

Forestar Group Inc.  
Form DEF 14A  
March 27, 2013

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No.        )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**FORESTAR GROUP INC.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**6300 Bee Cave Road, Building Two, Suite 500  
Austin, Texas 78746**

**NOTICE OF 2013 ANNUAL MEETING OF STOCKHOLDERS  
To Be Held May 14, 2013**

**To Forestar Stockholders:**

**When and Where the Annual Meeting of  
Stockholders Will be Held**

The 2013 annual meeting of our stockholders will be held at our offices located at 6300 Bee Cave Road, Building Two, Suite 500, Austin, Texas 78746, on Tuesday, May 14, 2013, at 9:00 a.m. Austin, Texas time.

**Purposes of the Meeting**

The meeting will be held for the following purposes:

1. To elect the five nominees named in the attached proxy statement as directors to serve on our Board of Directors. These five directors will serve as directors until their terms expire or, if later, until replacement directors are elected who meet all necessary qualifications.
2. Advisory approval of the Company's executive compensation.
3. To ratify the Audit Committee's appointment of Ernst & Young LLP as our independent registered public accounting firm for the year 2013.
4. To transact any other business that is properly raised for discussion at the annual meeting or any later meeting if the annual meeting is adjourned or postponed.

**Who Can Attend and Vote**

Our Board of Directors has fixed the close of business on March 14, 2013 as the record date for determining who is a stockholder entitled to receive notices about the annual meeting and to vote at the annual meeting or any later meeting if the annual meeting is adjourned or postponed. Only stockholders who own stock on the record date are entitled to receive notices about the annual meeting and to vote at the annual meeting.

If you need help voting your shares, please call D. F. King & Co., Inc., our proxy solicitation firm, at (800) 714-3312.

David M. Grimm  
*Executive Vice President, General Counsel and  
Corporate Secretary*

March 27, 2013  
Austin, Texas

**Your vote is important. You are invited to attend the meeting in person. If you need directions to the meeting location, you may contact our Corporate Secretary by phone at (512) 433-5200 or by mail at our address noted above. Whether or not you plan to attend, and no matter how many shares you own, please mark your vote on the enclosed proxy card, sign it, date it, and return it by mail or vote by telephone or on the internet. By voting before the meeting, you will help us ensure that there are enough stockholders voting to hold a meeting and avoid added proxy solicitation costs. If you attend the meeting, you may vote in person, if you wish, even if you have previously submitted a proxy. You may revoke your proxy at any time before the vote is taken by delivering to the Corporate Secretary a written revocation or a proxy with a later date or by voting your shares in person at the meeting, in which case your prior proxy will be disregarded. Please see the instructions under Voting Information How you can change or revoke your vote.**

**Important Notice Regarding Availability of Proxy Materials for the 2013 Annual Meeting of Stockholders to be held on May 14, 2013.**

The 2013 Proxy Statement, along with our Annual Report on Form 10-K for 2012, are available at  
<http://investor.forestargroup.com/phoenix.zhtml?c=216546&p=irol-sec>

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**6300 Bee Cave Road, Building Two, Suite 500  
Austin, Texas 78746**

**PROXY STATEMENT  
FOR 2013 ANNUAL MEETING OF STOCKHOLDERS**

**VOTING INFORMATION**

**General**

Our Board of Directors seeks your proxy for use in voting at our 2013 annual meeting of stockholders to be held on Tuesday, May 14, 2013, at 9:00 a.m. Austin, Texas time, and at any later meeting if the annual meeting is adjourned or postponed. This Proxy Statement and proxy card were mailed beginning on March 28, 2013 to all holders of our common stock entitled to vote at the annual meeting.

We have enclosed with this Proxy Statement our 2012 Annual Report to Stockholders, which includes our audited financial statements. The Annual Report does not constitute any part of the material for the solicitation of proxies.

