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

FORM 8-K  
CURRENT REPORT

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 16, 2008

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**REDWOOD TRUST, INC.**

(Exact name of registrant as specified in its charter)

**Maryland**  
(State or other jurisdiction  
of incorporation)

**001-13759**  
(Commission File  
Number)

**68-0329422**  
(I.R.S. Employer  
Identification No.)

**One Belvedere Place**  
**Suite 300**  
**Mill Valley, California 94941**  
(Address of principal executive offices and Zip Code)

**(415) 389-7373**  
(Registrant's telephone number, including area code)

**Not Applicable**  
(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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**ITEM 5.02. DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS; APPOINTMENT OF PRINCIPAL OFFICERS; COMPENSATORY ARRANGEMENTS OF PRINCIPAL OFFICERS.**

On January 16, 2008, Redwood Trust, Inc. (the "Company") and Martin Hughes, Vice President, Chief Financial Officer, and Secretary of the Company, and Harold Zagunis, Vice President of the Company, entered into amendments to their respective employment agreements providing for an increase in the annual base salary payable under the agreements, effective January 1, 2008. The amendments provide for an increase in the 2008 base salaries for Mr. Hughes from \$450,000 to \$500,000 and for Mr. Zagunis from \$325,000 to \$400,000.

**ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS**

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	Amendment to Employment Agreement, by and between Redwood Trust, Inc. and Martin S. Hughes, dated as of January 16, 2008.
10.2	Amendment to Employment Agreement, by and between Redwood Trust, Inc. and Harold F. Zagunis, dated as of January 16, 2008.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: January 18, 2008

REDWOOD TRUST, INC.

By: /s/ Martin S. Hughes

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Martin S. Hughes

Vice President, Chief Financial Officer, and Secretary

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**EXHIBIT INDEX**

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**AMENDMENT TO EMPLOYMENT AGREEMENT**

**THIS AMENDMENT TO EMPLOYMENT AGREEMENT** (this "Agreement"), is entered into as of the 16<sup>th</sup> day of January 2008 by and between **MARTIN S. HUGHES** (the "Executive") and **REDWOOD TRUST, INC.**, a Maryland Corporation (the "Company").

**WHEREAS**, the Executive and the Company have entered into an Employment Agreement dated as of June 1, 2005 (as subsequently amended, the "Employment Agreement"); and

**WHEREAS**, the Executive and the Company desire to enter into this Agreement for purposes of amending the Employment Agreement to increase the Base Salary specified in the Employment Agreement, effective January 1, 2008;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and adequacy which is hereby acknowledged, the Executive and the Company hereby agree that Section 3(a) of the Employment Agreement is hereby amended to add the following sentence at the end of Section 3(a):

Effective January 1, 2008, the Base Salary shall be \$500,000.

**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has executed this Agreement, as of the date first above written.

**REDWOOD TRUST, INC.**

By: /s/ George E. Bull, III  
Name: George E. Bull, III  
Title: Chief Executive Officer

**MARTIN S. HUGHES**

/s/ Martin S. Hughes

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**AMENDMENT TO EMPLOYMENT AGREEMENT**

**THIS AMENDMENT TO EMPLOYMENT AGREEMENT** (this "Agreement"), is entered into as of the 16<sup>th</sup> day of January 2008 by and between **HAROLD F. ZAGUNIS** (the "Executive") and **REDWOOD TRUST, INC.**, a Maryland Corporation (the "Company").

**WHEREAS**, the Executive and the Company have entered into an Amended and Restated Employment Agreement dated as of February 22, 2005 (as subsequently amended, the "Employment Agreement"); and

**WHEREAS**, the Executive and the Company desire to enter into this Agreement for purposes of amending the Employment Agreement to increase the Base Salary specified in the Employment Agreement, effective January 1, 2008;

**NOW, THEREFORE**, for good and valuable consideration, the receipt and adequacy which is hereby acknowledged, the Executive and the Company hereby agree that Section 3(a) of the Employment Agreement is hereby amended to add the following sentence at the end of Section 3(a):

Effective January 1, 2008, the Base Salary shall be \$400,000.

**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has executed this Agreement, as of the date first above written.

**REDWOOD TRUST, INC.**

By: /s/ George E. Bull, III  
Name: George E. Bull, III  
Title: Chief Executive Officer

**HAROLD F. ZAGUNIS**

/s/ Harold F. Zagunis

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