

Knight Craig A
Form 4
February 04, 2008

FORM 4

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

OMB APPROVAL

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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 *
Knight Craig A

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 Investment Officer

(Last) (First) (Middle)

1300 SOUTH MOPAC
EXPRESSWAY 3-SOUTH

(Street)

3. Date of Earliest Transaction
(Month/Day/Year)
01/31/2008

AUSTIN, TX 78746

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

(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)	Amount or Price		
			Code	V	Amount (D)	Price	
Common Stock	01/31/2008	01/31/2008	M		2,666 (1)	\$ 13.33	3,332 (2) D
Common Stock							1,763 (3) I

By Trustee
401(k)
Plan (3)

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	01/31/2008	01/31/2008	M		2,666		02/06/1999	02/06/2008	Common Stock	2,666
Option (right to buy) <u>(5)</u> <u>(6)</u>	\$ 13.24							02/04/2001	02/04/2010	Common Stock	3,333
Option (right to buy) <u>(5)</u> <u>(7)</u>	\$ 11.76							02/02/2002	02/02/2011	Common Stock	833
Option (right to buy) <u>(5)</u> <u>(8)</u>	\$ 13.26							02/01/2003	02/01/2012	Common Stock	1,666
Option (right to buy) <u>(5)</u> <u>(9)</u>	\$ 8.68							02/07/2004	02/07/2013	Common Stock	2,500
Option (right to buy) <u>(5)</u> <u>(10)</u>	\$ 15.02							02/06/2005	02/06/2014	Common Stock	1,666
Option (right to buy) <u>(5)</u> <u>(11)</u>	\$ 20.26							02/04/2006	02/04/2015	Common Stock	1,666
Option (right to buy) <u>(5)</u> <u>(12)</u>	\$ 27.06							02/03/2007	02/03/2016	Common Stock	3,333
Option (right to buy) <u>(5)</u> <u>(13)</u>	\$ 30.56							02/02/2008	02/02/2017	Common Stock	3,333
Restricted <u>(5)</u> <u>(14)</u>	<u>(15)</u>							<u>(15)</u>	<u>(15)</u>	Common Stock	4,166
Restricted <u>(5)</u> <u>(14)</u>	<u>(14)</u>							<u>(14)</u>	<u>(14)</u>	Common Stock	4,333

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