**Record date**

Holders of our common stock as of the close of business on March 14, 2013, the record date, may vote at the 2013 annual meeting, either in person or by proxy. At the close of business on March 14, 2013, there were 34,623,047 shares of our common stock outstanding and entitled to vote at the annual meeting. The common stock is our only authorized voting security, and each share of our common stock is entitled to one vote on each matter properly brought before the annual meeting.

**Purpose of the annual meeting**

At the annual meeting, the stockholders will be asked to vote on the following proposals:

*Proposal No. 1:* Election of the five nominees named in this Proxy Statement as directors to serve on our Board of Directors.

*Proposal No. 2:* Advisory approval of the Company's executive compensation.

*Proposal No. 3:* Ratification of the Audit Committee's appointment of Ernst & Young LLP as our independent registered public accounting firm for the year 2013.

**Difference between holding shares as a stockholder of record and as a beneficial owner**

If your shares are registered directly in your name with our transfer agent, Computershare Trust Company, N.A., you are considered the "stockholder of record" with respect to those shares. This Proxy Statement, the enclosed proxy card and the 2012 Annual Report to Stockholders have been sent directly to you.

If your shares are held in a stock brokerage account or by a bank or other nominee, those shares are held in "street name" and you are considered the "beneficial owner" of the shares. This Proxy Statement, the 2012 Annual Report to Stockholders and other materials have been forwarded to you by your broker, bank or other nominee, who is the stockholder of record. You will receive separate instructions from your

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broker, bank or other holder of record describing how to vote your shares.

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**Voting your shares**

If you hold shares in your own name as a stockholder of record, you can cast your vote before the annual meeting by authorizing the individuals named on the enclosed proxy card to serve as your proxy to vote your shares at the annual meeting in the manner you indicate. You may do so by completing, signing and dating the enclosed proxy card and returning it in the enclosed postage-paid envelope. The telephone and internet voting instructions serve the same purpose as the proxy card. When your proxy card or telephone or internet vote specifies a choice with respect to a voting matter, the named individuals on the proxy card will vote your shares as you have specified. Submitting a proxy or voting through the telephone or the internet will not affect your right to attend the annual meeting and vote in person.

If you are a beneficial owner of shares held in street name, your broker, bank or other nominee will provide you with materials and instructions for voting your shares. The availability of telephone or internet voting will depend on the bank's or broker's voting process. Please check with your bank or broker and follow the voting procedures your bank or broker provides to vote your shares.

If your shares are held in your own name as a stockholder of record and you return your signed proxy card but do not specify a voting choice on your proxy card, your shares will be voted as follows:

FOR election of the director nominees under the caption "Election of Directors."

FOR advisory approval of the Company's executive compensation.

FOR ratification of the selection of Ernst & Young LLP as independent registered public accounting firm for the year 2013.

**Broker discretionary voting if you do not instruct your broker on how to vote your shares**

Brokers do not have discretionary authority to vote on the proposals to elect directors and to hold an advisory vote on executive compensation if they do not receive instructions from a beneficial owner. Accordingly, if you are a beneficial owner, you must instruct your broker on how you want your shares to be voted on these proposals in order for your votes to be counted on these proposals. Brokers have discretionary authority to vote on the ratification of selection of auditors if they do not receive instructions from a beneficial owner.

**Voting in person at the annual meeting**

If you hold shares in your own name as a stockholder of record, you are invited to attend the annual meeting and cast your vote at the meeting by properly completing and submitting a ballot at the meeting. If you are the beneficial owner of shares held in the name of your broker, bank or other nominee, you are invited to attend the meeting in person, but in order to vote at the meeting you must first obtain a legal proxy from your broker, bank or other nominee giving you the right to vote those shares and submit that proxy along with a properly completed ballot at the meeting.

