

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

(Last) (First) (Middle)

6300 BEE CAVE
 ROAD, BUILDING TWO, SUITE
 500

(Street)

AUSTIN, TX 78746

(City) (State) (Zip)

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

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

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

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

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 | | |
| Common Stock | 12/20/2012 | | M | 1,000 | \$ 8.68 | 34,496 ⁽¹⁾ | D |
| Common Stock | 12/20/2012 | | F | 647 | \$ 16.71 | 33,849 ⁽²⁾ | D |

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

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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 |

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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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