

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

**FORM 4** UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2005  
Estimated average burden hours per response... 0.5

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 (A) or (D)		
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.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 1474  
(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

Option (right to buy) <u>(15)</u>	\$ 28.85				02/12/2009	02/12/2018	Common Stock	20,000
Restricted <u>(6)</u>	<u>(16)</u>	07/01/2008	M	17,500 <u>(3)</u>	<u>(16)</u>	<u>(16)</u>	Common Stock	41,666
Restricted <u>(6)</u>	<u>(17)</u>				<u>(17)</u>	<u>(17)</u>	Common Stock	50,000
Phantom Stock <u>(6)</u> <u>(18)</u>	<u>(18)</u>	07/01/2008	M	14,557 <u>(1)</u>	<u>(18)</u>	<u>(18)</u>	Common Stock	14,557

## Reporting Owners

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

## Signatures

David M. Grimm signing on behalf of Kenneth M. Jastrow, II

07/02/2008

\_\_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) Settlement of 14,557 phantom shares, as more fully described in footnote 18 below, 10,974 of which shares were settled in shares of Forestar Common Stock and 3,583 of which shares were settled in cash.
- (2) The total number of shares beneficially owned has been corrected to eliminate a 4,026 share overstatement error that occurred in the reporting person's Form 4 filed with the Securities and Exchange Commission on January 18, 2008, which overstatement error has been carried forward to Forms 4 filed after such date and prior to the date hereof.
- (3) 17,500 Restricted Shares were settled for cash based on the fair market value on the settlement date.
- (4) 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.
- (5) Reporting Person acquired shares through acquisitions under the Temple-Inland 401(k) plan. By trustee of the Temple-Inland 401(k) 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.)
- (6) Shares acquired in a pro rata distribution by Temple-Inland Inc. through a spin-off effective December 28, 2007.
- (7) Options Vesting Schedule - Exercise price \$20.69: Options Exercisable 05/07/2001 - 4,800; Options Exercisable 05/07/2002 - 4,800; Options Exercisable 05/07/2003 - 4,800; Options Exercisable 05/07/2004 - 4,800; and Options Exercisable 05/07/2005 - 12,800.
- (8) Options Vesting Schedule - Exercise price \$13.24: Options Exercisable 02/04/2002 - 10,000; Options Exercisable 02/04/2003 - 10,000; Options Exercisable 02/04/2004 - 10,000; Options Exercisable 02/04/2005 - 10,000; and Options Exercisable 02/04/2006 - 26,666.
- (9) Options Vesting Schedule - Exercise price \$11.76: Options Exercisable 02/04/2002 - 16,666; Options Exercisable 02/04/2003 - 16,666; Options Exercisable 02/04/2004 - 16,666; Options Exercisable 02/04/2005 - 16,666.

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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.