, and the rights and obligations of Forestar hereunder, may be assigned by Forestar and shall inure to the benefit of and shall be enforceable by any such assignee, as well as any of Forestar's successors in interest or nominees. This Agreement, and the rights and obligations Employee has hereunder, may not be assigned by Employee. The release in this Agreement is binding on Employee's heirs, executors, administrators, successors, and assigns.

19. **Remedies for Employee's Breach**. Should Employee breach any part of this Agreement, Employee will forfeit and repay Forestar for any payment made, or other consideration offered, pursuant to Section 3, and Forestar's obligation to make such payments or provide such consideration will be forever extinguished. If a challenge is made to the enforceability of some or all of the language in this Agreement, and a suit, demand, or claim is brought by Employee against any Released Party, the Released Party will be entitled to a set-off in the full amount of payments made upon this Agreement in any action brought.

20. **Choice of Law, Venue, and Jurisdiction**. This Agreement shall be governed by the laws of the state of State of Texas without reference to or application of the choice-of-law or conflicts-of-laws principles, policies, or holdings of any jurisdiction, and any disputes under or challenges to this Agreement must be decided by an appropriate state or federal court or arbitrator, as applicable, in Tarrant, County, Texas. Employee expressly consents to the personal jurisdiction of the state and federal courts and arbitrators in Tarrant County, Texas for purposes of challenging or enforcing this Agreement and waives any objections or defenses to personal jurisdiction or venue in any such proceeding before any such court or arbitration proceeding. Nothing herein shall alter any obligation to arbitrate disputes pursuant to a separate arbitration agreement.

21. **EMPLOYEE HAS THE RIGHT TO CONSULT WITH AN ATTORNEY BEFORE EXECUTING THIS AGREEMENT, AND EMPLOYEE IS ADVISED TO DO SO. EMPLOYEE HAS AT LEAST TWENTY-ONE (21) DAYS TO CONSIDER WHETHER TO ACCEPT THIS PROPOSAL. IF EMPLOYEE AGREES TO SIGN THIS AGREEMENT, EMPLOYEE MAY REVOKE THE AGREEMENT UP TO SEVEN (7) DAYS AFTER SIGNING IT ("REVOCATION PERIOD") BY DELIVERING WRITTEN NOTICE OF REVOCATION TO VICKI JONES, VICE PRESIDENT OF HUMAN RESOURCES, IN THE MANNER DESCRIBED ABOVE. ANY REVOCATION SHALL NOT BE EFFECTIVE UNLESS ACTUALLY RECEIVED BY VICKI JONES WITHIN SEVEN (7) DAYS FOLLOWING THE DATE THAT EMPLOYEE SIGNS THE AGREEMENT.**

By signing below, Employee accepts the terms of the Agreement set forth above and expressly acknowledges as follows:

(a) I understand that, through this Agreement, I am releasing all existing and potential claims against the Released Parties, to the extent allowed by law;

(b) I am signing this Agreement of my own free will, knowingly and voluntarily, and I have not been coerced or threatened in any manner;

(c) I have been given the opportunity to take 21 days from the date on which this Agreement was given to me to consider, sign, and return this Agreement and decide whether I will enter into this Agreement. If I opt to sign and return the Agreement before the full 21-day period has passed, my signature indicates conclusively that I have freely and voluntarily chosen to waive the full 21-day period and that the amount of time I took to review the Agreement and to consult with an attorney, accountant, or other advisor was adequate for all appropriate review and consultations; and

(d) This Agreement will not become effective until seven (7) days after I have signed it. If I do not provide notice of my revocation of this Agreement to Vicki Jones in accordance with Section 5, I understand that it will be binding on me.

/s/ Daniel C. Bartok
Daniel C. Bartok

January 1, 2024
Date

By the signature of its duly-authorized representative below, Forestar agrees to the terms of the Agreement set forth above:

ACCEPTED AND AGREED TO on the first day of January 2024.

