

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person * ZAGUNIS HAROLD F			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 type="checkbox"/> 10% Owner <input checked="" type="checkbox"/> Officer (give title below) <input type="checkbox"/> Other (specify below) Chief Risk Officer				
(Last)	(First)	(Middle)	3. Date of Earliest Transaction (Month/Day/Year) 11/19/2009							
1 BELVEDERE PLACE, SUITE 300										
(Street)			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				
MILL VALLEY, CA 94941										
(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	11/19/2009		M		707	A	\$ 11.4375	12,004.17	D	

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	(A)	(D)	Date Exercisable	Expiration Date						Title
Non-Qualified Stock Option (right to buy)	\$ 11.4375	11/19/2009		F ⁽¹⁾		4,884		⁽²⁾	12/02/2009	Common Stock	4,884	\$ 0	1,116	D	
Non-Qualified Stock Option (right to buy)	\$ 11.4375	11/19/2009		F ⁽³⁾		409		⁽²⁾	12/02/2009	Common Stock	409	\$ 0	707	D	
Non-Qualified Stock Option (right to buy)	\$ 11.4375	11/19/2009		M		707		⁽²⁾	12/02/2009	Common Stock	707	\$ 0	0	D	

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other

ZAGUNIS HAROLD F 1 BELVEDERE PLACE SUITE 300 MILL VALLEY, CA 94941			Chief Risk Officer	
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Signatures

Harold F. Zagunis		11/20/2009
<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 represents the payment of option exercise price by withholding securities incident to the exercise.
 - (2) The option becomes exercisable in four equal installments on the 4th day of May in 2001, 2002, 2003, and 2004
 - (3) This transaction represents the withholding of securities incident to the payment of tax liability relating to the option exercise.

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.