Forestar Group Inc.
Form 10-Q
April 30, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019
or
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File Number: 001-33662

FORESTAR GROUP INC.
(Exact Name of Registrant as Specified in Its Charter)

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

2221 E. Lamar Blvd., Suite 790
Arlington, Texas 76006
(Address of Principal Executive Offices, including Zip Code)
Registrant’s telephone number, including area code: (817)-769-1860
10700 Pecan Park Blvd., Suite 150
Austin, Texas 78750
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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 growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer x	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨	Emerging growth compa

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.

Title of Each Class	Number of Shares Outstanding as of April 26, 2019
Common Stock, par value $1.00 per share	41,959,866

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PART I—FINANCIAL INFORMATION
Item 1. Financial Statements
FORESTAR GROUP INC.
Consolidated Balance Sheets
(Unaudited)

	March 31, 2019	September 30, 2018
	(In millions, except share data)	
ASSETS		
Cash and cash equivalents	$66.4	$ 318.8
Restricted cash	15.7	16.2
Total cash, cash equivalents and restricted cash	82.1	335.0
Real estate	851.5	498.0
Investment in unconsolidated ventures	7.4	11.7
Income taxes receivable	2.5	4.4
Property and equipment, net	2.4	1.7
Deferred tax asset, net	22.9	26.9
Other assets	16.1	15.4
TOTAL ASSETS	$984.9	$ 893.1
LIABILITIES		
Accounts payable	$14.5	$ 7.9
Earnest money deposits on sales contracts	78.9	49.4
Accrued expenses and other liabilities	54.5	49.6
Debt, net	149.2	111.7
TOTAL LIABILITIES	297.1	218.6
COMMITMENTS AND CONTINGENCIES (Note 12)		
EQUITY		
Forestar Group Inc. shareholders’ equity:		
Common stock, par value $1.00 per share, 200,000,000 authorized shares, 41,959,866 issued at March 31, 2019 and 41,939,403 issued at September 30, 2018	42.0	41.9
Additional paid-in capital	506.4	506.3
Retained earnings	138.5	125.1
Total Forestar Group Inc. shareholders’ equity	686.9	673.3
Noncontrolling interests	0.9	1.2
TOTAL EQUITY	687.8	674.5
TOTAL LIABILITIES AND EQUITY	$984.9	$ 893.1

Please read the notes to consolidated financial statements.

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FORESTAR GROUP INC.
Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2019	2018	2019	2018
	(In millions, except per share amounts)			
Revenues	$65.3	$22.6	$103.8	$53.5
Cost of sales	43.6	16.2	74.3	38.9
Selling, general and administrative expense	6.2	5.4	11.9	29.6
Equity in earnings of unconsolidated ventures	—	(1.5)	(0.6)	(8.5)
Gain on sale of assets	—	(2.7)	(0.9)	(2.7)
Interest expense	—	2.1	—	4.2
Interest and other income	(0.9)	(1.6)	(2.2)	(2.3)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES	16.4	4.7	21.3	(5.7)
Income tax expense	3.6	0.1	4.6	12.6
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	12.8	4.6	16.7	(18.3)
INCOME FROM DISCONTINUED OPERATIONS, NET OF TAXES	—	—	—	7.2
CONSOLIDATED NET INCOME (LOSS)	12.8	4.6	16.7	(11.1)
Less: Net income attributable to noncontrolling interests	2.7	0.1	3.3	2.0
NET INCOME (LOSS) ATTRIBUTABLE TO FORESTAR GROUP INC.	$10.1	$4.5	$13.4	$(13.1)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING				
Basic	42.0	41.9	42.0	41.9
Diluted	42.0	42.0	42.0	42.0
NET INCOME (LOSS) PER BASIC SHARE				
Continuing operations	$0.24	$0.11	$0.32	$(0.48)
Discontinued operations	$—	$—	$—	$0.17
NET INCOME (LOSS) PER BASIC SHARE	$0.24	$0.11	$0.32	$(0.31)
NET INCOME (LOSS) PER DILUTED SHARE				
Continuing operations	$0.24	$0.11	$0.32	$(0.48)
Discontinued operations	$—	$—	$—	$0.17
NET INCOME (LOSS) PER DILUTED SHARE	$0.24	$0.11	$0.32	$(0.31)

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

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

Please read the notes to consolidated financial statements.

