

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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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)

(Last) (First) (Middle)

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

___ Director ___ 10% Owner
 Officer (give title below) ___ Other (specify below)
 Chief Administrative Officer

1300 SOUTH MOPAC EXPRESSWAY 3-SOUTH

(Street)

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

AUSTIN, TX 78746

(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) | Price | | |
| Common Stock | | | | | 9,060 ⁽¹⁾ | D | |
| Common Stock | 09/18/2008 | 09/18/2008 | P | 1,000 A | \$ 14.72 ⁽²⁾ | I | By Spouse |
| Common Stock | | | | | 397 ⁽³⁾ | I | By Trustee 401(k) Plan |

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.

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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 |