**How you can change or revoke your vote**

If you hold shares in your own name as a stockholder of record, you may change your vote or revoke your proxy at any time before voting begins by:

giving written notice of revocation to our Corporate Secretary at any time before the voting begins; or

signing and delivering a proxy that is dated after the proxy you wish to revoke; or



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attending the annual meeting and voting in person by properly completing and submitting a ballot.

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Attendance at the meeting, in and of itself, will not cause your previously granted proxy to be revoked unless you vote at the meeting.

We must receive your notice of revocation or later-dated proxy at or prior to voting at the annual meeting for it to be effective. It should be delivered to:

Forestar Group Inc.  
6300 Bee Cave Road  
Building Two, Suite 500  
Austin, Texas 78746  
Attention: David M. Grimm, Corporate Secretary

Alternatively, you may hand deliver a written revocation notice, or a later-dated proxy, to the Corporate Secretary at the annual meeting before the voting begins.

If you are the beneficial owner of your shares held in street name, please check with your bank or broker and follow the procedures your bank or broker provides if you wish to change your vote.

**Quorum**

The presence at the annual meeting, in person or by proxy, of holders of 17,311,524 shares (a majority of the number of shares of common stock issued and outstanding and entitled to vote as of the record date) is required to constitute a quorum to transact business at the meeting. Proxies marked "abstain" and broker "non-votes" (each of which are explained below) will be counted in determining the presence of a quorum.

If the shares present in person or represented by proxy at the annual meeting are not sufficient to constitute a quorum, the stockholders by a vote of the holders of a majority of the votes entitled to be cast by the stockholders, present in person or by proxy at the meeting (which may be voted by the proxyholders at the meeting), may, without further notice to any stockholder (unless a new record date is set or the adjournment is for more than 30 days), adjourn the meeting to a different time and place to permit further solicitations of proxies sufficient to constitute a quorum. At any such adjourned meeting at which a quorum may be present, any business may be transacted that might have been transacted at the meeting as originally called.

**Abstentions**

An abstention occurs when a stockholder sends in a proxy with explicit instructions to decline to vote regarding a particular proposal. An abstention with respect to any proposal for the annual meeting will not be counted as a vote "cast" for or against the proposal. Consequently, an abstention with respect to any of the proposals scheduled for a vote at the annual meeting will not affect the outcome of the vote.

**Broker non-votes**

Broker "non-votes" are shares held by brokers or nominees for which voting instructions have not been received from the beneficial owners or the persons entitled to vote those shares and the broker or nominee does not have discretionary voting power under rules applicable to broker-dealers so the broker is unable to vote those uninstructed shares. A broker "non-vote" with respect to a proposal will not be counted as a vote "cast" for or against the proposal. Consequently, a broker "non-vote" will not affect the outcome of the vote.

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**Required Votes**

*Election of Directors*

To elect a director nominee, the votes cast "for" that nominee must exceed the votes cast "against" that nominee. In accordance with our corporate governance guidelines, each incumbent nominee who does not receive the required vote for election must tender his or her resignation to our Non-executive Chairman for consideration by the Nominating and Governance Committee of our Board of Directors. For more information on the operation of our majority voting standard, see the section on "Election of Directors." Stockholders may not cumulate votes in the election of directors.

*Advisory Approval of the Company's Executive Compensation*

To approve the non-binding resolution regarding approval of executive compensation, the "for" votes cast in favor of the matter must exceed the "against" votes cast against the matter.

*Ratification of Auditors*

To ratify appointment of our independent registered public accounting firm, the "for" votes cast in favor of the matter must exceed the "against" votes cast against the matter.

For all proposals, any shares not voted (whether by abstention or otherwise) will not be counted as votes cast and will have no effect or outcome of the vote.

