

REDWOOD TRUST INC
Form 10-Q
August 04, 2010

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

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended: June 30, 2010

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to

Commission File Number 1-13759

REDWOOD TRUST, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of
Incorporation or Organization)

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

One Belvedere Place, Suite 300
Mill Valley, California
(Address of Principal Executive Offices)

94941
(Zip Code)

(415) 389-7373

(Registrant's Telephone Number, Including Area Code)

Not Applicable

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, \$0.01 par value per share

77,979,850 shares outstanding as of August 3, 2010

TABLE OF CONTENTS

**REDWOOD TRUST, INC.
2010 FORM 10-Q REPORT
TABLE OF CONTENTS**

	Page
PART I	
<u>Item 1.</u>	1
<u>Financial Statements</u>	
<u>Consolidated Balance Sheets at June 30, 2010 (Unaudited) and December 31, 2009</u>	1
<u>Consolidated Statements of Income (Loss) for the Three and Six Months Ended June 30, 2010 and 2009 (Unaudited)</u>	2
<u>Consolidated Statements of Equity and Comprehensive Income (Loss) for the Six Months Ended June 30, 2010 and 2009 (Unaudited)</u>	3
<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2010 and 2009 (Unaudited)</u>	4
<u>Notes to Consolidated Financial Statements</u>	5
<u>Item 2.</u>	44
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
<u>Item 3.</u>	94
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	
<u>Item 4.</u>	94
<u>Controls and Procedures</u>	
PART II	
<u>Item 1.</u>	95
<u>Legal Proceedings</u>	
<u>Item 1A.</u>	96
<u>Risk Factors</u>	
<u>Item 2.</u>	97
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	
<u>Item 3.</u>	97
<u>Defaults Upon Senior Securities</u>	
<u>Item 4.</u>	97
<u>(Removed and Reserved)</u>	
<u>Item 5.</u>	97

Other Information

Item 6.

98

Exhibits

Signatures

99

i

TABLE OF CONTENTS**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****REDWOOD TRUST, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(In Thousands, Except Share Data) (Unaudited)	June 30, 2010	December 31, 2009
ASSETS		
Real estate loans	\$3,810,155	\$3,739,254
Real estate securities, at fair value:		
Trading securities	275,994	277,274
Available-for-sale securities	740,963	810,471
Total real estate securities	1,016,957	1,087,745
Other investments	3,654	20,371
Cash and cash equivalents	288,376	242,818
Total earning assets	5,119,142	5,090,188
Restricted cash	26,814	94,306
Accrued interest receivable	14,085	18,193
Derivative assets	4,735	12,372
Deferred tax asset	2,452	4,810
Deferred asset-backed securities issuance costs	7,045	6,639
Other assets	45,312	26,142
Total Assets ⁽¹⁾	\$5,219,585	\$5,252,650
LIABILITIES AND EQUITY		
Liabilities		
Short-term debt	\$	\$
Accrued interest payable	6,315	5,968
Derivative liabilities	106,355	83,800
Accrued expenses and other liabilities	10,184	71,828
Dividends payable	19,477	19,434
Asset-backed securities issued Sequoia	3,681,622	3,644,933
Asset-backed securities issued Acacia	253,104	297,596
Long-term debt	140,000	140,000
Total liabilities ⁽²⁾	4,217,057	4,263,559
Equity		
Common stock, par value \$0.01 per share, 100,000,000 shares authorized; 77,908,439 and 77,737,130 issued and outstanding	779	777
Additional paid-in capital	1,684,304	1,674,367
Accumulated other comprehensive income	38,199	64,860
Cumulative earnings	440,332	364,888

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Cumulative distributions to stockholders	(1,173,079)	(1,133,171)
Total stockholders' equity	990,535	971,721
Noncontrolling interest	11,993	17,370
Total equity	1,002,528	989,091
Total Liabilities and Equity	\$5,219,585	\$5,252,650

Our consolidated balance sheets include assets of consolidated variable interest entities (VIEs) that can only be (1) used to settle obligations of these VIEs. At June 30, 2010, these assets totaled \$4,139,970, net of noncontrolling interest.

(2) Our consolidated balance sheets include liabilities of consolidated VIEs for which creditors do not have recourse to the primary beneficiary (Redwood Trust, Inc.). At June 30, 2010, these liabilities totaled \$4,023,219.

The accompanying notes are an integral part of these consolidated financial statements.

1

TABLE OF CONTENTS**REDWOOD TRUST, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (LOSS)**

(In Thousands, Except Share Data) (Unaudited)	Three Months Ended		Six Months Ended June	
	June 30, 2010	2009	30, 2010	2009
Interest Income				
Real estate loans	\$16,015	\$30,614	\$30,808	\$64,583
Real estate securities	40,458	43,475	84,357	90,737
Other investments	4	55	13	131
Cash and cash equivalents	93	117	110	247
Total interest income	56,570	74,261	115,288	155,698
Interest Expense				
Short-term debt	(36)		(36)	
Asset-backed securities issued	(18,988)	(37,499)	(36,054)	(83,332)
Long-term debt	(2,140)	(1,502)	(3,256)	(3,310)
Total interest expense	(21,164)	(39,001)	(39,346)	(86,642)
Net Interest Income	35,406	35,260	75,942	69,056
Provision for loan losses	(4,321)	(14,545)	(13,797)	(30,577)
Market valuation adjustments on trading instruments	(2,909)	4,102	(12,200)	(10,107)
Other-than-temporary impairments ⁽¹⁾	(4,216)	(33,237)	(6,162)	(62,272)
Market valuation adjustments, net	(7,125)	(29,135)	(18,362)	(72,379)
Net Interest Income (Loss) After Provision and Market Valuation Adjustments	23,960			