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

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**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): November 13, 2005**

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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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**INFORMATION TO BE INCLUDED IN THE REPORT**

**ITEM 1.01. Entry into a Material Definitive Agreement.**

(a) Amendments to Employment Agreements

On November 13, 2005, the Board of Directors of Redwood Trust, Inc. (the "Company"), in accordance with the recommendation of the Compensation Committee of the Board of Directors, approved an amendment (each, an "Amendment") to the Employment Agreement, or the Amended and Restated Employment Agreement, as the case may be (each, an "Agreement"), between the Company and George E. Bull III, Douglas B. Hansen, Brett D. Nicholas, Loren Picard, Andrew I. Sirkis, Harold F. Zagunis and Martin S. Hughes, respectively, each of whom is an officer of the Company (each, an "Executive").

Pursuant to each Amendment, notwithstanding any provision of the Agreement to the contrary:

(i) All severance payments provided under the Agreement in connection with the termination of the employment of the Executive shall be payable in an amount equal to 75% of such payments on the date that is six months after the termination date, and the remaining 25% shall be payable in six equal monthly installments beginning on the date that is seven months after the termination date and continuing on the same date of each of the five months thereafter.

(ii) All bonus payments provided under the Agreement in connection with the termination of the employment of the Executive shall be payable on the date that is six months after the termination date.

Prior to the Amendment, the Agreements provided for a more accelerated schedule of severance payments and bonus payments in connection with the termination of employment.

The foregoing is only a summary of the terms of the Amendments that are material to the Company and is qualified in its entirety by reference to the form of Amendment to Employment Agreement filed as Exhibit 10.1 to this Current Report and incorporated by reference herein.

(b) Modification of Dividend Equivalent Rights ("DERs") Associated with Certain Outstanding Options

On November 13, 2005, the Board of Directors, in accordance with the recommendation of its Compensation Committee, approved modifications to outstanding options granted since 2003 having stock DER's. Pursuant to the modifications, (i) stock DERs that would have otherwise accrued subsequent to the modification date of the options (which shall occur by December 31, 2005) are replaced by current pay cash DERs, and (ii) the Company will pay out in cash, at the value accrued, stock DERs that have accrued from the date of the award of the option grant through the modification date of the option (which cash payout will occur by December 31, 2005).

In connection with the foregoing modifications, the Company and the holders of outstanding options will enter into an Amendment to Employee Non-Qualified Stock Option Grant, the form of which is filed as Exhibit 10.2 to this Current Report and incorporated by reference herein. Future grants, if any, to executive officers and other employees will be made pursuant to the terms of a new form of grant agreement, which the Company will file as an exhibit to an appropriate periodic report.

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**ITEM 5.03. Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.**

On and effective November 13, 2005, the Board of Directors of the Company amended Article X, Section 8 (the "Bylaw Amendment") of the Company's Amended and Restated Bylaws (the "Bylaws").

Pursuant to the Bylaw Amendment, notwithstanding any other provision of the charter of the Company or the Bylaws, the Maryland Control Share Acquisition Act, or any successor statute, shall not apply to the voting rights of any shares of stock of the Company acquired and held by any person pursuant to a grant by the Board of Directors of a waiver to such person of the stock ownership limitation contained in the Company's charter. This section of the Bylaws may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

Prior to the adoption of the Bylaw Amendment, the Board of Directors was required to amend Article X, Section 8 each time it desired to exempt shares of stock acquired in connection with a grant of a waiver of the stock ownership limitation contained in the Company's charter from the Maryland Control Share Acquisition Act. Pursuant to the Bylaw Amendment, such exemption from the Act will be automatic, provided the subject shares are acquired and held in accordance with the terms of the waiver granted by the Board. The Bylaw amendment also clarifies that Article X, Section 8 may be repealed at any time.

The foregoing is only a summary of changes effected by adoption of the Bylaw Amendment and is qualified in its entirety by reference to the Bylaw Amendment filed as Exhibit 3 to this Current Report and incorporated by reference herein.