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

	Six Months Ended March 31,	
	2019	2018
	(In millions)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net income (loss)	$16.7	$(11.1)
Adjustments:		
Depreciation and amortization	3.0	2.5
Deferred income taxes	3.9	(1.1)
Equity in earnings of unconsolidated ventures	(0.6)	(8.5)
Distributions of earnings of unconsolidated ventures	4.9	8.3
Share-based compensation	0.2	4.2
Asset impairments	0.4	9.3
Loss on debt extinguishment, net	—	0.6
Gain on sale of assets	(0.9)	(2.7)
Changes in operating assets and liabilities:		
Increase in real estate	(353.5)	(173.5)
Increase in other assets	(1.6)	(3.1)
Increase in accounts payable and other accrued liabilities	12.6	1.6
Increase in earnest money deposits on sales contracts	29.5	19.1
Decrease in income taxes receivable	1.9	16.6
Net cash used in operating activities	(283.5)	(137.8)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property, equipment, software and other	(0.8)	—
Investment in unconsolidated ventures	—	(0.1)
Return of investment in unconsolidated ventures	0.1	7.1
Proceeds from sale of assets	—	228.6
Net cash (used in) provided by investing activities	(0.7)	235.6
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of debt	(5.0)	(10.1)
Additions to debt	40.0	1.5
Deferred financing fees	—	(0.2)
Distributions to noncontrolling interests, net	(3.6)	(2.0)
Settlement of equity awards	(0.1)	(12.8)
Net cash provided by (used in) financing activities	31.3	(23.6)
Net (decrease) increase in cash, cash equivalents and restricted cash	(252.9)	74.2
Cash, cash equivalents and restricted cash at beginning of period	335.0	402.2
Cash, cash equivalents and restricted cash at end of period	$82.1	$476.4

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

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

The Company divested substantially all of its oil and gas working interest properties in 2016, and completed the sale of all oil and gas assets and related entities in 2017. As a result of selling the entities in 2017, the Company recognized a tax benefit during the six months ended March 31, 2018 that has been recorded as income from discontinued operations. There was no activity related to these discontinued operations during the three and six months ended March 31, 2019.
The transactions included in net income in the consolidated statements of operations are the same as those that would be presented in comprehensive income. Thus, the Company's net income equates to comprehensive income.

On October 5, 2017, Forestar became a majority-owned subsidiary of D.R. Horton, Inc. (D.R. Horton) by virtue of a merger with a wholly-owned subsidiary of D.R. Horton (the Merger). Immediately following the Merger, D.R. Horton owned 75% of the Company's outstanding common stock. In connection with the Merger, the Company entered into certain agreements with D.R. Horton including a Stockholder's Agreement, a Master Supply Agreement, and a Shared Services Agreement. D.R. Horton is considered a related party of Forestar under GAAP.
Changes in Presentation and Reclassifications
Certain items have been reclassified in the prior year financial statements to conform to the presentation and classifications used in the current year. Receivables, prepaid expenses, land purchase contract deposits, and intangible assets have been reclassified to other assets in the prior year consolidated balance sheet. Accrued employee compensation and benefits, accrued property taxes, accrued interest, other accrued expenses and other liabilities have been reclassified to accrued expenses and other liabilities in the prior year consolidated balance sheet. Other operating expense and general and administrative expense have been combined into one line item which is titled selling, general and administrative expense in the prior year consolidated statement of operations. In addition, certain items have been reclassified from selling, general and administrative expenses to cost of sales in the prior year statement of operations to conform to classifications used in the current year. The Company has reclassified the change in earnest money deposits in the prior year statement of cash flows from change in accounts payable and other accrued liabilities to conform to the classifications used in the current year. The Company has reclassified real estate cost of sales, real estate development and acquisition expenditures, reimbursements from utility and improvement districts, and other to change in real estate in the prior year statement of cash flows to conform to classifications used in the current year. The Company has reclassified proceeds from land and lot closings held for the Company's benefit at title companies in

the prior year consolidated balance sheet from receivables to cash and cash equivalents to conform to the classification used in the current year. These reclassifications had no effect on the Company's consolidated operating results, balance sheet or cash flows.

In connection with the adoption of Accounting Standards Update (ASU) 2016-18 on October 1, 2018, restricted cash is included with cash and cash equivalents when reconciling beginning and ending cash amounts in the consolidated statements of cash flows. Prior period amounts have been reclassified to conform to the current year presentation, resulting in a decrease in cash used in financing activities of $39.7 million for the six months ended March 31, 2018.

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Adoption of New Accounting Standards

On October 1, 2018, the Company adopted Accounting Standards Codification 606, "Revenue from Contracts with Customers" (ASC 606), which is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services and satisfaction of performance obligations to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The Company applied the modified retrospective method to contracts that were not completed as of October 1, 2018. Results for the reporting period beginning on October 1, 2018 are presented under ASC 606, while prior period amounts were not adjusted and will continue to be reported under the previous accounting standards. Under ASC 606, the Company's performance obligations are typically satisfied at closing. However, there may be instances in which the Company has an unsatisfied remaining performance obligation at the time of closing. In these instances, the Company records contract liabilities and recognizes those revenues over time using the percentage of completion method based upon actual costs incurred. Generally, the Company's unsatisfied remaining performance obligations are expected to have an original duration of less than one year. As of October 1, 2018, the Company established contract liabilities of $6.4 million related to its remaining unsatisfied performance obligations at the time of adoption of ASC 606. There was no impact to the amount or timing of revenues recognized as a result of applying ASC 606 for the three and six months ended March 31, 2019, and there have not been significant changes to the Company’s business processes, systems, or internal controls as a result of implementing the standard.

