

Knight Craig A  
Form 4  
February 16, 2012

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
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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)  
02/14/2012

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 RE Investment 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 Indirect Beneficial Ownership (Instr. 4)
				Code V	Amount or Price		
Common Stock	02/14/2012		M	(A) 24,220 (1)	\$ 0	92,229	D
Common Stock	02/14/2012		D	(A) 24,220 (1)	\$ 0	68,009	D
Common Stock	02/14/2012		F	(A) 6,542	\$ 16.11	61,467 (2)	D

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)

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 Underlying Security (Instr. 3 and 4)	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title
Option (right to buy) <u>(3)</u> <u>(4)</u>	\$ 13.26					02/01/2003	02/01/2012	Common Stock
Option (right to buy) <u>(4)</u> <u>(5)</u>	\$ 8.68					02/07/2004	02/07/2013	Common Stock
Option (right to buy) <u>(4)</u> <u>(6)</u>	\$ 15.02					02/06/2005	02/06/2014	Common Stock
Option (right to buy) <u>(4)</u> <u>(7)</u>	\$ 20.26					02/04/2006	02/04/2015	Common Stock
Option (right to buy) <u>(4)</u> <u>(8)</u>	\$ 27.06					02/03/2007	02/03/2016	Common Stock
Option (right to buy) <u>(4)</u> <u>(9)</u>	\$ 30.56					02/02/2008	02/02/2017	Common Stock
Option (right to buy) <u>(10)</u>	\$ 28.85					02/12/2009	02/12/2018	Common Stock
Option (right to buy) <u>(11)</u>	\$ 9.29					02/10/2010	02/10/2019	Common Stock
Option (right to buy) <u>(12)</u>	\$ 17.8					02/09/2011	02/09/2020	Common Stock
Option (right to buy) <u>(13)</u>	\$ 18.59					02/08/2012	02/08/2021	Common Stock
Option (right to buy) <u>(14)</u>	\$ 16.11	02/14/2012		A	26,824	02/14/2013	02/14/2022	Common Stock
Stock Appreciation Right <u>(15)</u>	\$ 9.29					02/10/2010	02/10/2019	Common Stock
Stock Appreciation Right <u>(16)</u>	\$ 17.8					02/09/2011	02/09/2020	Common Stock
Restricted Share Units	<u>(17)</u>	02/14/2012		D	24,220	<u>(17)</u>	<u>(17)</u>	Common Stock

<u>(17)</u>								
Restricted Share Units	<u>(18)</u>					<u>(18)</u>	<u>(18)</u>	Common Stock
<u>(18)</u>								
Restricted Share Units	<u>(19)</u>					<u>(19)</u>	<u>(19)</u>	Common Stock
<u>(19)</u>								
Restricted Share Units	<u>(20)</u>	02/14/2012		A	12,104	<u>(20)</u>	<u>(20)</u>	Common Stock
<u>(20)</u>								
Performance Units	<u>(21)</u>					<u>(21)</u>	02/08/2014	Common Stock
<u>(21)</u>								
Performance Units	<u>(21)</u>	02/14/2012		A	14,065	<u>(21)</u>	02/14/2015	Common Stock
<u>(21)</u>								

## 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 RE Investment Officer	

## Signatures

David M. Grimm signing on behalf of Craig A. Knight  
02/16/2012

\*\*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 stock units vested 2/14/2012. Restricted stock units are being settled for cash based on the fair market value on 2/14/2012.
- (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.
- (3) Options Vesting Schedule - Exercise price is \$13.26: Options Exercisable 02/01/2005- 1,666.
- (4) Shares acquired in a pro rata distribution by Temple-Inland Inc. through a spin-off on or around December 28, 2007.
- (5) Options Vesting Schedule - Exercise price is \$8.68: Options Exercisable 02/07/2007 - 2,500.
- (6) Options Vesting Schedule - Exercise price of \$15.02: Options Exercisable 02/06/2007 - 1,250; Options Exercisable 02/06/2008 - 416.
- (7) 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.
- (8) 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.
- (9)

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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.

- (10) 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.
- (11) 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.
- (12) 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.
- (13) Vesting schedule for Options granted 02/8/2011 - Exercise price is \$18.59: Options Exercisable 02/8/2012 - 7,418; Options Exercisable 02/8/2013 - 7,419; Options Exercisable 02/8/2014 - 7,418; and Options Exercisable 02/8/2015 - 7,419.
- (14) Vesting schedule for Options granted 02/14/2012 - Exercise price is \$16.11: Options Exercisable 02/14/2013 - 6,706; Options Exercisable 02/14/2014 - 6,706; Options Exercisable 02/14/2015 - 6,706; and Options Exercisable 02/14/2016 - 6,706.
- (15) 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.  
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.
- (17) 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.
- (18) 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.
- (19) Restricted share units granted on 2/8/2011 will vest as follows: 2,331 on 2/8/2012; 2,331 on 2/8/2013; 2,331 on 2/8/2014. Restricted share units will be settled for cash based on the fair market value on vesting date.
- (20) Restricted share units granted on 2/14/2012 will vest as follows: 4,035 on 2/14/2013; 4,034 on 2/14/2014; 4,035 on 2/14/2015. Restricted share units will be settled for cash based on the fair market value on vesting date.
- (21) Number of units received upon vesting will vary depending upon performance of Company stock over the performance period.

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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