

Knight Craig A  
Form 4  
January 12, 2010

**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 \*  
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)  
01/08/2010

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

\_\_\_ Director \_\_\_ 10% Owner  
\_X\_ Officer (give title below) \_\_\_ Other (specify below)  
Chief Real Estate Officer

6. Individual or Joint/Group Filing(Check Applicable Line)  
\_X\_ 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) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
|                                 |                                      |  |                                | (A) or (D)  | Amount  |  |                                   |
| Common Stock                    |                                      |  |                                |   | 46,191 <sup>(1)</sup>   | D  |                                   |
| Common Stock                    |                                      |  |                                |   | 1,436 <sup>(2)</sup>  | I  | By Trustee 401(k) Plan            |
| Common Stock                    | 01/08/2010                           |  | J <sup>(3)</sup>               | 1,436 D   | \$ 22.47 0  | I  | By Trustee 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 required to respond unless the form displays a currently valid OMB control number.

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(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 Securities (Instr. 3 and 4) |              |                            |
|---|--|--------------------------------------|--|--------------------------------|---|--|---|--------------|----------------------------|
|   |  |                                      |  | Code                           | V (A) (D)   | Date Exercisable   | Expiration Date   | Title        | Amount or Number of Shares |
| Option (right to buy) <u>(4)</u> <u>(5)</u>   | \$ 11.76   |                                      |  |                                |   | 02/02/2002   | 02/02/2011  | Common Stock | 833                        |
| Option (right to buy) <u>(5)</u> <u>(6)</u>   | \$ 13.26   |                                      |  |                                |   | 02/01/2003   | 02/01/2012  | Common Stock | 1,666                      |
| Option (right to buy) <u>(5)</u> <u>(7)</u>   | \$ 8.68  |                                      |  |                                |   | 02/07/2004   | 02/07/2013  | Common Stock | 2,500                      |
| Option (right to buy) <u>(5)</u> <u>(8)</u>   | \$ 15.02   |                                      |  |                                |   | 02/06/2005   | 02/06/2014  | Common Stock | 1,666                      |
| Option (right to buy) <u>(5)</u> <u>(9)</u>   | \$ 20.26   |                                      |  |                                |   | 02/04/2006   | 02/04/2015  | Common Stock | 1,666                      |
| Option (right to buy) <u>(5)</u> <u>(10)</u>  | \$ 27.06   |                                      |  |                                |   | 02/03/2007   | 02/03/2016  | Common Stock | 3,333                      |
| Option (right to buy) <u>(5)</u> <u>(11)</u>  | \$ 30.56   |                                      |  |                                |   | 02/02/2008   | 02/02/2017  | Common Stock | 3,333                      |
| Option (right to buy) <u>(12)</u>             | \$ 28.85   |                                      |  |                                |   | 02/12/2009   | 02/12/2018  | Common Stock | 66,500                     |
| Option (right to buy) <u>(13)</u>             | \$ 9.29  |                                      |  |                                |   | 02/10/2010   | 02/10/2019  | Common Stock | 35,406                     |
| Stock Appreciation Right <u>(14)</u>          | \$ 9.29  |                                      |  |                                |   | 02/10/2010   | 02/10/2019  | Common Stock | 78,807                     |
| Restricted Share Units <u>(5)</u> <u>(15)</u> | <u>(15)</u>  |                                      |  |                                |   | <u>(15)</u>  | <u>(15)</u>   | Common Stock | 4,333                      |

|                                   |      |      |      |                 |        |
|-----------------------------------|------|------|------|-----------------|--------|
| Restricted<br>Share Units<br>(16) | (16) | (16) | (16) | Common<br>Stock | 24,220 |
|-----------------------------------|------|------|------|-----------------|--------|

## Reporting Owners

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

## Signatures

David M. Grimm signing on behalf of Craig A.  
Knight

01/12/2010

\_\_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) 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.
  - (2) By trustee of the Guaranty Financial Group, Inc. 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 period to period.)
  - (3) Mandatory divestiture by 401(k) Plan Administrator upon direction of Plan Trustees in accordance with policy adopted in 2007 for all plan participants.
  - (4) Options Vesting Schedule - Exercise price is \$11.76: Options Exercisable 02/02/2004- 833.
  - (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 \$13.26: Options Exercisable 02/01/2005- 1,666.
  - (7) Options Vesting Schedule - Exercise price is \$8.68: Options Exercisable 02/07/2007 - 2,500.
  - (8) Options Vesting Schedule - Exercise price of \$15.02: Options Exercisable 02/06/2007 - 1,250; Options Exercisable 02/06/2008 - 416.
  - (9) 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.
  - (10) 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.
  - (11) 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.
  - (12) 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.
  - (13) 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.
  - (14) 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.
  - (15) 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.

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- (16) 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.

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.