**ITEM 5.05. Amendments to the Registrant's Code of Ethics, or Waiver of a Provision of the Code of Ethics.**

On and effective November 13, 2005, the Board of Directors, in accordance with the recommendation of its Governance and Nominating Committee, amended the Company's Code of Ethics that applies to the Company's employees, officers and directors. Various provisions of the Code of Ethics were revised, and new provisions were added. The amended Code of Ethics, now called the Code of Business Conduct and Ethics (as amended, the "Code"), provides, among other things, greater clarification or emphasis regarding:

- the application of the Code to officers as well as employees and directors of the Company;
- the procedures for requesting and reporting waivers of the Code;
- the procedures for reporting and investigating violations of the Code;
- the protection of confidential and proprietary information;
- prohibited conflicts of interest and the use of the Company's property, information and opportunities; and
- the prohibition on retaliation for reporting violations of the Code.

The foregoing is only a summary of the nature of the amendments to the Code and is qualified in its entirety by reference to the Code, as amended, filed as Exhibit 14 to this Current Report and incorporated by reference herein.

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**ITEM 9.01. Financial Statements and Exhibits.**

(c) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
3	Bylaw Amendment
10.1	Form of Amendment to Employment Agreement between the Company and each of George E. Bull III, Douglas B. Hansen, Brett D. Nicholas, Loren Picard, Andrew I. Sirkis, Harold F. Zagunis and Martin S. Hughes
10.2	Form of Amendment to Employee Non-Qualified Stock Option Grant
14	Code of Business Conduct and Ethics

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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: November 17, 2005

REDWOOD TRUST, INC.

By: /s/ Harold F. Zagunis

Harold F. Zagunis  
Vice President, Chief Financial  
Officer, Controller, Treasurer,  
and Secretary

**REDWOOD TRUST, INC.**

**Amendment to Amended and Restated Bylaws**

Article X, Section 8 of the Amended and Restated Bylaws is hereby amended to read as follows:

SECTION 8. Maryland Control Share Acquisition Act. Notwithstanding any other provision of the Charter or these Bylaws, Title 3, Subtitle 7 of the MGCL, or any successor statute, shall not apply to the voting rights of any shares of stock of the Corporation acquired and held by any person pursuant to a grant by the Board of Directors of a waiver to such person of the stock ownership limitation contained in the Charter. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

**FORM OF  
AMENDMENT TO [AMENDED AND RESTATED]  
EMPLOYMENT AGREEMENT**

This Amendment (the "Amendment") is made as of November \_\_\_\_, 2005 by Redwood Trust, Inc., a Maryland corporation (the "Company"), and the undersigned officer of the Company (the "Executive").

WHEREAS, the Company and the Executive are parties to the [Amended and Restated] Employment Agreement, dated as of \_\_\_\_\_, 200\_\_ (the "Agreement"); and

WHEREAS, the Company and the Executive wish to comply with the recently enacted Internal Revenue Code Section 409A deferred compensation rules that require certain separation from service payments to specified employees be made no earlier than the date that is six months after the date of the employee's separation from service.

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree that, notwithstanding any provision of the Agreement to the contrary:

(a) All severance payments provided under the Agreement in connection with the termination of the employment of the Executive shall be payable in an amount equal to 75% of such payments on the date that is six months after the termination date, and the remaining 25% shall be payable in six equal monthly installments beginning on the date that is seven months after the termination date and continuing on the same date of each of the five months thereafter.

(b) All bonus payments provided under the Agreement in connection with the termination of the employment of the Executive shall be payable on the date that is six months after the termination date.

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IN WITNESS WHEREOF, each of the parties hereto has executed this Amendment as of the date set forth above.

EXECUTIVE

\_\_\_\_\_  
Name:

REDWOOD TRUST, INC.