By: /s/ James D. Allen
James D. Allen, Chief Financial Officer

Mail entire agreement to:
D.R. Horton, Inc.
1341 Horton Circle
Arlington, TX 76011
Attention: Vicki Jones

CONSULTING AGREEMENT

This **Consulting Agreement***(the "Agreement")* is effective the 2nd day of January 2024between **FORESTAR GROUP INC.**,a Delaware corporation, (*the "Company")* and **DANIEL C. BARTOK**, an individual and Texas resident *(the "Consultant").*

WHEREAS, the parties desire to enter into this Agreement setting forth the terms and conditions for the consultant relationship of Consultant and the Company.

NOW, THEREFORE, in consideration of the promises and mutual covenants and agreements herein contained and intending to be legally bound hereby, the Company and Consultant hereby agree as follows:

1. **Term.** The term of this Agreement shall begin on January 2, 2024 *(the "Commencement Date")* and end on December 31, 2024 *(the "Termination Date")*.

2. **Engagement.** Consultant shall be engaged in a consultant relationship to provide consulting services to the Company related to the Company's business and operations as set forth under Section 3.

3. **Consultant's Services.** The consulting services to be provided by Consultant to the Company shall be agreed to by the parties as reasonably requested by Andy W. Oxley or Donald J. Tomnitz (*collectively, the"Consulting Services")*. The parties agree that the Consulting Services shall, on average, require no more than twenty percent of Consultant's working time.

4. **Consulting Fee.** The Company shall pay Consultant a consulting fee *(the "Consulting Fee")* in the total amount of $83,333.33 per month for each full month of the term of this Agreement. The Consulting Fee shall be payable in 12 monthly installments beginning on or about February 1, 2024.

5. **Independent Contractor.** Nothing herein shall be construed to create an employer-employee relationship between the Company and Consultant. Consultant is an independent contractor and not an employee of the Company or any of its subsidiaries or affiliates. The consideration set forth in **Section 4** shall be the sole consideration due Consultant for the services rendered hereunder. It is understood that the Company will not withhold any amounts for payment of taxes from the compensation of Consultant hereunder. Consultant will not represent to be or hold himself out as an employee of the Company.

6. **Confidentiality.** In the course of performing Consulting Services, the parties recognize that Consultant may have or come in contact with or become familiar with information that the Company or its related entities may consider confidential. This information may include but is not limited to the Company's financial information, operational information, land and lot costs and pipeline information, development costs, land or lot sales prices, land identified by the Company for purchase or development analysis, purchasing information, and similar information related to the Company's operations, including any of the foregoing information of D.R. Horton, Inc. Consultant agrees to keep all such information confidential and not to utilize, discuss, or divulge it to anyone other than appropriate Company personnel or their designees who need to know such confidential information. This Confidentiality provision shall remain effective for one year following any termination of this Agreement.

7. **<u>Non-Disparagement</u>.** Consultant agrees not to make any disparaging or derogatory statements about the Company or its related entities, or statements that imply or allege wrongdoing of any kind by the Company or its related entities, either oral or written, or otherwise disparage the Company or its related entities or their practices, procedures, products, or services; provided, however, that Consultant is free to make wholly truthful statements (i) solely to the Securities and Exchange Commission or other federal, state, or local administrative agency ("Government Agencies") in participation of a governmental investigation; (ii) when testifying at a trial, arbitration, or other legal proceeding when sworn under oath and under subpoena to testify; and/or (iii) to the extent applicable, in exercise of section 7 rights under the National Labor Relations Act. Likewise, the Company agrees not to make any disparaging or derogatory statements about Consultant, or statements that imply or allege wrongdoing of any kind by Consultant, either oral or written, or otherwise disparage Consultant in any way.

