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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): **July 2, 2008**

**REDWOOD TRUST, INC.**

(Exact name of registrant as specified in its charter)

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

**1-13759**  
(Commission  
File Number)

**68-0329422**  
(IRS Employer  
Identification No.)

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

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

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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 8.01. Other Events.**

On July 2, 2008, we filed with the Securities and Exchange Commission prospectus supplement no. 2 to the prospectus dated November 23, 2007 contained in our registration statement on Form S-3 (File No. 333-147604). Prospectus supplement no. 2 was filed in connection with our Direct Stock Purchase and Dividend Reinvestment Plan under which we are offering an additional 10,000,000 shares of our common stock. Including the 10,000,000 shares of our common stock offered under prospectus supplement no. 2, as of July 2, 2008, there are an aggregate 15,035,352 shares of our common stock available for future sale under the Plan.

In connection with the filing of prospectus supplement no. 2, we are filing as Exhibit 5.1 hereto an opinion of our counsel, Venable LLP, regarding the validity of the securities being registered. Additionally, in connection with the filing of prospectus supplement no. 2, we are filing as Exhibit 8.1 hereto an opinion of our counsel, Chapman and Cutler LLP, with respect to tax matters.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

5.1 Opinion of Venable LLP.

8.1 Opinion of Chapman and Cutler LLP.

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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 hereunto duly authorized.

**REDWOOD TRUST, INC.**

Dated: July 2, 2008

By: /s/ Harold Zagunis

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Harold Zagunis  
Managing Director

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Exhibit Index

- 5.1 Opinion of Venable LLP.
  - 8.1 Opinion of Chapman and Cutler LLP.
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## [LETTERHEAD OF VENABLE LLP]

July 2, 2008

Redwood Trust, Inc.  
One Belvedere Place  
Mill Valley, California 94941

Re: Registration Statement on Form S-3 (File No. 333-147604):  
Direct Stock Purchase and Dividend Reinvestment Plan

Ladies and Gentlemen:

We have served as Maryland counsel to Redwood Trust, Inc., a Maryland corporation (the "Company"), in connection with certain matters of Maryland law relating to the registration by the Company of 10,000,000 shares (the "Shares") of common stock, \$.01 par value per share, of the Company (the "Common Stock"), covered by the above-referenced Registration Statement (the "Registration Statement"), filed by the Company with the United States Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"). The Shares may be issued from time to time pursuant to the Redwood Trust, Inc. Direct Stock Purchase and Dividend Reinvestment Plan (the "Plan"), as described under the heading "The Plan" in the Prospectus Supplement (as defined herein).

In connection with our representation of the Company, and as a basis for the opinion hereinafter set forth, we have examined originals, or copies certified or otherwise identified to our satisfaction, of the following documents (hereinafter collectively referred to as the "Documents"):

1. The Registration Statement and the related form of prospectus included therein;
  2. The Prospectus Supplement, dated November 23, 2007, as supplemented by the Prospectus Supplement No. 2, dated July 2, 2008 (collectively, the "Prospectus Supplement"), relating to the Plan, filed by the Company with the Commission pursuant to Rule 424(b)(2) of the General Rules and Regulations promulgated under the Securities Act;
  3. The charter of the Company (the "Charter"), certified as of a recent date by the State Department of Assessments and Taxation of Maryland (the "SDAT");
  4. The Amended and Restated Bylaws of the Company, as amended, certified as of the date hereof by an officer of the Company;
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5. Resolutions adopted by the Board of Directors of the Company (the "Resolutions"), relating to the authorization of the Plan and the issuance of the Shares, certified as of the date hereof by an officer of the Company;
6. A certificate of the SDAT as to the good standing of the Company, dated as of a recent date;
7. A certificate executed by an officer of the Company, dated as of the date hereof; and
8. Such other documents and matters as we have deemed necessary or appropriate to express the opinion set forth below, subject to the assumptions, limitations and qualifications stated herein.

In expressing the opinion set forth below, we have assumed the following:

1. Each individual executing any of the Documents, whether on behalf of such individual or any other person, is legally competent to do so.
  2. Each individual executing any of the Documents on behalf of a party (other than the Company) is duly authorized to do so.
  3. Each of the parties (other than the Company) executing any of the Documents has duly and validly executed and delivered each of the Documents to which such party is a signatory, and the obligations of each party set forth in the Documents are legal, valid, binding and enforceable in accordance with all stated terms.
  4. All Documents submitted to us as originals are authentic. The form and content of all Documents submitted to us as unexecuted drafts do not differ in any respect relevant to this opinion from the form and content of such Documents as executed and delivered. All Documents submitted to us as certified or photostatic copies conform to the original documents. All signatures on all such Documents are genuine. All public records reviewed or relied upon by us or on our behalf are true and complete. All representations, warranties, statements and information contained in the Documents are true and complete. There has been no oral or written modification of or amendment to any of the Documents, and there has been no waiver of any provision of any of the Documents, by action or omission of the parties or otherwise.
  5. Upon any issuance of the Shares, the total number of shares of Common Stock issued and outstanding will not exceed the total number of shares of Common Stock that the Company is then authorized to issue under the Charter. None of the Shares will be issued in violation of the restrictions on ownership and transfer set forth in Article XI of the Charter.
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Based upon the foregoing and subject to the assumptions, limitations and qualifications stated herein, it is our opinion that:

1. The Company is a corporation duly incorporated and validly existing under and by virtue of the laws of the State of Maryland and is in good standing with the SDAT.
2. The issuance of the Shares has been duly authorized and, when and if issued and delivered against payment therefor in accordance with the Registration Statement, the Resolutions and the Plan, the Shares will be validly issued, fully paid and nonassessable.

