Smith Richard M Form 4 May 14, 2009

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5

obligations

may continue.

See Instruction

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

1(b).

(Print or Type Responses)

Smith Richard M Issuer Symbol Forestar Group Inc. [FOR] (Check all applicable) (First) (Middle) (Last) 3. Date of Earliest Transaction (Month/Day/Year) X_ Director 10% Owner Officer (give title Other (specify 6300 BEE CAVE 05/12/2009 below) ROAD, BUILDING TWO, SUITE

2. Issuer Name and Ticker or Trading

500

1. Name and Address of Reporting Person *

(Street) 4. If Amendment, Date Original 6. Individual or Joint/Group Filing(Check

> Filed(Month/Day/Year) Applicable Line)

X Form filed by One Reporting Person Form filed by More than One Reporting

AUSTIN, TX 78746

(City) (State) (Zip) Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of 2. Transaction Date 2A. Deemed 3. 4. Securities 5. Amount of 6. Ownership 7. Nature of Security (Month/Day/Year) Execution Date, if TransactionAcquired (A) or Securities Form: Direct Indirect (Instr. 3) Code Disposed of (D) Beneficially (D) or Beneficial (Instr. 3, 4 and 5) Ownership (Month/Day/Year) (Instr. 8) Owned Indirect (I) **Following** (Instr. 4) (Instr. 4) Reported

(A) Transaction(s) or (Instr. 3 and 4)

Code V Amount (D) Price

Common $8,469 \frac{(1)}{}$ D Stock

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)

OMB APPROVAL

3235-0287

January 31,

2005

0.5

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Number:

Expires:

response...

5. Relationship of Reporting Person(s) to

Estimated average

burden hours per

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	e 3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transactic 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)	
				Code V	(A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Option (right to buy) (2) (3)	\$ 20.99					11/03/2007	11/03/2016	Common Stock	6,666
Option (right to buy) (4)	\$ 28.85					02/12/2009	02/12/2018	Common Stock	20,000
Restricted Share Units (5)	<u>(5)</u>	05/12/2009		A	1,437	<u>(5)</u>	<u>(5)</u>	Common Stock	12,335

Reporting Owners

Reporting Owner Name / Address	Relationships					
	Director	10% Owner	Officer	Other		
Smith Richard M 6300 BEE CAVE ROAD BUILDING TWO, SUITE 500 AUSTIN, TX 78746	X					

Signatures

David M. Grimm signing on behalf of Richard M.
Smith

05/14/2009

**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) 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.
- Options Vesting Schedule Exercise price of \$20.99: Options Exercisable 11/03/2007 2,666; Options Exercisable 11/03/2008 2,666; Options Exercisable 11/03/2009 1,333.
- (3) Shares acquired in a pro rata distribution by Temple-Inland Inc. through a spin-off effective December 28, 2007.
- Options Vesting Schedule for Options Granted 02/12/2008 Exercise price is \$28.85: Options Exerciserable 02/12/2009 6,500; Options Exerciserable 02/12/2010 6,500; Options Exerciserable 02/12/2011 7,000.

(5)

Reporting Owners 2

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Restricted share units accrued under a Company plan to be settled in cash settled following Reporting Person's retirement or termination of services as a Director. Restricted share units are vested on the date of grant and have the economic equivalent of one share of common stock.

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.