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

	As of March 31, 2019		
	As Reported	Impact of Adoption	As Adjusted
	(In millions)		
Real estate	$ 851.5	$ 7.0	$ 844.5
Contract liabilities	7.9	7.9	—
Deferred income	10.8	(0.9)	11.7

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

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

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

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). This ASU requires lessees to put most leases on their balance sheets but recognize expenses on their income statements in a manner that is similar to today's accounting. This guidance also eliminates today's real estate-specific provisions for all entities. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. This guidance is effective for the Company on October 1, 2019 and early adoption is permitted. The new standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. The Company is currently evaluating the effect the updated standard will have on our financial position, results of operations and cash flows.

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Note 2—Segment Information

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

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

Additionally, as of and for the three and six months ended March 31, 2019, all assets and results of operations have been included in the real estate segment. In prior periods, certain costs and assets were not allocated to the Company’s segments. During the three months ended December 31, 2018, the Company began evaluating the results of operations of its real estate segment based on income from continuing operations before income taxes. As a result, all of the Company’s results of operations have been allocated to the real estate segment for the three and six months ended March 31, 2019. This change in the measure of segment profit (loss) was adopted prospectively and the prior period segment results have not been adjusted to conform to the current period. In prior periods, segment earnings (loss) consist of operating income, equity in earnings (loss) of unconsolidated ventures, gain on sales of assets, interest income and net income (loss) attributable to noncontrolling interests. Items not allocated to segments in prior periods consist of general and administrative expense, share-based and long-term incentive compensation, gain on sale of timberland assets, interest expense, and other corporate interest and other income.
The accounting policies of the reporting segment is described throughout Note 1 in the Company's annual report on Form 10-KT for the nine months ended September 30, 2018.

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

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

Segment results for the three and six months ended March 31, 2018 are as follows:

	Three Months Ended March 31, 2018			
	Real Estate	Other	Items Not Allocated	Consolidated
	(In millions)			
Revenues	$22.6	$—	$ —	$ 22.6
Cost of sales	15.6	0.6	—	16.2
Selling, general and administrative expense	1.6	—	3.8	5.4
Equity in earnings of unconsolidated ventures	(1.5)	—	—	(1.5)
Gain on sale of assets	(2.7)	—	—	(2.7)
Interest expense	—	—	2.1	2.1
Interest and other income	(0.2)	—	(1.4)	(1.6)
Income (loss) from continuing operations before taxes	$9.8	$(0.6)	$ (4.5)	$ 4.7
Net income attributable to noncontrolling interests	0.1	—	—	0.1
Income (loss) from continuing operations before taxes attributable to Forestar Group Inc.	$9.7	$(0.6)	$ (4.5)	$ 4.6

	Six Months Ended March 31, 2018			
	Real Estate	Other	Items Not Allocated	Consolidated
	(In millions)			
Revenues	$53.5	$—	$ —	$ 53.5
Cost of sales	32.4	6.5	—	38.9
Selling, general and administrative expense	7.5	0.1	22.0	29.6
Equity in earnings of unconsolidated ventures	(8.5)	—	—	(8.5)
Gain on sale of assets	(2.7)	—	—	(2.7)
Interest expense	—	—	4.2	4.2
Interest and other income	(0.9)	—	(1.4)	(2.3)
Income (loss) from continuing operations before taxes	$25.7	$(6.6)	$ (24.8)	$ (5.7)
Net income attributable to noncontrolling interests	2.0	—	—	2.0
Income (loss) from continuing operations before taxes attributable to Forestar Group Inc.	$23.7	$(6.6)	$ (24.8)	$ (7.7)

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Note 3—Real Estate

Real estate consists of:

	March 31, 2019	September 30, 2018
	(In millions)	
Developed and under development projects	$803.0	$ 463.1
Land held for development	48.5	34.9
	$851.5	$ 498.0

In the six months ended March 31, 2019, the Company invested $300.2 million for the acquisition of residential real estate and $119.1 million for the development of residential real estate. At March 31, 2019 and September 30, 2018, land held for development primarily consists of undeveloped land which the Company has the contractual right to sell to D.R. Horton within approximately one year of its purchase or, if D.R. Horton elects, at an earlier date, at a sales price equal to the carrying value of the land at the time of sale plus additional consideration which ranges from 12% to 16% per annum. Alternatively, at any time prior to its sale of the undeveloped land to D.R. Horton, the Company and D.R. Horton may elect to have Forestar develop the land into residential lots and enter into a finished lot purchase and sale agreement with D.R. Horton.

