

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name Forestar Group Inc.		2 Issuer's employer identification number (EIN) 26-1336998	
3 Name of contact for additional information Andrew D. Harris		4 Telephone No. of contact 512-433-5224	5 Email address of contact andrewharris@forestargroup.com
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 6300 Bee Cave Rd, Bldg. Two, Ste 500		7 City, town, or post office, state, and Zip code of contact Austin, TX 78746	
8 Date of action October 5, 2017		9 Classification and description Common stock	
10 CUSIP number 346232101	11 Serial number(s)	12 Ticker symbol FOR	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **On October 5, 2017, Forestar Group Inc. ("Forestar") and D.R. Horton, Inc. announced the closing of D.R. Horton's previously announced acquisition of approximately 75% of the then-outstanding shares of Forestar for \$17.75 per share in cash pursuant to a merger of a wholly owned subsidiary of D.R. Horton with and into Forestar. Existing shares of Forestar common stock not acquired by D.R. Horton pursuant to the merger were exchanged for an equal amount of newly issued shares of Forestar common stock. For more information, holders should review the section titled "—U.S. Federal Income Tax Consequences of the Merger" in the Form S-4 filed by Forestar with the Securities and Exchange Commission on July 26, 2017.**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **A U.S. Holder that received new shares of Forestar common stock pursuant to the merger generally will not recognize gain or loss on the receipt of each new share of Forestar common stock, and such holder will have the same aggregate tax basis and holding period in each new share of Forestar common stock received pursuant to the merger as it had in each existing share of Forestar common stock surrendered in exchange therefor.**

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **The tax basis of each new share of Forestar common stock received pursuant to the merger generally will be equal to the tax basis of each existing share of Forestar common stock surrendered in exchange therefor.**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ Sections 354, 358 and/or 1036.

18 Can any resulting loss be recognized? ▶ A U.S Holder generally will not recognize loss on the receipt of existing Forestar common stock for new Forestar common stock.

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ Not applicable.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here Signature ▶ Andrew D. Harris Date ▶ 11/14/17

Print your name ▶ ANDREW D. HARRIS Title ▶ VP-TAX

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.