

DeCosmo James M
 Form 4
 September 17, 2008

FORM 4

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

OMB APPROVAL

OMB Number: 3235-0287
 Expires: January 31, 2005
 Estimated average burden hours per response... 0.5

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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 *
 DeCosmo James 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)

(Last) (First) (Middle)
 1300 SOUTH MOPAC
 EXPRESSWAY 3S

3. Date of Earliest Transaction (Month/Day/Year)
 09/17/2008

Director 10% Owner
 Officer (give title below) Other (specify below)
 CEO - President

(Street)
 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)				
				Code	V	Amount	(A) or (D)	Price			
Common Stock	09/17/2008	09/17/2008	P		2,500	A		\$ 14.86	37,606 ⁽²⁾	D	
Common Stock									1,228 ⁽³⁾	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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number.

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. Fair Value of Derivative Security (Instr. 3)	
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Option (right to buy) <u>(4)</u> <u>(5)</u>	\$ 13.24					02/04/2003	02/04/2010	Common Stock	666
Option (right to buy) <u>(5)</u> <u>(6)</u>	\$ 11.76					02/02/2003	02/02/2011	Common Stock	833
Option (right to buy) <u>(5)</u> <u>(7)</u>	\$ 13.26					02/01/2006	02/01/2012	Common Stock	2,000
Option (right to buy) <u>(5)</u> <u>(8)</u>	\$ 8.68					02/07/2006	02/07/2013	Common Stock	1,666
Option (right to buy) <u>(5)</u> <u>(9)</u>	\$ 15.02					02/06/2005	02/06/2014	Common Stock	1,666
Option (right to buy) <u>(5)</u> <u>(10)</u>	\$ 20.26					02/04/2006	02/04/2015	Common Stock	5,333
Option (right to buy) <u>(5)</u> <u>(11)</u>	\$ 27.06					02/03/2007	02/03/2016	Common Stock	6,150
Option (right to buy) <u>(5)</u> <u>(12)</u>	\$ 30.56					02/02/2008	02/02/2017	Common Stock	6,150
Option (right to buy) <u>(13)</u>	\$ 28.85					02/12/2009	02/12/2018	Common Stock	74,000
	<u>(14)</u>					<u>(14)</u>	<u>(14)</u>		6,133

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- (14) 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.
- (15) 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.
- (16) Restricted Shares will vest effective 05/04/2010. 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.

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