**Proxy solicitation; counting the votes**

We are soliciting your proxy for the annual meeting and will pay all the costs of the proxy solicitation process. We have retained D.F. King & Co., Inc., a professional proxy solicitation firm, to assist in the solicitation of proxies. D.F. King's employees and our directors, officers and employees may solicit the return of proxies by personal contact, mail, electronic mail, facsimile, telephone or the internet. We may also issue press releases asking for your vote or post letters or notices to you on our website, [www.forestargroup.com](http://www.forestargroup.com). Our directors, officers and employees will not receive additional compensation, but will be reimbursed for out-of-pocket expenses. D.F. King will be reimbursed for its expenses in soliciting proxies and, in addition, will receive a proxy solicitation fee not to exceed \$7,000. We will request brokerage houses and other custodians, nominees and fiduciaries to forward solicitation material to the beneficial owners of our common stock. We will reimburse them for out-of-pocket costs they incur in the solicitation.

Representatives of our transfer agent, Computershare, will tabulate the votes and act as inspectors of election to certify the results.

**Confidential voting policy**

We have adopted a confidential voting policy, which provides that stockholder proxies, ballots, and voting tabulations that identify your vote will not be disclosed to our directors, officers, or employees. There are a few exceptions to this policy, such as when you make a comment on your proxy vote or when we must determine the legality of a vote.

**SPIN-OFF**

On December 28, 2007, Temple-Inland Inc. distributed all of the issued and outstanding shares of our common stock to the holders of record of Temple-Inland common stock, which we will refer to in this Proxy Statement as the "spin-off."

Table of Contents**VOTING SECURITIES AND PRINCIPAL STOCKHOLDERS****Security Ownership of Certain Beneficial Owners**

The name, address and stock ownership of each person or group of persons known by us to own beneficially more than five percent of the outstanding shares of our common stock as of the close of business on March 14, 2013 follows.

| Name and Address of Beneficial Owner   | Amount and<br>Nature of<br>Beneficial<br>Ownership | Percent of<br>Class(1) |
|--|--|------------------------|
| NWQ Investment Management Company, LLC(2)<br>2049 Century Park East, 16 <sup>th</sup> Floor<br>Los Angeles, California 90067 | 3,216,309  | 9.3%                   |
| BlackRock, Inc.(3)<br>40 East 52nd Street<br>New York, New York 10022  | 2,731,369  | 7.9%                   |
| Keeley Asset Management Corp. and John L. Keeley, Jr.(4)<br>111 West Jackson, Suite 810<br>Chicago, Illinois 60604           | 2,266,857  | 6.5%                   |
| Franklin Mutual Advisers, LLC(5)<br>101 John F. Kennedy Parkway<br>Short Hills, New Jersey 07078-2789                        | 2,139,790  | 6.2%                   |
| The Vanguard Group, Inc.(6)<br>100 Vanguard Blvd.<br>Malvern, Pennsylvania 19355   | 1,984,144  | 5.7%                   |

- (1) Based upon a total of 34,623,047 shares of common stock outstanding on March 14, 2013.
- (2) Based solely on information reported on Schedule 13G/A filed with the SEC on February 14, 2013 by NWQ Investment Management Company, LLC. According to the Schedule 13G/A, NWQ Investment Management Company, LLC has the sole voting power over 2,739,459 shares and has the sole dispositive power over 3,216,309 shares.
- (3) Based solely on information reported on Schedule 13G/A filed with the SEC on February 8, 2013 by BlackRock, Inc. According to the Schedule 13G/A, BlackRock, Inc. has the sole voting power, the sole dispositive power and beneficial ownership over 2,731,369 shares.
- (4) Based solely on information reported on Schedule 13G/A filed with the SEC on February 7, 2013 by Keeley Asset Management Corp. and John L. Keeley, Jr. According to the Schedule 13G/A, Keeley Asset Management Corp. has the sole voting power over 2,061,106 shares and has the sole dispositive power over 2,236,187 shares. The Schedule 13G/A also reflects that Mr. Keeley beneficially owns 30,670 shares.
- (5) Based solely on information reported on Schedule 13G/A filed with the SEC on January 30, 2013 by Franklin Mutual Advisers, LLC ("FMA"). The Schedule 13G/A indicates that the reported shares of common stock are beneficially owned by one or more open-end investment companies or other accounts that, pursuant to investment management contracts, are managed by FMA, an indirect wholly-owned subsidiary of Franklin Resources, Inc. ("FRI"). According to the Schedule 13G/A, when an investment management contract (including a sub-advisory agreement) delegates to FMA investment discretion or voting power over the securities held in the investment advisory accounts that are subject to that agreement, FRI treats FMA as having sole investment discretion or voting authority, as the case may be, unless the agreement specifies otherwise. The Schedule 13G/A states that the voting and investment powers held by FMA are exercised



