

Forestar Real Estate Group Inc.  
Form 4  
January 15, 2008

**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 \*  
Smith Richard M

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)  
01/11/2008

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 Ownership (Instr. 4)
				Code V Amount (A) or (D) Price			
Common Stock <sup>(1)</sup>	01/11/2008	01/11/2008	M	4,351 A \$ 19.05	4,351	D	
Common Stock <sup>(2)</sup>	01/11/2008	01/11/2008	M	4,351 D \$ 19.05	0	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)

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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 Amount of Underlying Security (Instr. 3 and 4)	Amount or Number of Shares
Option (right to buy) <sup>(1)</sup> <sub>(3)</sub>	\$ 20.99					11/03/2007 - 11/03/2016	Common Stock	6,666
Phantom Stock <sup>(1)</sup> <sub>(2)</sub>	\$ 19.05 <sub>(2)</sub>	01/11/2008	01/11/2008	M	4,351	05/04/2018 <sub>(2)</sub> - 05/04/2033 <sub>(2)</sub>	Common Stock	4,351 <sub>(2)</sub>

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Smith Richard M 1300 SOUTH MOPAC EXPRESSWAY 3-SOUTH AUSTIN, TX 78746	X			

## Signatures

David M. Grimm signing on behalf of Richard M. Smith	01/15/2008
**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) Shares acquired in a pro rata distribution by Temple-Inland Inc. through a spin-off effective December 28, 2007.
- (2) Reporting person elected to receive a portion of his deferred phantom stock under a Temple-Inland Inc. plan. Settlement is payable in cash.
- (3) Options Vesting Schedule for Options Granted 11/03/2006 - exercise price of \$20.99: Options exercisable 11/03/2007 - 2,666; Options exercisable 11/03/2008 - 2,666; Options exercisable 11/03/2009 - 1,333.

### Remarks:

Option price updated to reflect spin-off from Temple-Inland Inc. effective 12/28/2008.

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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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