

Merdian Diane
 Form 4
 December 08, 2011

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 *
 Merdian Diane

(Last) (First) (Middle)

1 BELVEDERE PLACE, SUITE 300

(Street)

MILL VALLEY, CA 94941

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol
 REDWOOD TRUST INC [RWT]

3. Date of Earliest Transaction
 (Month/Day/Year)
 12/07/2011

4. If Amendment, Date Original Filed
 (Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

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

Chief Financial Officer

6. Individual or Joint/Group Filing (Check Applicable Line)

___X___ Form filed by One Reporting Person
 ___ Form filed by More than One Reporting Person

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 Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership Indirect Beneficial Ownership (Instr. 4)
				(A) or (D)	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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SEC 1474
 (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	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)	Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Deferred Stock Units (1)	\$ 10.53 (2)	12/07/2011	A	27,014					(3)	(4)	Common Stock	27,014
Performance Stock Units (5)	\$ 9.83 (6)	12/07/2011	A	27,014 (7)					(8)	(9)	Common Stock	27,014

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Merdian Diane 1 BELVEDERE PLACE SUITE 300 MILL VALLEY, CA 94941			Chief Financial Officer	

Signatures

Diane L Merdian 12/08/2011

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 of RWT common stock on the transaction date under the 2002 Incentive Plan.
- (3) 25% vests 1/1/2013, 6.25% every quarter thereafter. Fully vested 1/1/2016.
- (4) No expiration date is applicable to Deferred Stock Units.
- (5) 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 December 6, 2014) 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 8, 2011 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.

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- (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, 2015.
- (9) No expiration date is applicable to performance stock units.

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.