Note 4—Revenues

On October 1, 2018, the Company adopted Accounting Standards Codification 606, "Revenue from Contracts with Customers" (ASC 606), which is a comprehensive new revenue recognition model that requires revenue to be recognized in a manner to depict the transfer of goods or services and satisfaction of performance obligations to a customer at an amount that reflects the consideration expected to be received in exchange for those goods or services. The Company applied the modified retrospective method to contracts that were not completed as of October 1, 2018. Results for the reporting period beginning on October 1, 2018 are presented under ASC 606, while prior period amounts were not adjusted and will continue to be reported under the previous accounting standards. Under ASC 606 the Company's performance obligations are typically satisfied at closing. However, there may be instances in which the Company has an unsatisfied remaining performance obligation at the time of closing. In these instances, the Company records contract liabilities and recognizes those revenues over time using the percentage of completion method based upon actual costs incurred. Generally, the Company's unsatisfied remaining performance obligations are expected to have an original duration of less than one year. As of October 1, 2018, the Company established contract liabilities of $6.4 million related to its remaining unsatisfied performance obligations at the time of adoption of ASC 606. There was no impact to the amount or timing of revenues recognized as a result of applying ASC 606 for the three and six months ended March 31, 2019

Revenues consist of:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2019	2018	2019	2018
	(In millions)			
Residential lot sales	$49.3	$20.4	$84.0	$41.5
Residential tract sales	—	—	—	2.3
Commercial tract sales	15.0	2.0	18.5	9.2
Other	1.0	0.2	1.3	0.5
	$65.3	$22.6	$103.8	$53.5

In the three and six months ended March 31, 2019 the Company recognized $2.1 million and $3.0 million of residential lot sales revenue as a result of its progress towards completion of its remaining unsatisfied performance obligations.

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Note 5—Investment in Unconsolidated Ventures

In the past, the Company participated in real estate ventures for the purpose of acquiring and developing residential, multifamily and mixed-use communities in which the Company may or may not have a controlling financial interest. GAAP requires consolidation of Variable Interest Entities (VIEs) in which an enterprise has a controlling financial interest and is the primary beneficiary. A controlling financial interest will have both of the following characteristics: (a) the power to direct the VIE activities that most significantly impact economic performance and (b) the obligation to absorb the VIE losses and right to receive benefits that are significant to the VIE. The Company examines specific criteria and uses judgment when determining whether a venture is a VIE and whether the Company is the primary beneficiary. The Company performs this review initially at the time it enters into venture agreements and reassesses upon reconsideration events.
At March 31, 2019, the Company had ownership interests in four ventures that it accounted for using the equity method, none of which was a VIE.
Combined summarized balance sheet information for our ventures accounted for using the equity method follows:

	March 31, 2019	September 30, 2018
	(In millions)	
Assets:		
Cash and cash equivalents	$1.7	$ 10.2
Real estate	13.7	17.2
Other assets	0.1	0.1
Total assets	$15.5	$ 27.5
Liabilities and Equity:		
Accounts payable and other liabilities	$0.3	$ 0.6
Equity	15.2	26.9
Total liabilities and equity	$15.5	$ 27.5
Forestar's investment in unconsolidated ventures	$7.4	$ 11.7

Combined summarized income statement information for our ventures accounted for using the equity method follows:

	Three Months Ended March 31,		Six Months Ended March 31,	
	2019	2018	2019	2018
	(In millions)			
Revenues	$—	$3.4	$1.8	$12.0
Earnings	—	4.3	1.4	21.7
Forestar's equity in earnings of unconsolidated ventures	—	1.5	0.6	8.5

In the six months ended March 31, 2018, a venture in which the Company owned a 30% interest sold a multifamily project in Nashville for $71.7 million and recognized a gain of $19.0 million. The Company's share of earnings from this transaction was $7.8 million.
Note 6—Discontinued Operations
The Company divested substantially all of its oil and gas working interest properties in 2016 and completed the sale of all oil and gas assets and related entities in 2017. As a result of selling the entities in 2017, the Company recognized a tax benefit of $7.2 million in the six months ended March 31, 2018 that has been recorded as income from discontinued operations. There was no activity related to these discontinued operations during the six months ended

March 31, 2019.

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Note 7—Other Assets, Accrued Expenses and Other Liabilities

The Company's other assets at March 31, 2019 and September 30, 2018 were as follows:

	March 31, 2019	September 30, 2018
	(In millions)	
Receivables, net	$ 1.4	