

Forestar Real Estate Group Inc.  
Form 4  
December 18, 2007

**FORM 4** UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL

OMB Number: 3235-0287  
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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 \*  
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)

(Last) (First) (Middle)  
  
1300 SOUTH MOPAC  
EXPRESSWAY 3-SOUTH  
  
(Street)

3. Date of Earliest Transaction  
(Month/Day/Year)  
12/14/2007

\_\_\_ Director \_\_\_ 10% Owner  
 Officer (give title below) \_\_\_ Other (specify below)  
Chief Investment Officer

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)<br>Code V Amount (D) Price                             |   |  |                                       |
| Common Stock                    | 12/14/2007                           | 12/14/2007   | J                              | 666 <sup>(1)</sup> A \$ 0   | 666 <sup>(2)</sup>  | D  |                                       |
| Common Stock                    |                                      |  |                                |   | 1,763 <sup>(3)</sup>  | I  | By Trustee 401(k) Plan <sup>(3)</sup> |

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

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

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) |                            |
|--|--|--------------------------------------|--|--------------------------------|---|--|-------------------------|---|----------------------------|
|  |  |                                      |  |                                |   | Date Exercisable   | Expiration Date         | Title   | Amount or Number of Shares |
|  |  |                                      |  | Code                           | V   | (A)  | (D)                     |   |                            |
| Option (right to buy) <u>(4)</u> <u>(5)</u>  | \$ 18.14   | 12/14/2007                           | 12/14/2007   | J                              |   | 2,666  | 02/06/1999 02/06/2008   | Common Stock  | 2,666                      |
| Option (right to buy) <u>(5)</u> <u>(6)</u>  | \$ 18.03   | 12/14/2007                           | 12/14/2007   | J                              |   | 3,333  | 02/04/2001 02/04/2010   | Common Stock  | 3,333                      |
| Option (right to buy) <u>(5)</u> <u>(7)</u>  | \$ 16.04   | 12/14/2007                           | 12/14/2007   | J                              |   | 833  | 02/02/2002 02/02/2011   | Common Stock  | 833                        |
| Option (right to buy) <u>(5)</u> <u>(8)</u>  | \$ 18.05   | 12/14/2007                           | 12/14/2007   | J                              |   | 1,666  | 02/01/2003 02/01/2012   | Common Stock  | 1,666                      |
| Option (right to buy) <u>(5)</u> <u>(9)</u>  | \$ 11.9  | 12/14/2007                           | 12/14/2007   | J                              |   | 2,500  | 02/07/2004 02/07/2013   | Common Stock  | 2,500                      |
| Option (right to buy) <u>(5)</u> <u>(10)</u> | \$ 20.41   | 12/14/2007                           | 12/14/2007   | J                              |   | 1,666  | 02/06/2005 02/06/2014   | Common Stock  | 1,666                      |
| Option (right to buy) <u>(5)</u> <u>(11)</u> | \$ 27.46   | 12/14/2007                           | 12/14/2007   | J                              |   | 1,665  | 02/04/2006 02/04/2015   | Common Stock  | 1,665                      |
| Option (right to buy) <u>(5)</u> <u>(12)</u> | \$ 36.59   | 12/14/2007                           | 12/14/2007   | J                              |   | 3,332  | 02/03/2007 02/03/2016   | Common Stock  | 3,332                      |
| Option (right to buy) <u>(5)</u> <u>(13)</u> | \$ 41.29   | 12/14/2007                           | 12/14/2007   | J                              |   | 3,332  | 02/02/2008 02/02/2017   | Common Stock  | 3,332                      |
| Restricted <u>(5)</u> <u>(14)</u>            | <u>(15)</u>  | 12/14/2007                           | 12/14/2007   | J                              |   | 4,166  | <u>(15)</u> <u>(15)</u> | Common Stock  | 4,166                      |
| Restricted <u>(5)</u> <u>(14)</u>            | <u>(14)</u>  | 12/14/2007                           | 12/14/2007   | J                              |   | 4,333  | <u>(14)</u> <u>(14)</u> | Common Stock  | 4,333                      |

## Reporting Owners

| Reporting Owner Name / Address  | Relationships |           |                          |       |
|---|---------------|-----------|--------------------------|-------|
|   | Director      | 10% Owner | Officer                  | Other |
| Knight Craig A<br>1300 SOUTH MOPAC EXPRESSWAY 3-SOUTH<br>AUSTIN, TX 78746 |               |           | Chief Investment Officer |       |

## Signatures

David M. Grimm signing on behalf of Craig A. Knight 12/18/2007

\_\_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) 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.  
Reporting Person acquired additional shares through on-going 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.)
  - (3) Options Vesting Schedule for Options Granted 02/06/1998 - Exercise price is \$18.14: Options Exercisable 02/06/2002- 2,666.
  - (4) Shares acquired in a pro rata distribution by Temple-Inland Inc. through a spin-off on or around December 28, 2007. Option exercise price shown is Temple-Inland Inc.'s exercise price that will be adjusted to reflect Forestar Real Estate Group Inc.'s option exercise price upon the spin-off and pro rata distribution of shares on or around December 28, 2007.
  - (5) Options Vesting Schedule for Options Granted 02/04/2000 - Exercise price is \$18.03: Options Exercisable 02/04/2003- 3,333.
  - (6) Options Vesting Schedule for Options Granted 02/02/2001 - Exercise price is \$16.04: Options Exercisable 02/02/2004- 833.
  - (7) Options Vesting Schedule for Options Granted 02/01/2002 - Exercise price is \$18.05: Options Exercisable 02/01/2005- 1,666.
  - (8) Options Vesting Schedule for Options Granted 02/07/2003 - Exercise price is \$11.90: Options Exercisable 02/07/2007 - 2,500.
  - (9) Options Vesting Schedule for Options Granted 02/06/2004 at an exercise price of \$20.41: Options Exercisable 02/06/2007 - 1,250; Options Exercisable 02/06/2008 - 416.
  - (10) Option Vesting Schedule for Options Granted 02/04/2005 at an exercise price of \$27.46: Options exercisable 02/04/2007 - 833; Options exercisable 02/04/2008 - 416; Options exercisable 02/04/2009 - 416.
  - (11) Options Vesting Schedule for Options Granted 02/03/2006 at an exercise price of \$36.59: Options Exercisable 02/03/2007 - 833; Options Exercisable 02/03/2008 - 833; Options Exercisable 02/03/2009 - 833; and Options Exercisable 02/03/2010 - 833.
  - (12) Options Vesting Schedule for Options Granted 02/02/2007 at an exercise price of \$41.29: Options Exercisable 02/02/2008 - 833; Options Exercisable 02/02/2009 - 833; Options Exercisable 02/02/2010 - 833; and Options Exercisable 02/02/2011 - 833.
  - (13) Restricted Shares granted on 08/09/2007 will vest effective 02/02/2010. Restricted Shares will be settled for cash based on the fair market value on the vesting date.
  - (14) Restricted Shares granted on 08/09/2007 will vest effective 02/03/2009. Restricted Shares will be settled for cash based on the fair market value on the vesting date.
  - (15)

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.