

Forestar Real Estate Group Inc.  
Form 4  
July 02, 2008

**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 \*  
JASTROW KENNETH M II

2. Issuer Name and Ticker or Trading Symbol  
Forestar Real Estate Group Inc.  
[FOR]

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

(Last) (First) (Middle)

3. Date of Earliest Transaction (Month/Day/Year)  
07/01/2008

Director  10% Owner  
 Officer (give title below)  Other (specify below)

1300 SOUTH MOPAC EXPRESSWAY 3-SOUTH

(Street)

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

6. Individual or Joint/Group Filing(Check Applicable Line)

Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

AUSTIN, TX 78746

(City) (State) (Zip)

**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	07/01/2008		M		14,557 <sup>(1)</sup>	A	<u>(1)</u> 144,791 <sup>(2)</sup> D
Common Stock	07/01/2008		D		3,583 <sup>(1)</sup>	D	\$ 18.11 141,208 D
Common Stock	07/01/2008		M		17,500 <sup>(3)</sup>	A	<u>(3)</u> 158,708 D
Common Stock	07/01/2008		D		17,500 <sup>(3)</sup>	D	\$ 18.11 141,208 <sup>(4)</sup> D
Common Stock							3,796 <sup>(5)</sup> I By Trustee

401(k)  
Plan

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 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>(6)</u> <u>(7)</u>	\$ 20.69					05/07/2000      05/07/2009	Common Stock      32,000
Option (right to buy) <u>(6)</u> <u>(8)</u>	\$ 13.24					02/04/2001      02/04/2010	Common Stock      66,666
Option (right to buy) <u>(6)</u> <u>(9)</u>	\$ 11.76					02/02/2002      02/02/2011	Common Stock      66,666
Option (right to buy) <u>(6)</u> <u>(10)</u>	\$ 13.26					02/01/2003      02/01/2012	Common Stock      33,333
Option (right to buy) <u>(6)</u> <u>(11)</u>	\$ 8.68					02/07/2004      02/07/2013	Common Stock      36,666
Option (right to buy) <u>(6)</u> <u>(12)</u>	\$ 15.02					02/06/2005      02/06/2014	Common Stock      33,333
Option (right to buy) <u>(6)</u> <u>(13)</u>	\$ 20.26					02/04/2006      02/04/2015	Common Stock      33,333
Option (right to buy) <u>(6)</u> <u>(14)</u>	\$ 27.06					02/03/2007      02/03/2016	Common Stock      34,166



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- (10) Options Vesting Schedule - Exercise price \$13.26: Options Exercisable 02/01/2003 - 8,333; Options Exercisable 02/01/2004 - 8,333; Options Exercisable 02/01/2005 - 8,333; and Options Exercisable 02/01/2006 - 8,333.
- (11) Options Vesting Schedule - Exercise price \$8.68: Options Exercisable 02/07/2004 - 9,166; Options Exercisable 02/07/2005 - 9,167; Options Exercisable 02/07/2006 - 9,166; and Options Exercisable 02/07/2007 - 9,167.
- (12) Options Vesting Schedule - Exercise price \$15.02: Options Exercisable 02/06/2005 - 8,333; Options Exercisable 02/06/2006 - 8,333; Options Exercisable 02/06/2007 - 8,333 and Options Exercisable 01/01/2008 -8,333.
- (13) Options Vesting Schedule - Exercise price \$20.26: Options Exercisable 02/04/2006 - 8,333; Options Exercisable 02/04/2007 - 8,333; and Options Exercisable 01/01/2008 -16,666.
- (14) Options Vesting Schedule - Exercise price \$27.06: Options Exercisable 02/03/2007 - 8,541; and Options Exercisable 01/01/2008 - 25,625.
- (15) Options Vesting Schedule for Options Granted 02/12/2008 - Exercise price \$28.85: Options Exercisable 02/12/2009 - 6,500; Options Exercisable 02/12/2010 - 6,500; Options Exercisable 02/12/2011 - 7,000.  
17,500 Restricted Shares were settled for cash based on the fair market value on the settlement date. The remaining Restricted Shares (24,666) will vest effective February 3, 2009, subject to a 1% ROI performance criteria. Restricted Shares will be settled for cash based on the fair market value on the vesting date.
- (16) Restricted Shares will vest effective February 3, 2009, subject to a 1% ROI performance criteria. Restricted Shares will be settled for cash based on the fair market value on the vesting date.
- (17) Restricted Shares will vest effective February 2, 2010, subject to a 1% ROI performance criteria. Restricted Shares will be settled for cash based on the fair market value on the vesting date.
- (18) Phantom shares accrued under a Temple-Inland Inc. plan that were settled as follows: 10,974 phantom shares were settled in shares of Forestar Common Stock and 3,583 phantom shares were settled in cash based on the fair market value on the settlement date.

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.