

Smith Flavious J. Jr.  
Form 4  
February 16, 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 \*  
Smith Flavious J. 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

3. Date of Earliest Transaction  
(Month/Day/Year)  
02/14/2012

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

(Street)  
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   |  |                                   |
| Common Stock                    | 02/14/2012                           |  | M                              | 6,055 (1)   | A \$ 0  | 46,382   | D                                 |
| Common Stock                    | 02/14/2012                           |  | D                              | 6,055 (1)   | D \$ 0  | 40,327 (2)   | D                                 |

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

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SEC 1474  
(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 Underlying Security (Instr. 3 and 4) |
|--|--|--------------------------------------|--|--------------------------------|---|--|-------------------------|---|
|  |  |                                      |  | Code                           | V   | (A)  | (D)                     | Title   |
| Option (right to buy) <u>(3)</u>           | \$ 17.8  |                                      |  |                                |   |  |                         | 02/09/2011 02/09/2020 Common Stock                |
| Option (right to buy) <u>(4)</u>           | \$ 18.59   |                                      |  |                                |   |  |                         | 02/08/2012 02/08/2021 Common Stock                |
| Option (right to buy) <u>(5)</u>           | \$ 16.11   | 02/14/2012                           |  | A                              |   | 41,845   |                         | 02/14/2013 02/14/2022 Common Stock                |
| Stock Appreciation Right <u>(6)</u>        | \$ 9.29  |                                      |  |                                |   |  |                         | 02/10/2010 02/10/2019 Common Stock                |
| Stock Appreciation Right <u>(7)</u>        | \$ 17.8  |                                      |  |                                |   |  |                         | 02/09/2011 02/09/2020 Common Stock                |
| Restricted Share Units <u>(8)</u>          | <u>(8)</u>   | 02/14/2012                           |  | M                              |   | 6,055  | <u>(8)</u> <u>(8)</u>   | Common Stock                                      |
| Restricted Share Units <u>(9)</u>          | <u>(9)</u>   |                                      |  |                                |   |  | <u>(9)</u> <u>(9)</u>   | Common Stock                                      |
| Restricted Share Units <u>(10)</u>         | <u>(10)</u>  |                                      |  |                                |   |  | <u>(10)</u> <u>(10)</u> | Common Stock                                      |
| Restricted Share Units <u>(11)</u>         | <u>(11)</u>  | 02/14/2012                           |  | A                              |   | 22,657   | <u>(11)</u> <u>(11)</u> | Common Stock                                      |
| Performance Units <u>(12)</u>              | <u>(12)</u>  |                                      |  |                                |   |  | <u>(12)</u> 02/08/2014  | Common Stock                                      |
| Performance Units <u>(12)</u>              | <u>(12)</u>  | 02/14/2012                           |  | A                              |   | 20,833   | <u>(12)</u> 02/14/2015  | Common Stock                                      |

## Reporting Owners

Reporting Owner Name / Address

Relationships

Director 10% Owner Officer Other

Smith Flavious J. Jr.  
 6300 BEE CAVE ROAD  
 BUILDING TWO, SUITE 500  
 AUSTIN, TX 78746

Executive Vice President

## Signatures

David M. Grimm signing on behalf of Flavious J. Smith, Jr.

02/16/2012

\_\_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) Restricted stock units vested 2/14/2012. Restricted stock units are being settled for cash based on the fair market value on 2/14/2012.
- (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) Vesting schedule for Options granted 02/9/2010 - Exercise price is \$17.80: Options Exercisable 02/9/2011 - 3,201; Options Exercisable 02/9/2012 - 3,202; Options Exercisable 02/9/2013 - 3,201; and Options Exercisable 02/9/2014 - 3,202.
- (4) Vesting schedule for Options granted 02/8/2011 - Exercise price is \$18.59: Options Exercisable 02/8/2012 - 6,182; Options Exercisable 02/8/2013 - 6,182; Options Exercisable 02/8/2014 - 6,182; and Options Exercisable 02/8/2015 - 6,182.
- (5) Vesting schedule for Options granted 02/14/2012 - Exercise price is \$16.11: Options Exercisable 02/14/2013 - 10,461; Options Exercisable 02/14/2014 - 10,461; Options Exercisable 02/14/2015 - 10,461; and Options Exercisable 02/14/2016 - 10,462.
- (6) Vesting schedule for Stock Appreciation Rights (SARs) granted 02/10/2009 - Exercise price is \$9.29: SARs Exercisable 02/10/2010 - 3,569; SARs Exercisable 02/10/2011 - 3,569; SARs Exercisable 02/10/2012 - 3,569; and SARs Exercisable 02/10/2013 - 3,570. SARs will be settled for cash.
- (7) Vesting schedule for Stock Appreciation Rights (SARs) granted 02/9/2010 - Exercise price is \$17.80: SARs Exercisable 02/9/2011 - 3,758; SARs Exercisable 02/9/2012 - 3,758; SARs Exercisable 02/9/2013 - 3,758; and SARs Exercisable 02/9/2014 - 3,759. SARs will be settled for cash.
- (8) Restricted share units granted on 2/10/2009 will vest effective 2/10/2012. Restricted share units will be settled for cash based on the fair market value on the vesting date subject to a 1% ROA performance criteria.
- (9) 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.
- (10) Restricted share units granted on 2/8/2011 will vest as follows: 2,062 on 2/8/2012; 2,062 on 2/8/2013; 2,062 on 2/8/2014. Restricted share units will be settled for cash based on the fair market value on vesting date.
- (11) Restricted share units granted on 2/14/2012 will vest as follows: 7,553 on 2/14/2013; 7,552 on 2/14/2014; 7,552 on 2/14/2015. Restricted share units will be settled for cash based on the fair market value on vesting date.
- (12) 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. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number.