

Forestar Real Estate Group Inc.  
Form 4  
August 12, 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 \*  
DeCosmo James 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)  
1300 SOUTH MOPAC  
EXPRESSWAY 3S  
(Street)

3. Date of Earliest Transaction  
(Month/Day/Year)  
08/11/2008

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

AUSTIN, TX 78746

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

(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	08/11/2008	08/11/2008	P	2,700 A \$ 18.49	35,106 <sup>(2)</sup>	D	
Common Stock					1,228 <sup>(3)</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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SEC 1474 (9-02)

number.

**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)	8. Fair Value of Derivative Security (Instr. 3 and 4)	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Option (right to buy) <u>(4)</u> <u>(5)</u>	\$ 13.24					02/04/2003	02/04/2010	Common Stock	666
Option (right to buy) <u>(5)</u> <u>(6)</u>	\$ 11.76					02/02/2003	02/02/2011	Common Stock	833
Option (right to buy) <u>(5)</u> <u>(7)</u>	\$ 13.26					02/01/2006	02/01/2012	Common Stock	2,000
Option (right to buy) <u>(5)</u> <u>(8)</u>	\$ 8.68					02/07/2006	02/07/2013	Common Stock	1,666
Option (right to buy) <u>(5)</u> <u>(9)</u>	\$ 15.02					02/06/2005	02/06/2014	Common Stock	1,666
Option (right to buy) <u>(5)</u> <u>(10)</u>	\$ 20.26					02/04/2006	02/04/2015	Common Stock	5,333
Option (right to buy) <u>(5)</u> <u>(11)</u>	\$ 27.06					02/03/2007	02/03/2016	Common Stock	6,150
Option (right to buy) <u>(5)</u> <u>(12)</u>	\$ 30.56					02/02/2008	02/02/2017	Common Stock	6,150
Option (right to buy) <u>(13)</u>	\$ 28.85					02/12/2009	02/12/2018	Common Stock	74,000
	<u>(14)</u>					<u>(14)</u>	<u>(14)</u>		6,133

Restricted (5)				Common Stock	
Restricted (5)	(15)		(15)	Common Stock	6,666
Restricted (5)	(16)		(16)	Common Stock	8,333

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
DeCosmo James M 1300 SOUTH MOPAC EXPRESSWAY 3S AUSTIN, TX 78746	X		CEO - President	

## Signatures

David M. Grimm signing on behalf of James M.  
DeCosmo

08/12/2008

\_\_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) The price reported is a weighted average purchase price. The purchase price ranged from \$18.42 to \$18.53. Reporting Person provided full information regarding the number of shares purchased at each separate price. Issuer will provide, upon receipt of a request, a copy of this information to the SEC staff or a security holder of the issuer.
- (2) 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.
- (3) 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.)
- (4) Options Vesting Schedule for Options Granted 02/04/2000 - Exercise price is \$13.24: Options Exercisable 02/04/2004 - 666.
- (5) Shares acquired in a pro rata distribution by Temple-Inland Inc. through a spin-off on or around December 28, 2007.
- (6) Options Vesting Schedule - Exercise price is \$11.76: Options Exercisable 02/04/2005 - 833.
- (7) Options Vesting Schedule - Exercise price is \$13.26: Options Exercisable 02/01/2006 - 2,000.
- (8) Options Vesting Schedule - Exercise price is \$8.68: Options Exercisable 02/07/2007 - 1,666.
- (9) Options Vesting Schedule - Exercise price of \$15.02: Options Exercisable 02/06/2007 - 1,250; Options Exercisable 02/06/2008 - 416.
- (10) Options Vesting Schedule - Exercise price of \$20.26: Options Exercisable 02/04/2007 - 2,666; Options Exercisable 02/04/2008 - 1,333; Options Exercisable 02/04/2009 - 1,333.
- (11) Options Vesting Schedule - Exercise price of \$27.06: Options Exercisable 02/03/2007 - 1,537; Options Exercisable 02/03/2008 - 1,537; Options Exercisable 02/03/2009 - 1,537; and Options Exercisable 02/03/2010 - 1,537.
- (12) Options Vesting Schedule - Exercise price of \$30.56: Options Exercisable 02/02/2008 - 1,537; Options Exercisable 02/02/2009 - 1,537; Options Exercisable 02/02/2010 - 1,537; and Options Exercisable 02/02/2011 - 1,537.
- (13) Options Vesting Schedule for Options Granted 02/12/2008 - Exercise price is \$28.85: Options Exercisable 02/12/2009 - 18,500; Options Exercisable 02/12/2010 - 18,500; Options Exercisable 02/12/2011 - 18,500; Options Exercisable 02/12/2012 - 18,500.

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- (14) Restricted Shares will vest effective 02/03/2009. Restricted Shares will be settled for cash based on the fair market value on the vesting date.
- (15) Restricted Shares will vest effective 02/02/2010. Restricted Shares will be settled for cash based on the fair market value on the vesting date.
- (16) Restricted Shares will vest effective 05/04/2010. Restricted Shares will be settled for cash based on the fair market value on the vesting date.

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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