

Knight Craig A
Form 4
February 12, 2009

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)
02/10/2009

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 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 Ownership (Instr. 4)
			Code	V	Amount or Price		
Common Stock	02/10/2009		M		4,166 (1) \$ 9.29	A	25,398 D
Common Stock	02/10/2009		D		4,166 (1) \$ 9.29	D	21,232 D
Common Stock	02/10/2009		A		24,220 (2) \$ 9.29	A	45,452 (3) D
Common Stock							1,763 (4) I

By Trustee
401(k)
Plan (4)

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Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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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 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>	\$ 13.24					02/04/2001	02/04/2010	Common Stock
Option (right to buy) <u>(6)</u> <u>(7)</u>	\$ 11.76					02/02/2002	02/02/2011	Common Stock
Option (right to buy) <u>(6)</u> <u>(8)</u>	\$ 13.26					02/01/2003	02/01/2012	Common Stock
Option (right to buy) <u>(6)</u> <u>(9)</u>	\$ 8.68					02/07/2004	02/07/2013	Common Stock
Option (right to buy) <u>(6)</u> <u>(10)</u>	\$ 15.02					02/06/2005	02/06/2014	Common Stock
Option (right to buy) <u>(6)</u> <u>(11)</u>	\$ 20.26					02/04/2006	02/04/2015	Common Stock
Option (right to buy) <u>(6)</u> <u>(12)</u>	\$ 27.06					02/03/2007	02/03/2016	Common Stock
Option (right to buy) <u>(6)</u> <u>(13)</u>	\$ 30.56					02/02/2008	02/02/2017	Common Stock
Option (right to buy) <u>(14)</u>	\$ 28.85					02/12/2009	02/12/2018	Common Stock
Option (right to buy) <u>(15)</u>	\$ 9.29	02/10/2009		A	35,406	02/10/2010	02/10/2019	Common Stock
Stock Appreciation Right <u>(16)</u>	\$ 9.29	02/10/2009		A	78,807	02/10/2010	02/10/2019	Common Stock
Restricted Share Units <u>(1)</u> <u>(6)</u>	<u>(1)</u>	02/10/2009		M	4,166	<u>(1)</u>	<u>(1)</u>	Common Stock
	<u>(17)</u>					<u>(17)</u>	<u>(17)</u>	

Restricted
Share Units
(6) (17)

Common
Stock

Restricted
Share Units
(18)

(18)

02/10/2009

A

24,220

(18)

(18)

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 Investment Officer	

Signatures

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

02/12/2009

__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) Conditions of Performance share units satisfied 2/10/2009. Performance share units will be settled for cash based on the fair market value on 2/10/2009.
- (2) Restricted shares granted on 2/10/2009 will vest effective 2/10/2012. Restricted shares are subject to a 1% ROA performance criteria.
- (3) 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.
- (4) Reporting Person acquired shares through acquisitions under 401(k) plan. By trustee of the Temple-Inland Salaried Savings Plan according to the latest report of the Plan Administrator. (Note: Trustee uses unit accounting; therefore, share equivalents may fluctuate slightly from month to month.)
- (5) Options Vesting Schedule - Exercise price is \$13.24: Options Exercisable 02/04/2003- 3,333.
- (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 \$11.76: Options Exercisable 02/02/2004- 833.
- (8) Options Vesting Schedule - Exercise price is \$13.26: Options Exercisable 02/01/2005- 1,666.
- (9) Options Vesting Schedule - Exercise price is \$8.68: Options Exercisable 02/07/2007 - 2,500.
- (10) Options Vesting Schedule - Exercise price of \$15.02: Options Exercisable 02/06/2007 - 1,250; Options Exercisable 02/06/2008 - 416.
- (11) 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.
- (12) 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.
- (13) 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.
- (14)

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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.

- (15) 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.
- (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) 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.
- (18) 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.

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