

FORM 4

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

| OMB APPROVAL | |
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| OMB Number: | 3235-0287 |
| Estimated average burden hours per response... | 0.5 |

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 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

| | | | | | |
|--|--|---|--|---|--|
| 1. Name and Address of Reporting Person Hughes Martin S | | 2. Issuer Name and Ticker or Trading Symbol REDWOOD TRUST INC [RWT] | | 5. Relationship of Reporting Person(s) to Issuer (Check all applicable) <input type="checkbox"/> Director <input checked="" type="checkbox"/> Officer (give title below) Chief Executive Officer <input type="checkbox"/> 10% Owner <input type="checkbox"/> Other (specify below) | |
| (Last) (First) (Middle) ONE BELVEDERE PLACE, SUITE 300 | | 3. Date of Earliest Transaction (Month/Day/Year) 05/01/2014 | | | |
| (Street) MILL VALLEY, CA 94941 | | 4. If Amendment, Date Original Filed(Month/Day/Year) | | 6. Individual or Joint/Group Filing(Check Applicable Line) <input checked="" type="checkbox"/> Form filed by One Reporting Person <input type="checkbox"/> Form filed by More than One Reporting Person | |
| (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 Indirect Beneficial Ownership (Instr. 4) |
|---------------------------------|--------------------------------------|--|--------------------------------|---|---|------------|-------------------------|---|--|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 05/01/2014 | | M ⁽¹⁾ | | 116,994 | A | \$ 21.8 ⁽²⁾ | 352,743 | D | |
| Common Stock | 05/01/2014 | | S ⁽³⁾ | | 17,144 | D | \$ 21.45 ⁽⁴⁾ | 335,599 | D | |
| Common Stock | | | | | | | | 5,000 | I | By Spouse |

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.

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 (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. Price of Derivative Security (Instr. 5) | 9. Number of Derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |
|--|--|--------------------------------------|--|--------------------------------|---|---|--|-----------------|---|----------------------------|--|--|--|--|
| | | | | Code | V | | Date Exercisable | Expiration Date | Title | Amount or Number of Shares | | | | |
| Deferred Stock Units | \$ 14.28 ⁽⁵⁾ | 05/01/2014 | | M ⁽¹⁾ | | 116,994 | ⁽⁶⁾ | ⁽⁷⁾ | Common Stock | 116,994 | \$ 0 ⁽¹⁾ | 95,454 | D | |
| Deferred Stock Units | \$ 14.28 ⁽⁵⁾ | 05/01/2014 | | P ⁽⁸⁾ | | 95,454 | ⁽⁶⁾ | ⁽⁷⁾ | Common Stock | 95,454 | \$ 0 ⁽¹⁾ | 0 ⁽⁹⁾ | D | |

Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|--|---------------|-----------|-------------------------|-------|
| | Director | 10% Owner | Officer | Other |
| Hughes Martin S ONE BELVEDERE PLACE SUITE 300 MILL VALLEY, CA 94941 | X | | Chief Executive Officer | |

Signatures

| | |
|---|---------------------|
| Attorney-In-Fact: Andrew P. Stone For: Martin S. Hughes | 05/01/2014 |
| <small>Signature of Reporting Person</small> | <small>Date</small> |

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 distribution and/or conversion of Deferred Stock Units, including Performance Stock Units, to common stock under the Executive Deferred Compensation Plan.
- (2) Represents the value (per stock unit or share of common stock) of the distribution and/or conversion of Deferred Stock Units, including Performance Stock Units, to common stock under the Executive Deferred Compensation Plan, based on the fair market value of Redwood Trust.
- (3) Transaction made pursuant to a 10b5-1 trading plan adopted by the Reporting Person in 2013. All proceeds of this transaction are being remitted by the Reporting Person and/or Redwood Trust, Inc. to Federal and/or State income tax agencies as additional income tax withholdings.
- (4) This transaction was executed in multiple trades with prices ranging from \$21.31 to \$21.73, inclusive. The price reported in Column 4 above reflects the weighted average sale price. The Reporting Person hereby undertakes to provide to the Securities and Exchange Commission
- (5) Represents fair value of Deferred Stock Units, including Performance Stock Units, based on the weighted average of the original grant date fair market values.
- (6) Deferred Stock Units, including Performance Stock Units, were subject to a mandatory holding period and conversion and/or distribution to the Reporting Person is at the time provided in the applicable deferral election form, in accordance with the terms and conditions of the Executive Deferred Compensation Plan.
- (7) No expiration date is applicable to Deferred Stock Units or Performance Stock Units.
- (8) This disposition transaction represents a Compensation Committee approved withholding of securities incident to the payment of income tax liability relating to the distribution and/or conversion of Deferred Stock Units, including Performance Stock Units, under the Executive Deferred Compensation Plan.
- (9) Following these reported transactions, no other Deferred Stock Units, including Performance Stock Units, with the same original grant date are beneficially owned.

Remarks:

This Form 4 is being filed in connection with the distribution and/or conversion of Deferred Stock Units, including Performance Stock Units, to common stock under the Redwood Trust, Inc. Executive Deferred Compensation Plan. The 100% based vesting period. The distribution and/or conversion of the stock units referred to herein gives rise to Federal and State income tax liability of the Reporting Person based on the number of stock units distributed and/or converted and

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.