

Etheredge Charles T JR
 Form 4
 February 05, 2009

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

3. Date of Earliest Transaction
 (Month/Day/Year)
 02/03/2009

____ 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 | 02/03/2009 | 02/03/2009 | M | 700 ⁽¹⁾ A | \$ 12.41 | 7,848 | D |
| Common Stock | 02/03/2009 | 02/03/2009 | D | 700 ⁽¹⁾ D | \$ 12.41 | 7,148 ⁽²⁾ | D |
| Common Stock | | | | | | 257 ⁽³⁾ | I By Trustee of 401(k) Plan |

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

Persons who respond to the collection of information contained in this form are not

SEC 1474 (9-02)

required to respond unless the form displays a currently valid OMB control number.

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) | 8. Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|-----------------|---|-------------------------------|
| | | | | Code | V (A) (D) | Date Exercisable | Expiration Date | Title | |
| Option (right to buy) <u>(4)</u> <u>(5)</u> | \$ 13.26 | | | | | 02/01/2006 | 02/01/2012 | Common Stock | 166 |
| Option (right to buy) <u>(5)</u> <u>(6)</u> | \$ 8.68 | | | | | 02/07/2005 | 02/07/2013 | Common Stock | 1,000 |
| Option (right to buy) <u>(5)</u> <u>(7)</u> | \$ 15.02 | | | | | 02/06/2005 | 02/06/2014 | Common Stock | 533 |
| Option (right to buy) <u>(5)</u> <u>(8)</u> | \$ 20.26 | | | | | 02/04/2006 | 02/04/2015 | Common Stock | 533 |
| Option (right to buy) <u>(5)</u> <u>(9)</u> | \$ 27.06 | | | | | 02/03/2007 | 02/03/2016 | Common Stock | 1,708 |
| Option (right to buy) <u>(5)</u> <u>(10)</u> | \$ 30.56 | | | | | 02/02/2006 | 02/02/2017 | Common Stock | 1,708 |
| Option (right to buy) <u>(11)</u> | \$ 28.85 | | | | | 02/12/2009 | 02/12/2018 | Common Stock | 42,800 |
| Restricted <u>(5)</u> | <u>(1)</u> | 02/03/2009 | 02/03/2009 | M | 700 | <u>(1)</u> | <u>(1)</u> | Common Stock | 700 |
| Restricted <u>(5)</u> <u>(12)</u> | <u>(12)</u> | | | | | <u>(12)</u> | <u>(12)</u> | Common Stock | 700 |

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. | 02/05/2009 |
| **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 share units vested on 2/3/2009; payable in cash based on the fair market value on vesting date.
 - (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.
Reporting Person acquired shares through acquisitions under 401(k) plan. By trustee of the Temple-Inland Savings and Retirement Plan according to the latest report of the Plan Administrator. (Note: Trustee uses unit accounting; therefore, share equivalents may fluctuate slightly from month to month.)
 - (3) Reporting Person acquired shares through acquisitions under 401(k) plan. By trustee of the Temple-Inland Savings and Retirement Plan according to the latest report of the Plan Administrator. (Note: Trustee uses unit accounting; therefore, share equivalents may fluctuate slightly from month to month.)
 - (4) Options Vesting Schedule - Exercise price is \$13.26: Options Exercisable 02/01/2006 - 166.
 - (5) Shares acquired in a pro rata distribution by Temple-Inland Inc. through a spin-off on or around December 28, 2007.
 - (6) Options Vesting Schedule - Exercise price is \$8.68: Options Exercisable 02/07/2006 - 1,000.
 - (7) Options Vesting Schedule - Exercise price of \$15.02: Options Exercisable 02/06/2007 - 400; Options Exercisable 02/06/2008 - 133.
 - (8) 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.
 - (9) 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.
 - (10) 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.
 - (11) 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.
 - (12) Restricted share units will vest effective 02/02/2010. Restricted share units will be settled for cash based on the fair market value on the vesting date.

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.