

Knight Craig A
Form 4
August 22, 2012

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
Expires: January 31, 2015
Estimated average burden hours per response... 0.5

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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)
08/20/2012

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 RE Investment 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) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | Code | V | Amount | (A) or (D) | Price |
| Common Stock | 08/20/2012 | | M | | 2,500 | A | \$ 8.68 |
| | | | | | 63,967 ⁽¹⁾ | 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)

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| 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>(2)</u> <u>(3)</u> | \$ 8.68 | 08/20/2012 | | M | | 2,500 | | 02/07/2004 | 02/07/2013 | Common Stock | 2,500 |
| Option (right to buy) <u>(3)</u> <u>(4)</u> | \$ 15.02 | | | | | | | 02/06/2005 | 02/06/2014 | Common Stock | 1,660 |
| Option (right to buy) <u>(3)</u> <u>(5)</u> | \$ 20.26 | | | | | | | 02/04/2006 | 02/04/2015 | Common Stock | 1,660 |
| Option (right to buy) <u>(3)</u> <u>(6)</u> | \$ 27.06 | | | | | | | 02/03/2007 | 02/03/2016 | Common Stock | 3,330 |
| Option (right to buy) <u>(3)</u> <u>(7)</u> | \$ 30.56 | | | | | | | 02/02/2008 | 02/02/2017 | Common Stock | 3,330 |
| Option (right to buy) <u>(8)</u> | \$ 28.85 | | | | | | | 02/12/2009 | 02/12/2018 | Common Stock | 66,500 |
| Option (right to buy) <u>(9)</u> | \$ 9.29 | | | | | | | 02/10/2010 | 02/10/2019 | Common Stock | 35,400 |
| Option (right to buy) <u>(10)</u> | \$ 17.8 | | | | | | | 02/09/2011 | 02/09/2020 | Common Stock | 15,360 |
| Option (right to buy) <u>(11)</u> | \$ 18.59 | | | | | | | 02/08/2012 | 02/08/2021 | Common Stock | 29,670 |
| Option (right to buy) <u>(12)</u> | \$ 16.11 | | | | | | | 02/14/2013 | 02/14/2022 | Common Stock | 26,820 |
| Stock Appreciation Right <u>(13)</u> | \$ 9.29 | | | | | | | 02/10/2010 | 02/10/2019 | Common Stock | 78,800 |
| Stock Appreciation Right <u>(14)</u> | \$ 17.8 | | | | | | | 02/09/2011 | 02/09/2020 | Common Stock | 18,040 |
| Restricted Share Units <u>(15)</u> | <u>(15)</u> | | | | | | | <u>(15)</u> | <u>(15)</u> | Common Stock | 9,100 |
| Restricted Share Units <u>(16)</u> | <u>(16)</u> | | | | | | | <u>(16)</u> | <u>(16)</u> | Common Stock | 2,330 |

| | | | | | |
|--|-------------|-------------|-------------|-----------------|-------|
| Restricted Share Units <u>(17)</u> | <u>(17)</u> | <u>(17)</u> | <u>(17)</u> | Common Stock | 12,10 |
| Performance Units <u>(18)</u> | <u>(18)</u> | <u>(18)</u> | 02/08/2014 | Common Stock | 14,06 |

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

08/22/2012

 **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) 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) Options Vesting Schedule - Exercise price is \$8.68: Options Exercisable 02/07/2007 - 2,500.
- (3) Shares acquired in a pro rata distribution by Temple-Inland Inc. through a spin-off on or around December 28, 2007.
- (4) Options Vesting Schedule - Exercise price of \$15.02: Options Exercisable 02/06/2007 - 1,250; Options Exercisable 02/06/2008 - 416.
- (5) 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.
- (6) 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.
- (7) 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.
- (8) 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.
- (9) 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.
- (10) 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.
- (11) 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.
- (12) 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.
- (13) 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.

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- 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.
- (14) 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.
- (15) 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.
- (16) 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.
- (17) 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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