

Etheredge Charles T JR  
 Form 4  
 December 20, 2012

**FORM 4** UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
 Washington, D.C. 20549

OMB APPROVAL  
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
 Etheredge Charles T JR

2. Issuer Name and Ticker or Trading Symbol  
 Forestar Group Inc. [FOR]

5. Relationship of Reporting Person(s) to Issuer  
 (Check all applicable)

(Last) (First) (Middle)  
 6300 BEE CAVE  
 ROAD, BUILDING TWO, SUITE  
 500  
 (Street)

3. Date of Earliest Transaction  
 (Month/Day/Year)  
 12/20/2012

\_\_\_\_ Director  
 Officer (give title below)  
 \_\_\_\_ 10% Owner  
 \_\_\_\_ Other (specify below)  
 Executive Vice President

AUSTIN, TX 78746

4. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 \_\_\_\_ Form filed by More than One Reporting Person

(City) (State) (Zip)

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)	
				(A) or (D)	Price			
				Code	V	Amount		
Common Stock	12/20/2012		M	1,000	A	\$ 8.68	34,496 <sup>(1)</sup>	D
Common Stock	12/20/2012		F	647	D	\$ 16.71	33,849 <sup>(2)</sup>	D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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 (9-02)

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**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	Amount or Number of Shares
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	
Option (right to buy) <u>(3)</u> <u>(4)</u>	\$ 8.68	12/20/2012		M	1,000	02/07/2005	02/07/2013	Common Stock	1,000
Option (right to buy) <u>(4)</u> <u>(5)</u>	\$ 15.02					02/06/2005	02/06/2014	Common Stock	533
Option (right to buy) <u>(4)</u> <u>(6)</u>	\$ 20.26					02/04/2006	02/04/2015	Common Stock	533
Option (right to buy) <u>(4)</u> <u>(7)</u>	\$ 27.06					02/03/2007	02/03/2016	Common Stock	1,700
Option (right to buy) <u>(4)</u> <u>(8)</u>	\$ 30.56					02/02/2006	02/02/2017	Common Stock	1,700
Option (right to buy) <u>(9)</u>	\$ 28.85					02/12/2009	02/12/2018	Common Stock	42,800
Option (right to buy) <u>(10)</u>	\$ 9.29					02/10/2010	02/10/2019	Common Stock	14,160
Option (right to buy) <u>(11)</u>	\$ 17.8					02/09/2011	02/09/2020	Common Stock	8,580
Option (right to buy) <u>(12)</u>	\$ 18.59					02/08/2012	02/08/2021	Common Stock	21,760
Option (right to buy) <u>(13)</u>	\$ 16.11					02/14/2013	02/14/2022	Common Stock	24,140
Stock Appreciation Right <u>(14)</u>	\$ 9.29					02/10/2010	02/10/2019	Common Stock	31,520
Stock Appreciation Right <u>(15)</u>	\$ 17.8					02/09/2011	02/09/2020	Common Stock	10,070
Restricted Share Units <u>(16)</u>	<u>(16)</u>					<u>(16)</u>	<u>(16)</u>	Common Stock	5,080
	<u>(17)</u>					<u>(17)</u>	<u>(17)</u>		1,790

Restricted Share Units (17)				Common Stock	
Restricted Share Units (18)	(18)	(18)	(18)	Common Stock	8,38
Performance Units (19)	(19)	(19)	02/08/2014	Common Stock	10,31
Performance Units (19)	(19)	(19)	02/14/2012	Common Stock	12,01

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Etheredge Charles T JR 6300 BEE CAVE ROAD BUILDING TWO, SUITE 500 AUSTIN, TX 78746			Executive Vice President	

