

Grimm David M  
 Form 4  
 September 19, 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 \*  
 Grimm David 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)  
 \_\_\_ Director \_\_\_ 10% Owner  
 Officer (give title below) \_\_\_ Other (specify below)  
 Chief Administrative Officer

(Last) (First) (Middle)  
 1300 SOUTH MOPAC  
 EXPRESSWAY 3-SOUTH  
 (Street)  
 AUSTIN, TX 78746  
 (City) (State) (Zip)

3. Date of Earliest Transaction (Month/Day/Year)  
 09/18/2008  
 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

**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)<br>Code V Amount (D) Price                             |   |  |                                   |
| Common Stock                    |                                      |  |                                |   | 9,060 <sup>(1)</sup>  | D  |                                   |
| Common Stock                    | 09/18/2008                           | 09/18/2008   | P                              | 1,000 A   | \$ 14.72 <sup>(2)</sup>   | I  | By Spouse                         |
| Common Stock                    |                                      |  |                                |   | 397 <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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(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) | 8. Amount or Number of Shares |
|--|--|--------------------------------------|--|--------------------------------|---|--|---|-------------------------------|
| Option (right to buy) <u>(4)</u> <u>(5)</u>  | \$ 13.26   |                                      |  |                                |   | 02/01/2003 02/01/2012                                    | Common Stock  | 666                           |
| Option (right to buy) <u>(5)</u> <u>(6)</u>  | \$ 9.83  |                                      |  |                                |   | 08/01/2004 08/01/2013                                    | Common Stock  | 533                           |
| Option (right to buy) <u>(5)</u> <u>(7)</u>  | \$ 15.02   |                                      |  |                                |   | 02/06/2006 02/06/2014                                    | Common Stock  | 400                           |
| Option (right to buy) <u>(5)</u> <u>(8)</u>  | \$ 20.26   |                                      |  |                                |   | 02/04/2006 02/04/2015                                    | Common Stock  | 533                           |
| Option (right to buy) <u>(5)</u> <u>(9)</u>  | \$ 27.06   |                                      |  |                                |   | 02/03/2007 02/03/2016                                    | Common Stock  | 1,708                         |
| Option (right to buy) <u>(5)</u> <u>(10)</u> | \$ 30.56   |                                      |  |                                |   | 02/02/2008 02/02/2017                                    | Common Stock  | 1,708                         |
| Option (right to buy) <u>(11)</u>            | \$ 28.85   |                                      |  |                                |   | 02/12/2009 02/12/2018                                    | Common Stock  | 22,300                        |
| Restricted <u>(5)</u>                        | <u>(12)</u>  |                                      |  |                                |   | <u>(12)</u> <u>(12)</u>                                  | Common Stock  | 700                           |
| Restricted <u>(5)</u>                        | <u>(13)</u>  |                                      |  |                                |   | <u>(13)</u> <u>(13)</u>                                  | Common Stock  | 700                           |

## Reporting Owners

| Reporting Owner Name / Address   | Relationships |           |                              |       |
|--|---------------|-----------|------------------------------|-------|
|  | Director      | 10% Owner | Officer                      | Other |
| Grimm David M<br>1300 SOUTH MOPAC EXPRESSWAY 3-SOUTH<br>AUSTIN, TX 78746 |               |           | Chief Administrative Officer |       |

## Signatures

David M.  
Grimm

09/19/2008

\_\_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) 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.
- The price reported is a weighted average purchase price. The purchase price ranged from \$14.69 to \$14.72. Reporting Person provided
- (2) Issuer 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.
- Reporting Person acquired shares through acquisitions under 401(k) plan. By trustee of the Temple-Inland Salaried Savings Plan
- (3) 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 - Exercise price is \$13.26: Options Exercisable 02/01/2006 - 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 \$9.83: Options Exercisable 08/01/2007 - 533.
- (7) Options Vesting Schedule - Exercise price of \$15.02: Options Exercisable 02/06/2007 - 266; Options Exercisable 02/06/2008 - 133.
- (8) Options Vesting Schedule - Exercise price of \$20.26: Options Exercisable 02/04/2007 - 266; Options Exercisable 02/04/2008 - 133; Options Exercisable 02/04/2009 - 133.
- (9) Options Vesting Schedule - Exercise price of \$27.06: Options Exercisable 02/03/2007 - 427; Options Exercisable 02/03/2008 - 427; Options Exercisable 02/03/2009 - 427; and Options Exercisable 02/03/2010 - 427.
- (10) Options Vesting Schedule - Exercise price of \$30.56: Options Exercisable 02/02/2008 - 427; Options Exercisable 02/02/2009 - 427; Options Exercisable 02/02/2010 - 427; and Options Exercisable 02/02/2011 - 427.
- (11) Options Vesting Schedule for Options Granted 02/12/2008 - Exercise price is \$28.85: Options Exercisable 02/12/2009 - 5,575; Options Exercisable 02/12/2010 - 5,575; Options Exercisable 02/12/2011 - 5,575; Options Exercisable 02/12/2012 - 5,575.
- (12) 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.
- (13) 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.

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.