

Forestar Real Estate Group Inc.
Form 4
January 18, 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)
01/16/2008

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) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|--|-----------------------------------|
| | | | | (A) or (D) Code V Amount (D) Price | | | |
| Common Stock | 01/16/2008 | 01/16/2008 | M | 9,333 A \$ 13.33 | 130,728 | D | |
| Common Stock | 01/16/2008 | 01/16/2008 | F | 7,274 (1) D \$ 20.42 | 123,454 (2) | D | |
| Common Stock | | | | | 3,796 (3) | 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)

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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 Securities (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> | \$ 13.33 | 01/16/2008 | 01/16/2008 | M | 9,333 | 02/06/1999 | 02/06/2008 | Common Stock | 9,333 |
| Option (right to buy) <u>(4)</u> <u>(6)</u> | \$ 16.84 | | | | | 05/01/1999 | 05/01/2008 | Common Stock | 24,896 |
| Option (right to buy) <u>(4)</u> <u>(7)</u> | \$ 20.69 | | | | | 05/07/2000 | 05/07/2009 | Common Stock | 32,000 |
| Option (right to buy) <u>(4)</u> <u>(8)</u> | \$ 13.24 | | | | | 02/04/2001 | 02/04/2010 | Common Stock | 66,666 |
| Option (right to buy) <u>(4)</u> <u>(9)</u> | \$ 11.76 | | | | | 02/02/2002 | 02/02/2011 | Common Stock | 66,666 |
| Option (right to buy) <u>(4)</u> <u>(10)</u> | \$ 13.26 | | | | | 02/01/2003 | 02/01/2012 | Common Stock | 33,333 |
| Option (right to buy) <u>(4)</u> <u>(11)</u> | \$ 8.68 | | | | | 02/07/2004 | 02/07/2013 | Common Stock | 36,666 |
| Option (right to buy) <u>(4)</u> <u>(12)</u> | \$ 15.02 | | | | | 02/06/2005 | 02/06/2014 | Common Stock | 33,333 |
| Option (right to buy) <u>(4)</u> <u>(13)</u> | \$ 20.26 | | | | | 02/04/2006 | 02/04/2015 | Common Stock | 33,333 |
| | \$ 27.06 | | | | | 02/03/2007 | 02/03/2016 | | 34,166 |

| | | | | | |
|--|-------------|--|-------------|-----------------|------------------------|
| Option (right to buy) <u>(4)</u> <u>(14)</u> | | | | Common Stock | |
| Restricted <u>(15)</u> | <u>(16)</u> | | <u>(16)</u> | <u>(16)</u> | Common Stock 41,666 |
| Restricted <u>(15)</u> | <u>(17)</u> | | <u>(17)</u> | <u>(17)</u> | Common Stock 50,000 |
| Phantom Stock <u>(4)</u> | <u>(18)</u> | | <u>(18)</u> | <u>(18)</u> | Common Stock 28,137 |
| Phantom Stock <u>(4)</u> <u>(19)</u> | <u>(19)</u> | | <u>(19)</u> | <u>(19)</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 01/18/2008

__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) Reporting person is surrendering shares in payment of exercise price and withholding shares in payment of taxes -- 6,092 shares swapped and 1,182 shares withheld for taxes.
- (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) Shares acquired in a pro rata distribution by Temple-Inland Inc. through a spin-off effective December 28, 2007.
- (5) Options Vesting Schedule for Options Granted 02/06/1998 - exercise price \$13.33: Options Exercisable 02/06/2000 - 1,400; Options Exercisable 02/06/2001 - 1,400; Options Exercisable 02/06/2002 - 1,400; Options Exercisable 02/06/2003 - 1,400; and Options Exercisable 02/06/2004 - 3,733.
- (6) Options Vesting Schedule for Options Granted 05/01/1998 - exercise price \$16.84: Options Exercisable 05/01/2000 - 5,000; Options Exercisable 05/01/2001 - 5,000; Options Exercisable 05/01/2002 - 5,000; Options Exercisable 05/01/2003 - 5,000; and Options Exercisable 05/01/2004 - 4,896.
- (7) Options Vesting Schedule for Options Granted 05/07/1999 - 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.

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- (8) Options Vesting Schedule for Options Granted 02/04/2000 - 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 for Options Granted 02/02/2001 - 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.
- (10) Options Vesting Schedule for Options Granted 02/01/2002 - 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 for Options Granted 02/07/2003 - exercise price \$8.68: Options Exercisable 02/07/2004 - 9,166; Options Exercisable 02/07/2005 - 9,166; Options Exercisable 02/07/2006 - 9,166; and Options Exercisable 02/07/2005 -9,166.
- (12) Options Vesting Schedule for Options Granted 02/06/2004 - 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 02/06/2008 -8,333.
- (13) Options Vesting Schedule for Options Granted 02/04/2005 - exercise price \$20.26: Options Exercisable 02/04/2006 - 8,333; Options Exercisable 02/04/2007 - 8,333; Options Exercisable 02/04/2008 - 8,333 and Options Exercisable 02/04/2009 -8,333.
- (14) Options Vesting Schedule for Options Granted 02/03/2006 - exercise price \$27.06: Options Exercisable 02/03/2007 - 8,541; Options Exercisable 02/03/2008 - 8,541; Options Exercisable 02/03/2009 - 8,541 and Options Exercisable 02/03/2010 -8,541.
- (15) Shares acquired in a pro rata distribution by Temple-Inland Inc. through a spin-off effective December 28, 2007.
- (16) Restricted Shares granted on August 9, 2007 that will vest effective February 3, 2009. Restricted Shares will be settled for cash based on the fair market value on the vesting date subject to a 1% ROI performance criteria.
- (17) Restricted Shares granted on August 9, 2007 that will vest effective February 2, 2010. Restricted Shares will be settled for cash based on the fair market value on the vesting date subject to a 1% ROI performance criteria.
- (18) Phantom shares accrued under the Temple-Inland Inc. plan, which includes a dividend reinvestment feature, to be settled upon Reporting Person's retirement from Temple-Inland Inc.
- (19) Distribution and settlement of a portion of phantom shares due to retirement from Temple-Inland Inc.; includes phantom shares from deferred bonuses and restricted shares related to retirement agreement. Settlement is payable in cash and stock: 5,603 shares payable in cash and 17,164 shares payable in stock. Phantom shares accrued under a Temple-Inland Inc. plan, which includes a dividend reinvestment feature, to be settled upon Reporting Person's retirement.

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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