By: \_\_\_\_\_

Name:

Title:

**AMENDMENT TO EMPLOYEE NON-QUALIFIED STOCK OPTION GRANT**

This Amendment (the "Amendment") is made as of November 16, 2005 by Redwood Trust, Inc., a Maryland corporation (the "Company"), and the undersigned officer of the Company (the "Executive").

WHEREAS, the Company and the Executive are parties to the Employee Non-Qualified Stock Option Grant, dated \_\_\_ (the "Grant Agreement").

WHEREAS, the Company and the Executive wish to comply with the recently enacted Internal Revenue Code Section 409A deferred compensation rules that require nonqualified stock option grants to meet certain criteria in order to be exempt from Section 409A, and since the Accrued DERs do not meet those criteria under their present terms, the Board of Directors has authorized the modification of Accrued DERs to Current-Pay DERs, as defined in the 2002 Redwood Trust, Inc. Incentive Stock Plan ("Plan"), effective as of the date of this Amendment.

NOW, THEREFORE, the parties hereto, intending to be legally bound, hereby agree that, notwithstanding any provision of the Grant Agreement to the contrary:

All Accrued DERs accrued under the terms of the Grant Agreement prior to this Amendment shall be paid in cash to the Optionee within ten days of the date of this Amendment.

The following Section of the Grant Agreement shall be deleted, effective for all dividends with a record date after the date of this Amendment:

**2) DER's** This Option Grant also entitles the Optionee to receive Dividend Equivalent Rights in the form of "accrued DERs" as defined in the Plan ("Accrued DERs") in an amount equal to the value of any common stock dividend (either in cash or property) declared and accrued on the unexercised number of Option Shares subject to the Option granted above, subject to the limitations specified below. All such DER's are intended to qualify as performance based compensation, having as a performance objective and condition the requirement that (i) the Company have sufficient earnings to declare and pay dividends during the period while such DER's accrue and (ii) solely in the case of Accrued DERs payable with respect to unexercised Option Shares pursuant to Section 4(d), the additional requirement that the number of shares issued with respect to such Accrued DERs be reduced to the extent that the fair market value of the stock at the termination of the Grant is not at least equal to its Original Option Price.

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- a) Accrual of DERs will commence with common stock dividends with a record date after the Date of Grant and will cease for common stock dividends with a record date after the earlier of the exercise date of the related option and the Expiration Date.
- b) The Accrued DERs will accrue on the Original Option shares and on the shares represented by Accrued DERs as set forth in Section 5(8) of the Plan on the payable date of the respective dividend.
- c) The Optionee will not receive DER accrual for a dividend declared with respect to Option Shares for which the related Option has been exercised or terminated as of the record date of that dividend. The Optionee will not receive DER accruals for a dividend declared with respect to Option Shares if the Optionee is not an employee on the record date of that dividend, provided, however, that the Optionee will receive DER accruals in the event of termination of employment to the extent provided in Sections 7, 8, and 9 hereof.
- d) DER accruals and Option grants are not considered compensation for purposes of determination of severance or termination. This provision is subject to any provisions relative to this issue in any employment agreement between the Company and the Optionee in effect at the time of this grant (as it may be amended or replaced from time to time).

The foregoing deleted Section of the Grant Agreement shall be replaced with the following Section, effective for all dividends with a record date after the date of this Amendment:

- 2) **DER's** This Option Grant also entitles the Optionee to receive Dividend Equivalent Rights in the form of "current-pay DERs" as defined in the Plan ("Current-Pay DERs") in an amount equal to the value of any common stock dividend (either in cash or property) declared and paid on the unexercised number of Option Shares subject to the Option granted above, subject to the limitations specified below. All such DERs are intended to qualify as performance based compensation, having as a performance objective and condition the requirement that the Company have sufficient earnings to declare and pay dividends during the period while such DERs accrue.
- a) Current-Pay DERs will commence with common stock dividends with a record date after the date of this Amendment and will cease for common stock dividends with a record date after the earlier of the exercise date of the related option and the Expiration Date.
  - b) The Optionee will not receive a Current-Pay DER for a dividend declared with respect to Option Shares for which the related Option has been exercised or terminated as of the record date of that dividend. The Optionee will not receive a Current-Pay DER for a dividend declared with respect to Option Shares if the Optionee is not an employee on the record date of that dividend, provided, however, that the Optionee will receive Current-Pay DERs in the event of termination of employment to the extent provided in Sections 7, 8, and 9 hereof.
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Current-Pay DERs and Option grants are not considered compensation for purposes of determination of severance or termination pay. This provision is subject to any provisions relative to this issue in any employment agreement between the Company and the Optionee in effect at the time of this grant (as it may be amended or replaced from time to time).

Effective for all dividends with a record date after the date of this Amendment, the following shall be deleted:

In Section 3 of the Grant Agreement, the words: "except the right to receive payment in respect of accrued DERs, including accruals with respect to any dividends with a record date that was previous to the Expiration Date."

Section 4c and Section 4d of the Grant Agreement in their entirety.

Effective for all dividends with a record date after the date of this Amendment, the term "accrued" shall be replaced with "paid" in the remainder of the Grant Agreement.

[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, each of the parties hereto has executed this Amendment as of the date set forth above.

EMPLOYEE

\_\_\_\_\_

Name:

REDWOOD TRUST, INC.

By: \_\_\_\_\_

Name:

Title:



### **Summary**

Since 1994, when Redwood Trust, Inc. ("Redwood Trust" or the "Company") was founded, we have built a reputation for the highest standards of integrity and responsibility. You should maintain these standards in connection with all of your work at Redwood Trust.

### **Conflicts of Interest**

Conflicts of interest involving you and the Company are prohibited. A "conflict of interest" occurs when an individual's private interest interferes in any way – or even appears to interfere – with the interests of the Company as a whole. A conflict situation can arise when an employee, officer or director takes actions or has interests that may make it difficult to perform his or her Company work objectively and effectively. Conflicts of interest also arise when an employee, officer or director, or a member of his or her family, receives an improper personal benefit as a result of his or her position in the Company. Loans to, or guarantees of obligations of, employees, officers and directors are of special concern. You must ensure that any existing or anticipated commitments do not materially interfere with Redwood Trust's interests or your service to Redwood Trust. You must avoid even the appearance of a conflict of interest. Potential conflicts of interest involving an employee should be communicated to your supervisor, manager, or other appropriate person, or you may use the hotline to call the member of the Audit Committee of Board of Directors designated in the most recent memorandum from the Audit Committee to All Redwood Trust Employees re Employee Complaint Procedure (the "Employee Complaint Procedure").

### **Corporate Opportunities and Personal Benefit**

You are prohibited from (a) taking for yourself, personally, opportunities that are discovered through the use of Company property, information or position; (b) using Company property, information, or position for personal gain; and (c) competing with the Company. You owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Other than the compensation received for services by Redwood Trust, you may not receive any personal profit or advantage in connection with any transaction or operations involving Redwood Trust.

### **Proper Use of Company Assets**

You should use Redwood Trust's assets only for legitimate business purposes and you should strive to prevent any carelessness or waste with regard to these assets. Information, intellectual property, and innovative ideas are valuable Redwood Trust assets. These intangible assets must be appropriately managed and protected.

### **Confidentiality**

You must maintain the confidentiality of information entrusted to you by Redwood Trust or its customers, except when disclosure is authorized or legally mandated. Confidential information includes all non-public information that might be of use to the Company's competitors, or harmful to the Company or its customers, if disclosed.

### **Fair Dealing with Customers**

You should deal fairly with Redwood Trust's customers, suppliers, competitors, and employees. You should not take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair-dealing practice.

### **Protection and Proper Use of Company Assets**

All employees, officers and directors should protect Redwood Trust's assets and ensure their efficient use. Theft, carelessness and waste have a direct impact on the Company's profitability. All Company assets should be used for legitimate business purposes. You should strive to prevent any carelessness or waste with regard to these assets.

