Forestar Real Estate Group Inc.

Form 3

May 16, 2008

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

OMB APPROVAL

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INITIAL STATEMENT OF 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 2. Date of Event Requiring 3. Issuer Name and Ticker or Trading Symbol Person * Statement Forestar Real Estate Group Inc. [FOR] Portwood Charles J. (Month/Day/Year) 05/13/2008 (Last) (First) (Middle) 4. Relationship of Reporting 5. If Amendment, Date Original Person(s) to Issuer Filed(Month/Day/Year) 1300 SOUTH MOPAC (Check all applicable) EXPRESSWAY, 3 SOUTH (Street) 6. Individual or Joint/Group 10% Owner Director _X__ Officer Other Filing(Check Applicable Line) (give title below) (specify below) _X_ Form filed by One Reporting Vice President - Land Mgmt Person AUSTIN, TXÂ 78746 Form filed by More than One Reporting Person (City) (State) (Zip) Table I - Non-Derivative Securities Beneficially Owned 4. Nature of Indirect Beneficial 1. Title of Security 2. Amount of Securities Beneficially Owned Ownership Ownership (Instr. 4) (Instr. 4) Form: (Instr. 5) Direct (D) or Indirect (I) (Instr. 5) 2,994 (1) (2) (3) Â Common Stock D Common Stock 528 (1) (4) I By Trustee 401(k) plan (4) Reminder: Report on a separate line for each class of securities beneficially SEC 1473 (7-02) owned directly or indirectly. Persons who respond to the collection of information contained in this form are not

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Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security	4. Conversion or Exercise		6. Nature of Indirect Beneficial Ownership (Instr. 5)
		(Instr. 4)	Price of	Derivative	

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	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	Derivative Security	Security: Direct (D) or Indirect (I) (Instr. 5)	
Option (right to buy) $\frac{(1)}{(5)}$	(5)	08/01/2013	Common Stock	133	\$ 9.83	D	Â
Option (right to buy) $\frac{(1)}{(5)}$	(5)	02/06/2014	Common Stock	266	\$ 15.02	D	Â
Option (right to buy) $\frac{(1)}{(6)}$	(6)	02/04/2015	Common Stock	1,250	\$ 20.26	D	Â
Option (right to buy) $\frac{(1)}{2}$	(7)	02/03/2016	Common Stock	1,281	\$ 27.06	D	Â
Option (right to buy) $\frac{(1)}{(8)}$	(8)	02/02/2017	Common Stock	1,708	\$ 30.56	D	Â
Option (right to buy) (9)	(9)	02/12/2018	Common Stock	6,300	\$ 28.85	D	Â
Restricted Shares (1) (10)	(10)	02/03/2009	Common Stock	700	\$ (10)	D	Â
Restricted Shares (1) (11)	(11)	02/02/2010	Common Stock	700	\$ (11)	D	Â

Reporting Owners

Reporting Owner Name / Address		Relationships				
	Director 10% Own		Officer	Other		
Portwood Charles J. 1300 SOUTH MOPAC EXPRESSWAY, 3 SOUTH AUSTIN. TX 78746	Â	Â	Vice President - Land Mgmt	Â		

Signatures

David M. Grimm signing on behalf of Charles J.
Portwood

05/16/2008

**Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 5(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 (except for shares descibed in footnote (3)).
- (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) Includes 2,400 shares representing a restricted stock award granted on February 12, 2008, which award will vest on February 12, 2011 so long as the Company achieves a minimum 1% return on assets over the three-year vesting period.

(4)

Reporting Owners 2

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The Reporting Person acquired shares of common stock through on-going acquisitions under a 401(k) plan. Number of shares are according to the trustee of the Temple-Inland Inc. 401(k) plan according to the latest report of the Plan Administrator. (Note: the trustee uses unit accounting; therefore share equivalents may fluctuate slightly from month to month.)

- (5) Options are fully vested and exercisable as of the date of this report.
- Options to acquire 833 shares are fully vested and exercisable as of the date of this report. Options to acquire 417 shares will vest and become exercisable on February 4, 2009.
- Options to acquire 427 shares became exercisable on February 3, 2008 and options to acquire 427 shares will vest and become exercisable on each of February 3, 2009 and 2010.
- Options to acquire 427 shares became exercisable on February 2, 2008 and options to acquire 427 shares will vest and become exercisable on each of February 2, 2009, 2010 and 2011.
- (9) Options to acquire 1,575 shares will vest and become exercisable on each of February 12, 2009, 2010, 2011 and 2012.
- (10) Restricted shares will vest effective February 3, 2009, and will be payable in cash based on the fair market value on the vesting date.
- (11) Restricted shares will vest effective February 2, 2010, and will be payable in 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. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays

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