

Knight Craig A  
Form 4  
February 11, 2010

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2005  
Estimated average burden hours per response... 0.5

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 \*  
Knight Craig A

(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)  
02/09/2010

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)  
Chief Real Estate Officer

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)
			Code	V	Amount (D) Price		
Common Stock	02/09/2010		M		4,333 (1) A \$ 50,524	D	
Common Stock	02/09/2010		D		4,333 (1) D \$ 46,191	D	
Common Stock	02/09/2010		A		7,753 (2) A \$ 0 53,944	D	
Common Stock	02/09/2010		A		22,472 (3) A \$ 0 76,416 (4)	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)

**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 Security (Instr. 3 and 4)
				Code	V (A) (D)	Date Exercisable Expiration Date	Title
Option (right to buy) <u>(5)</u> <u>(6)</u>	\$ 11.76					02/02/2002 02/02/2011	Common Stock
Option (right to buy) <u>(6)</u> <u>(7)</u>	\$ 13.26					02/01/2003 02/01/2012	Common Stock
Option (right to buy) <u>(6)</u> <u>(8)</u>	\$ 8.68					02/07/2004 02/07/2013	Common Stock
Option (right to buy) <u>(6)</u> <u>(9)</u>	\$ 15.02					02/06/2005 02/06/2014	Common Stock
Option (right to buy) <u>(6)</u> <u>(10)</u>	\$ 20.26					02/04/2006 02/04/2015	Common Stock
Option (right to buy) <u>(6)</u> <u>(11)</u>	\$ 27.06					02/03/2007 02/03/2016	Common Stock
Option (right to buy) <u>(6)</u> <u>(12)</u>	\$ 30.56					02/02/2008 02/02/2017	Common Stock
Option (right to buy) <u>(13)</u>	\$ 28.85					02/12/2009 02/12/2018	Common Stock
Option (right to buy) <u>(14)</u>	\$ 9.29					02/10/2010 02/10/2019	Common Stock
Option (right to buy) <u>(15)</u>	\$ 17.8	02/09/2010		A	15,367	02/09/2011 02/09/2020	Common Stock
Stock Appreciation Right <u>(16)</u>	\$ 9.29					02/10/2010 02/10/2019	Common Stock
Stock Appreciation Right <u>(17)</u>	\$ 17.8	02/09/2010		A	18,040	02/09/2011 02/09/2020	Common Stock
Restricted Share Units	<u>(18)</u>	02/09/2010		M	4,333	<u>(18)</u> <u>(18)</u>	Common Stock

(1) (6) (18)

Restricted Share Units	(19)				(19)	(19)	Common Stock
Restricted Share Units	(20)	02/09/2010	A	9,101	(20)	(20)	Common Stock

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Knight Craig A 6300 BEE CAVE ROAD BUILDING TWO, SUITE 500 AUSTIN, TX 78746			Chief Real Estate Officer	

## Signatures

David M. Grimm signing on behalf of Craig A. Knight 02/11/2010

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) Performance share units vested 2/2/2010. Conditions of payment satisfied 2/9/2010. Performance share units are being settled for cash based on the fair market value on 2/2/2010.
- (2) Restricted shares granted on 2/9/2010 will vest effective 2/9/2013. Restricted shares are subject to a 1% ROA performance criteria.
- (3) Restricted shares granted on 2/9/2010 will vest as follows: 7,491 effective 2/9/2011; 7,490 effective 2/9/2012; 7,491 effective 2/9/2013.
- (4) 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.
- (5) Options Vesting Schedule - Exercise price is \$11.76: Options Exercisable 02/02/2004- 833.
- (6) Shares acquired in a pro rata distribution by Temple-Inland Inc. through a spin-off on or around December 28, 2007.
- (7) Options Vesting Schedule - Exercise price is \$13.26: Options Exercisable 02/01/2005- 1,666.
- (8) Options Vesting Schedule - Exercise price is \$8.68: Options Exercisable 02/07/2007 - 2,500.
- (9) Options Vesting Schedule - Exercise price of \$15.02: Options Exercisable 02/06/2007 - 1,250; Options Exercisable 02/06/2008 - 416.
- (10) Options Vesting Schedule - Exercise price of \$20.26: Options Exercisable 02/04/2007 - 833; Options Exercisable 02/04/2008 - 416; Options Exercisable 02/04/2009 - 416.
- (11) Options Vesting Schedule - Exercise price of \$27.06: Options Exercisable 02/03/2007 - 833; Options Exercisable 02/03/2008 - 833; Options Exercisable 02/03/2009 - 833; and Options Exercisable 02/03/2010 - 833.
- (12) Options Vesting Schedule - Exercise price of \$30.56: Options Exercisable 02/02/2008 - 833; Options Exercisable 02/02/2009 - 833; Options Exercisable 02/02/2010 - 833; and Options Exercisable 02/02/2011 - 833.
- (13) Options Vesting Schedule for Options Granted 02/12/2008 - Exercise price is \$28.85: Options Exercisable 02/12/2009 - 16,625; Options Exercisable 02/12/2010 - 16,625; Options Exercisable 02/12/2011 - 16,625; Options Exercisable 02/12/2012 - 16,625.

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- (14) Vesting schedule for Options granted 02/10/2009 - Exercise price is \$9.29: Options Exercisable 02/10/2010 - 8,851; Options Exercisable 02/10/2011 - 8,851; Options Exercisable 02/10/2012 - 8,852; and Options Exercisable 02/10/2013 - 8,852.
- (15) Vesting schedule for Options granted 02/9/2010 - Exercise price is \$17.80: Options Exercisable 02/9/2011 - 3,841; Options Exercisable 02/9/2012 - 3,842; Options Exercisable 02/9/2013 - 3,842; and Options Exercisable 02/9/2014 - 3,842.
- (16) Vesting schedule for Stock Appreciation Rights (SARs) granted 02/10/2009 - Exercise price is \$9.29: SARs Exercisable 02/10/2010 - 19,701; SARs Exercisable 02/10/2011 - 19,702; SARs Exercisable 02/10/2012 - 19,702; and SARs Exercisable 02/10/2013 - 19,702.
- (17) Vesting schedule for Stock Appreciation Rights (SARs) granted 02/9/2010 - Exercise price is \$17.80: SARs Exercisable 02/9/2011 - 4,510; SARs Exercisable 02/9/2012 - 4,510; SARs Exercisable 02/9/2013 - 4,510; and SARs Exercisable 02/9/2014 - 4,510. SARs will be settled for cash.
- (18) 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.
- (19) 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.
- (20) 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.

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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