## Signatures

David M. Grimm signing on behalf of Charles T. Etheredge, Jr. 12/20/2012

\_\_Signature of Reporting Person Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) Reporting Person acquired additional shares by swapping shares already owned, resulting in a net increase in shares.
- (2) In accordance with the Rights Agreement adopted by the Company on December 11, 2007, Preferred Stock Purchase Rights are deemed to be attached to the shares of Common Stock.
- (3) Options Vesting Schedule - Exercise price is \$8.68: Options Exercisable 02/07/2006 - 1,000.
- (4) Shares acquired in a pro rata distribution by Temple-Inland Inc. through a spin-off on or around December 28, 2007.
- (5) Options Vesting Schedule - Exercise price of \$15.02: Options Exercisable 02/06/2007 - 400; Options Exercisable 02/06/2008 - 133.
- (6) Options Vesting Schedule - Exercise price of \$20.26: Options Exercisable 02/04/2007 - 266; Options Exercisable 02/04/2008 - 133; Options Exercisable 02/04/2009 - 134.
- (7) Options Vesting Schedule - Exercise price of \$27.06: Options Exercisable 02/03/2007 - 427; Options Exercisable 02/03/2008 - 427; Options Exercisable 02/03/2009 - 427; and Options Exercisable 02/03/2010 - 427.
- (8) Options Vesting Schedule - Exercise price of \$30.56: Options Exercisable 02/02/2008 - 427; Options Exercisable 02/02/2009 - 427; Options Exercisable 02/02/2010 - 427; Options Exercisable 02/02/2011 - 427.
- (9) Options Vesting Schedule for Options Granted 02/12/2008 - Exercise price is \$28.85: Options Exercisable 02/12/2009 - 10,700; Options Exercisable 02/12/2010 - 10,700; Options Exercisable 02/12/2011 - 10,700; Options Exercisable 02/12/2012 - 10,700.
- (10) Vesting schedule for Options granted 02/10/2009 - Exercise price is \$9.29: Options Exercisable 02/10/2010 - 3,540; Options Exercisable 02/10/2011 - 3,540; Options Exercisable 02/10/2012 - 3,541; and Options Exercisable 02/10/2013 - 3,541.
- (11)

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Vesting schedule for Options granted 02/9/2010 - Exercise price is \$17.80: Options Exercisable 02/9/2011 - 2,145; Options Exercisable 02/9/2012 - 2,145; Options Exercisable 02/9/2013 - 2,145; and Options Exercisable 02/9/2014 - 2,145.

- (12) Vesting schedule for Options granted 02/8/2011 - Exercise price is \$18.59: Options Exercisable 02/8/2012 - 5,440; Options Exercisable 02/8/2013 - 5,440; Options Exercisable 02/8/2014 - 5,440; and Options Exercisable 02/8/2015 - 5,441.
- (13) Vesting schedule for Options granted 02/14/2012 - Exercise price is \$16.11: Options Exercisable 02/14/2013 - 6,035; Options Exercisable 02/14/2014 - 6,036; Options Exercisable 02/14/2015 - 6,035; and Options Exercisable 02/14/2016 - 6,036.
- (14) Vesting schedule for Stock Appreciation Rights (SARs) granted 02/10/2009 - Exercise price is \$9.29: SARs Exercisable 02/10/2010 - 7,880; SARs Exercisable 02/10/2011 - 7,881; SARs Exercisable 02/10/2012 - 7,881; and SARs Exercisable 02/10/2013 - 7,881.
- (15) Vesting schedule for Stock Appreciation Rights (SARs) granted 02/9/2010 - Exercise price is \$17.80: SARs Exercisable 02/9/2011 - 2,518; SARs Exercisable 02/9/2012 - 2,518; SARs Exercisable 02/9/2013 - 2,518; and SARs Exercisable 02/9/2014 - 2,518. SARs will be settled for cash.
- (16) Restricted share units granted on 2/9/2010 will vest effective 2/9/2013. Restricted share units will be settled for cash based on the fair market value on vesting date subject to a 1% ROA performance criteria.
- (17) Restricted share units granted on 2/8/2011 will vest as follows: 1,793 on 2/8/2012; 1,793 on 2/8/2013; 1,793 on 2/8/2014. Restricted share units will be settled for cash based on the fair market value on vesting date.
- (18) Restricted share units granted on 2/14/2012 will vest as follows: 2,794 on 2/14/2013; 2,793 on 2/14/2014; 2,793 on 2/14/2015. Restricted share units will be settled for cash based on the fair market value on vesting date.
- (19) Number of units received upon vesting will vary depending upon performance of Company stock over the performance period.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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