### **Complying with Applicable Laws and Regulations**

You must not take any action on behalf of Redwood Trust or its subsidiaries that violates the letter or spirit of any law, rule or regulation. You must comply with all laws, rules and regulations (including insider trading laws) that apply to Redwood

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Trust, including its status as a publicly traded company. Insider trading is both unethical and illegal and will be dealt with decisively.

#### **Encouraging the Reporting of Any Illegal or Unethical Behavior**

If you become aware of any non-compliance with or infraction of this Code by you or by any director, officer or employee of the Company, or if you become aware of any violation of the letter or spirit of any law, rule or regulation applicable to the Company by you or by any director, officer or employee of Company, in the course of duties performed for the Company, you should immediately report it to your supervisor or use the hotline to call the member of the Audit Committee designated in the Employee Complaint Procedure. If you are a director or executive officer, you should communicate any suspected violation promptly to the Chair of the Audit Committee. Redwood Trust will not allow any retaliation for good faith reporting. When in doubt about the best course of action in a particular situation, you should talk to your supervisor, manager or other appropriate person, or you may use the hotline to call the member of the Audit Committee designated in the Employee Complaint Procedure.

#### **Fair and Accurate Disclosures**

You should strive to ensure full, fair, timely, and understandable disclosure in reports for which you are responsible that are filed with or submitted to the Securities and Exchange Commission or in any other public communication.

#### **Commercial Bribery**

Redwood Trust prohibits commercial bribes, kickbacks, and other similar payoffs and benefits paid to any suppliers or customers.

#### **Gifts or Favors**

You may not accept gifts or favors that exceed social or business norms. You may generally accept inexpensive promotional items and normal business meals and entertainment. You must exercise care in accepting any gift if there could be influence, or the appearance of influence, on your actions on behalf of Redwood Trust as a result.

#### **Investment in Other Businesses**

You may not have a personal or family financial interest in any Redwood Trust supplier, customer, or competitor that might cause divided loyalty, or the appearance of divided loyalty. Owning publicly-traded securities in these companies is generally allowed in situations that do not conflict with the spirit of this Code of Business Conduct and Ethics.

#### **Political Activities**

Redwood Trust encourages you to participate in the political process on your own time, as long as you take care not to imply that you are acting on behalf of Redwood Trust. Your personal contributions must not be made with, or reimbursed by, Redwood Trust funds. Your individual participation must be completely voluntary and must occur during non-working hours. It may not involve the use of Redwood Trust funds, personnel time, equipment, supplies, or facilities.

#### **Relationship to Other Policies**

If you are a Redwood Trust employee, the Employee Policies also apply to you. In addition, other Policies and Procedures may apply to your role within Redwood Trust. You are required to review these policies at least annually and ensure your compliance on an ongoing basis. Your actions will be governed by applicable law and, if you are an officer or a director, your actions will be governed by the Company's charter and Bylaws. If you are a member of any Board committees, the applicable committee charter also provides guidance regarding your duties.

#### **Accountability for Adherence to the Code**

You are accountable for your adherence to this Code of Business Conduct and Ethics. Possible violations will be investigated by the Board, a Board committee or persons designated by the Board and appropriate action will be taken in the event of any violation of this Code. If you violate the spirit or letter of this Code (or if you fail to report any violation of this Code), you will be subject to disciplinary action, which may include termination of employment.

#### **Annual Review**

You are required to review this Code of Business Conduct and Ethics at least annually.

#### **Amendment and Waiver**

Only the Board of Directors may amend this Code of Business Conduct and Ethics or grant a waiver for a director or executive officer for a specific non-compliance request. A non-officer employee seeking a waiver of this Code should speak to the Chief Financial Officer of the Company, who may grant or deny the waiver. The Company will promptly disclose any waiver to its stockholders and otherwise, as required by applicable laws and regulations.