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independently from FRI and from all other investment management subsidiaries of FRI. Also according to the Schedule 13G/A, internal policies and procedures of FMA and FRI establish informational barriers that prevent the flow between FMA and the FRI affiliates of information that relates to the voting and investment powers over the securities owned by their respective investment management clients. The Schedule 13G/A states that Charles B. Johnson and Rupert H. Johnson, Jr. each own in excess of 10% of the outstanding common stock of FRI and are the principal stockholders of FRI. However, according to the Schedule 13G/A, because FMA exercises voting and investment powers on behalf of its investment management clients independently of FRI, such individuals' beneficial ownership of the reported securities is being attributed only to FMA. FMA disclaims any pecuniary interest in the reported shares. The Schedule 13G/A also states that FMA believes that it is not a "group" with FRI, such individuals, or their respective affiliates within the meaning of Rule 13d-5 under the Securities Exchange Act of 1934.

(6)

Based solely on information reported on Schedule 13G/A filed with the SEC on February 12, 2013 by The Vanguard Group, Inc. According to the Schedule 13G/A, The Vanguard Group, Inc. has the sole voting power over 57,427 shares, the sole dispositive power over 1,928,417 shares, and the shared dispositive power over 55,727 shares. According to the Schedule 13G/A, Vanguard Fiduciary Trust Company ("VFTC"), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 55,727 shares as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd., a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 1,700 shares as a result of its serving as investment manager of Australian investment offerings.

**Security Ownership of Management**

The following table sets forth information regarding the beneficial ownership of our common stock as of March 14, 2013 by:

Each of our directors and nominees for director, including our Chief Executive Officer,

Our Chief Financial Officer and our three most highly compensated executive officers other than our CEO and CFO, and

All directors and executive officers as a group.

We determined beneficial ownership as reported in the table in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (which we will refer to in this Proxy Statement as the Exchange Act). Unless otherwise indicated, beneficial ownership includes both sole voting and sole dispositive power. Even though SEC rules require reporting of all the shares listed in the table, the directors and executive officers may not claim beneficial ownership of all of these shares. For example, a director or executive officer might not claim beneficial ownership of shares owned by a relative. Unless otherwise indicated, the table does not include any shares that may be held by pension and

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profit-sharing plans of the corporations or endowment funds of educational and charitable institutions for which various directors and officers serve as directors or trustees.

**Additional Ownership(5)**

| Beneficial Owner<br>(a) | Beneficial Ownership        |                               | Shares Issuable on Exercise of Options on or after May 14, 2013<br>(d) | Stock Appreciation Rights<br>(e) | Restricted Stock Units<br>(f) | Market-Linked Stock Units<br>(g) | Performance Stock Units<br>(h) | Total Additional Ownership<br>(d+e+f+g+h) | Total Beneficial and Additional Ownership<br>(b+i) |
|-------------------------|-----------------------------|-------------------------------|--|----------------------------------|-------------------------------|----------------------------------|--------------------------------|---|--|
|                         | Amount and Nature<br>(1)(b) | Percent of Class<br>(2)(3)(c) |  |                                  |                               |                                  |                                |   |  |
|                         |                             |                               |  |                                  |                               |                                  |                                |   |  |