8.**<u>Non-Competition</u>.** During the Term of this Agreement, Consultant agrees that Consultant will not, without the prior written consent of the Company, engage as a consultant, advisor, or employee for any person, entity, or business primarily involved in (i) the purchase or sale of land to be used in the development of residential lots, (ii) the development of land into residential lots, or (iii) the construction of residential homes. The foregoing activities shall be prohibited within 50 miles from any location where the Company currently does business. This restriction does not prohibit Consultant from providing services to a private equity or investment firm that has a division or affiliate involved in the development of residential lots or construction of residential homes. In addition, this restriction does not apply to investments that Consultant may choose to make in his own individual capacity.

9. **<u>Non- Solicitation</u>**. For one year from the Commencement Date, Consultant agrees that Consultant will not, directly or indirectly, solicit for employment or similar engagement any employee of the Company or its affiliates who is now employed by any such party or was employed by any such party in the six months prior to the solicitation. This restriction does not apply to an individual who is seeking employment due to being involuntarily terminated by the Company or its affiliates.

10.**<u>Notice</u>.** For the purpose of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or when mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth below, or to such other addresses as either party may have furnished to the other in writing in accordance herewith, with the exception that notice of a change of address shall be effective only upon actual receipt:

Company: Forestar Group Inc.
2221 E. Lamar Blvd.
Arlington, TX 76006
Attention: Andy W. Oxley

Consultant: Daniel C. Bartok

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11. **Jurisdiction**. This Agreement shall be governed by the laws of the state of State of Texas without reference to or application of the choice-of-law or conflicts-of-laws principles, policies, or holdings of any jurisdiction, and any disputes under or challenges to this Agreement must be decided by an appropriate state or federal court or arbitrator, as applicable, in Tarrant, County, Texas. Consultant expressly consents to the personal jurisdiction of the state and federal courts and arbitrators in Tarrant County, Texas for purposes of challenging or enforcing this Agreement and waives any objections or defenses to personal jurisdiction or venue in any such proceeding before any such court or arbitration proceeding. Nothing herein shall alter any obligation to arbitrate disputes pursuant to a separate arbitration agreement.

12. **Assignment and Successorship**. This Agreement shall be binding upon and inure to the benefit of Company and any other person, association, or entity that may acquire or succeed to all or substantially all of the business or assets of Company. Company may assign this Agreement to any affiliate or other entity.

13. **Entire Agreement**. No other representation, inducement, promise, or agreement has been made by either party with respect to the subject matter of this Agreement, and no agreement, statement, or promise relating to the subject matter of this Agreement that is not contained in this Agreement shall be valid or binding. Any prior non-disclosure, non-competition, non-solicitation, or arbitration obligation is reaffirmed by Consultant as consideration for this Agreement. Any modification of this Agreement will be effective only if it is in writing and signed by each party. Paragraphs 6, 7, and 9 shall survive the termination of this Agreement. The language of this Agreement shall be construed as a whole, according to its fair meaning, and not strictly for or against either party.

(Signature Page Follows)

IN WITNESS WHEREOF, each of the parties hereto has executed this Agreement effective on the date indicated above.

FORESTAR GROUP INC.

By: /s/ James D. Allen

James D. Allen, Chief Financial Officer

Consultant:

Daniel C. Bartok

By: /s/ Daniel C. Bartok

Daniel C. Bartok

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

PURSUANT TO EXCHANGE ACT RULE 13a-14(a)

I, Anthony W. Oxley, 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/ Anthony W. Oxley
Anthony W. Oxley
Chief Executive Officer

Date: January 24, 2024 April 23, 2024

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

PURSUANT TO EXCHANGE ACT RULE 13a-14(a)

I, James D. Allen, 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/ James D. Allen

James D. Allen

Chief Financial Officer

Date: January 24, 2024 April 23, 2024

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, Anthony W. Oxley, 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/ Anthony W. Oxley

Anthony W. Oxley

January 24, April 23, 2024

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, James D. Allen, 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/ James D. Allen

James D. Allen

January 24, April 23, 2024

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.