Forestar Real Estate Group Inc.

Form 4

January 15, 2008

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF

30(h) of the Investment Company Act of 1940

OMB Number:

3235-0287

Expires:

January 31, 2005

0.5

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OMB APPROVAL

response...

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

obligations

may continue.

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

See Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person * Smith Richard M

(Last) (First)

(Middle)

1300 SOUTH MOPAC **EXPRESSWAY 3-SOUTH**

(Street)

(State)

(Zip)

[FOR]

(Month/Day/Year)

01/11/2008

2. Issuer Name and Ticker or Trading Symbol

Forestar Real Estate Group Inc.

3. Date of Earliest Transaction

4. If Amendment, Date Original

Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to

Issuer

(Check all applicable)

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

6. Individual or Joint/Group Filing(Check

Applicable Line)

X Form filed by One Reporting Person Form filed by More than One Reporting

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

AUSTIN, TX 78746

(City)

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1.Title of	2. Transaction Date	2A. Deemed	3.	4. Securi	ties A	cquired	5. Amount of	6. Ownership	7. Nature of
Security	(Month/Day/Year)	Execution Date, if	Transactio	on(A) or D	ispose	d of (D)	Securities	Form: Direct	Indirect
(Instr. 3)		any	Code	(Instr. 3, 4 and 5)		Beneficially	(D) or	Beneficial	
		(Month/Day/Year)	(Instr. 8)				Owned	Indirect (I)	Ownership
							Following	(Instr. 4)	(Instr. 4)
					(4)		Reported		
					(A)		Transaction(s)		
			Code V	Amount	or (D)	Price	(Instr. 3 and 4)		
Common Stock (1)	01/11/2008	01/11/2008	M	4,351	A	\$ 19.05	4,351	D	
Common Stock (2)	01/11/2008	01/11/2008	M	4,351	D	\$ 19.05	0	D	

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

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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. Transactio 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 Underlying Securitie (Instr. 3 and 4)	
				Code V	(A) (D)	Date Exercisable	Expiration Date	Title	Amou or Numb of Shares
Option (right to buy) (1) (3)	\$ 20.99					11/03/2007	11/03/2016	Common Stock	6,66
Phantom Stock (1)	\$ 19.05 (2)	01/11/2008	01/11/2008	M	4,351	05/04/2018(2)	05/04/2033(2)	Common Stock	4,35 (2)

Reporting Owners

Reporting Owner Name / Address	Relationships					
	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
01/15/2008

**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) Shares acquired in a pro rata distribution by Temple-Inland Inc. through a spin-off effective December 28, 2007.
- (2) Reporting person elected to receive a portion of his deferred phantom stock under a Temple-Inland Inc. plan. Settlement is payable in cash.
- Options Vesting Schedule for Options Granted 11/03/2006 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.

Remarks:

Option price updated to reflect spin-off from Temple-Inland Inc. effective 12/28/2008.

Reporting Owners 2

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