Forestar Real Estate Group Inc.

Form 4

November 13, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

SECURITIES

OMB APPROVAL OMB

Washington, D.C. 20549 Check this box

3235-0287 Number: January 31,

0.5

if no longer subject to Section 16. Form 4 or Form 5

obligations

Expires: 2005 Estimated average

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

burden hours per response...

may continue. See Instruction

30(h) of the Investment Company Act of 1940

1(b).

(Last)

(Print or Type Responses)

1. Name and Address of Reporting Person *

(First)

(State)

Smith Richard M

2. Issuer Name and Ticker or Trading Symbol

Forestar Real Estate Group Inc.

5. Relationship of Reporting Person(s) to Issuer

below)

[FOR]

(Middle)

(Zip)

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

11/11/2008

X_ Director 10% Owner Officer (give title Other (specify

(Check all applicable)

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)

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

AUSTIN, TX 78746

(City)

2. Transaction Date 2A. Deemed 1. Title of Security (Month/Day/Year) Execution Date, if (Instr. 3) (Month/Day/Year)

4. Securities Acquired 5. Amount of 3. Transaction(A) or Disposed of Code (D) (Instr. 3, 4 and 5) (Instr. 8)

6. Ownership 7. Nature of Securities Form: Direct Indirect Beneficially (D) or Owned Indirect (I) Following (Instr. 4) Reported

Beneficial Ownership (Instr. 4)

11/11/2008

or Code V Amount (D) Price

(A)

5.73

Transaction(s) (Instr. 3 and 4)

Common Stock

11/11/2008

3,272 A (1)

 $8,469^{(2)}$

D

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of SEC 1474 information contained in this form are not (9-02)required to respond unless the form displays a currently valid OMB control number.

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. onNumber of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | ; | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | | 8. Pri Deriv Secui (Instr |
|---|---|--------------------------------------|---|---|---|---------------------|--------------------|---|-------------------------------------|------------------------------------|
| | | | | Code V | (A) (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | |
| Option (right to buy) (3) (4) | \$ 20.99 | | | | | 11/03/2007 | 11/03/2016 | Common Stock | 6,666 | |
| Option (right to buy) (5) | \$ 28.85 | | | | | 02/12/2009 | 02/12/2018 | Common Stock | 20,000 | |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | | | |
|--|---------------|-----------|---------|-------|--|--|
| Reporting Owner Name / Address | 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

11/13/2008

Date

**Signature of Reporting Person

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) Restricted Stock Units accrued under a Company plan to be settled following Reporting Person's retirement.
- 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.
- Options Vesting Schedule 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.
- (4) Shares acquired in a pro rata distribution by Temple-Inland Inc. through a spin-off effective December 28, 2007.
- Options Vesting Schedule for Options Granted 02/12/2008 Exercise price is \$28.85: Options Exerciserable 02/12/2009 6,500; Options Exerciserable 02/12/2010 - 6,500; Options Exerciserable 02/12/2011 - 7,000.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

Reporting Owners 2

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