The foregoing opinion is limited to the laws of the State of Maryland and we do not express any opinion herein concerning any other law. We express no opinion as to the applicability or effect of any federal or state securities laws, including the securities laws of the State of Maryland, or as to federal or state laws regarding fraudulent transfer. To the extent that any matter as to which our opinion is expressed herein would be governed by the laws of any jurisdiction other than the State of Maryland, we do not express any opinion on such matter.

The opinion expressed herein is limited to the matters specifically set forth herein and no other opinion shall be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable law changes after the date hereof or if we become aware of any fact that might change the opinion expressed herein after the date hereof.

This opinion is being furnished to you for submission to the Commission as an exhibit to the Company's Current Report on Form 8-K relating to the increase in the number of shares of Common Stock issuable under the Plan (the "Current Report"), which is incorporated by reference in the Registration Statement. We hereby consent to the filing of this opinion as an exhibit to the Current Report and the said incorporation by reference and to the use of the name of our firm therein. In giving this consent, we do not admit that we are within the category of persons whose consent is required by Section 7 of the Securities Act.

Very truly yours,

/s/ Venable LLP

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[Letterhead of Chapman and Cutler LLP]

July 2, 2008

Redwood Trust, Inc.  
One Belvedere Place  
Suite 300  
Mill Valley, CA 94941

Re: Redwood Trust, Inc.'s Direct Stock Purchase  
and Dividend Reinvestment Plan

Ladies and Gentlemen:

We have acted as your special tax counsel and have assisted in the preparation of the tax summary for (i) the Registration Statement on Form S-3, dated November 23, 2007, (the "*Registration Statement*") and the Prospectus (the "*Prospectus*"), which forms a part of the Registration Statement, filed by Redwood Trust, Inc. (the "*Company*") with the Securities and Exchange Commission ("*SEC*") and (ii) the Prospectus Supplement, dated November 23, 2007 (the "*First Prospectus Supplement*"), related to the Company's Direct Stock Purchase and Dividend Reinvestment Plan (the "*Plan*") which, together with the Prospectus, is used to offer the Company's common stock under the Plan. In connection with the filing of Prospectus Supplement No. 2, dated July 2, 2008 (the "*Second Prospectus Supplement*"), which amends the Plan to increase the number of shares of the Company's common stock available under the Plan, you have requested that we confirm our opinion regarding the accuracy of certain descriptions of material U.S. federal income tax consequences contained in the First Prospectus Supplement.

#### Scope of Review

Our opinion is based on the Internal Revenue Code of 1986, as amended to the date hereof (the "*Code*"), Treasury regulations issued thereunder, administrative rulings, judicial decisions and other applicable authorities, all as in effect and available on the date hereof. We note that the statutory provisions, regulations, judicial decisions and interpretations on which our opinion is based are subject to change, possibly retroactively. In addition, there can be no complete assurance that the Internal Revenue Service will not take positions contrary to the conclusions stated in our opinion. Any material change after the date hereof of any of the foregoing bases for our opinion could adversely affect our conclusions.

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In formulating our opinions, we have reviewed:

- (i) the Registration Statement and the Prospectus;
- (ii) the First Prospectus Supplement;
- (iii) the Second Prospectus Supplement;
- (iv) the Company's articles of incorporation and other organizational documents of the Company and its subsidiaries, as amended and supplemented to the date hereof;
- (v) the opinion of Venable, LLP, dated the date hereof, with respect to certain matters regarding Maryland corporate law; and
- (vi) such resolutions, certificate, records, and other documents provided by the Company and/or its subsidiaries as we have deemed necessary or appropriate as a basis for the opinions set forth below.

**Assumptions**

In rendering our opinion, we have made the following assumptions:

- (a) there has been no change in the status of the Company as a real estate investment trust under Section 856 of the Code since the date of the First Prospectus Supplement.
- (b) the First Prospectus Supplement and the Second Prospectus Supplement each accurately describe the information provided regarding the operation of the Plan.
- (c) the Prospectus accurately describes the information provided regarding the Company and its common stock.
- (d) we have assumed the legal capacity of all natural persons, the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed or other copies, and the authenticity of the originals of such copies.

With respect to these assumptions, it should be noted that the statutes, regulations, judicial decisions, and administrative interpretations upon which our opinion is based are subject to change at any time and, in some circumstances, with retroactive effect. Any material change after the date hereof of any of the foregoing bases for our opinions could adversely affect our conclusions.

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### **Opinions**

Subject to the qualifications, assumptions and limitations set forth herein, we are of the opinion that, although the discussions set forth under the heading "36. What about Taxes?" and the heading "Material U.S. Federal Income Tax Considerations" in the First Prospectus Supplement do not purport to discuss all possible U.S. federal income tax consequences of an investor's participation in the Plan, such discussions, taken together with that in the Prospectus, continues to constitute an accurate summary of the U.S. federal income tax considerations that are likely to be material to an investor in the Company's common stock under the Plan as of the date hereof.

### **Limitations**

Other than as specifically stated above, we express no opinion on any issue relating to the Company or its subsidiaries, or any investment in any other series or class of securities issued by them, or under any law other than U.S. federal income tax laws.

We impose no limit on your disclosure of this opinion or the tax treatment of the Company, its common stock or any person's participation under the Plan. However, we are furnishing this opinion to you solely in connection with the filing of the Second Prospectus Supplement and it cannot be relied upon by any person or for any other purpose without our express written permission.

We hereby consent to the filing of this opinion as an exhibit to the Company's Form 8-K dated July 2, 2008. In giving such consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or under the rules and regulations of the SEC promulgated thereunder.

Very truly yours,

/s/ Chapman and Cutler LLP

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