Hughes Martin S Form 4 December 02, 2010

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

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)

(Last)

1. Name and Address of Reporting Person * **Hughes Martin S**

(First)

(Street)

MILL VALLEY, CA 94941

2. Issuer Name and Ticker or Trading Symbol

REDWOOD TRUST INC [RWT]

3. Date of Earliest Transaction

(Month/Day/Year)

1 BELVEDERE PLACE, SUITE 300 11/30/2010

(Middle)

4. If Amendment, Date Original

Filed(Month/Day/Year)

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

1. Title of Security (Instr. 3)

(City)

2. Transaction Date 2A. Deemed (Month/Day/Year)

(State)

Execution Date, if

(Zip)

3. (Month/Day/Year)

TransactionAcquired (A) or Code (Instr. 8)

Disposed of (D) (Instr. 3, 4 and 5)

4. Securities

Beneficially Owned Following Reported

5. Amount of

Securities

Issuer

below)

Person

Director

Applicable Line)

X_ Officer (give title

(I) (Instr. 4)

(D) or Indirect Beneficial Ownership (Instr. 4)

Indirect

7. Nature of

10% Owner Other (specify

OMB APPROVAL

3235-0287

January 31,

2005

0.5

OMB

Number:

Expires:

response...

5. Relationship of Reporting Person(s) to

(Check all applicable)

Chief Executive Officer

6. Ownership

Form: Direct

6. Individual or Joint/Group Filing(Check

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

Estimated average

burden hours per

(A) Transaction(s) (Instr. 3 and 4) Code V Amount (D) Price

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

Conversion or Exercise

3. Transaction Date 3A. Deemed (Month/Day/Year) Execution Date, if

any

4. 5. Number of **Transaction**Derivative Code Securities

6. Date Exercisable and **Expiration Date** (Month/Day/Year)

7. Title and Amount **Underlying Securitie** (Instr. 3 and 4)

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(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	Di		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amour Numbe Shares
Deferred Stock Units	\$ 13.99 (2)	11/30/2010		A		80,358.33		(3)	<u>(4)</u>	Common Stock	80,35
Performance Stock Units	\$ 14.01 (6)	11/30/2010		A		80,358.33 (7)		(8)	<u>(9)</u>	Common Stock	80,35

Reporting Owners

Reporting Owner Name / Address Relationships

Director 10% Owner Officer Other

Hughes Martin S 1 BELVEDERE PLACE SUITE 300 MILL VALLEY, CA 94941

Chief Executive Officer

Signatures

Attorney In Fact: Andrew P.

Stone 12/02/2010

**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) This transaction relates to the grant of Deferred Stock Units.
- (2) Represents grant date fair value of the DSUs issued, based on the fair market value RWT common stock on transaction date under the 2002 Incentive Plan.
- (3) 25% vests 1/1/2012, 6.25% every quarter thereafter. Fully vested 1/1/2015.
- (4) No expiration date is applicable to deferred stock units.

This transaction relates to the grant of Performance Stock Units ("PSUs"), which are performance-based equity awards. The number of underlying shares of common stock of Redwood Trust, Inc. ("Common Stock") that vest and that the recipient becomes entitled to receive at the time of vesting will generally range from 0% to 200% of a target number of PSUs granted, contingent on the achievement of a

- pre-established performance metric (with the target number of PSUs granted being adjusted to reflect the value of any dividends on Common Stock paid during the vesting period). Vesting of these PSUs will generally occur at the end of three years (on November 30, 2013) based on three-year total stockholder return. Please refer to Item 5.02(e) of the Current Report on Form 8-K filed on December 2, 2010 by Redwood Trust, Inc. for a description of the terms of these PSUs, which Item 5.02(e) qualifies, in its entirety, the description set forth in this footnote (5) and footnote (7) below.
- (6) Represents grant date fair value of the PSUs issued, based on the fair market value of RWT common stock on the transaction date under the 2002 Incentive Plan.
- (7) Represents the target number of PSUs granted.
- (8) Shares are subject to minimum mandatory holding period and will be delivered to the Participant no sooner than May 1, 2014.

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(9) No expiration date is applicable to performance stock units.

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