

REDWOOD TRUST INC
Form 10-Q
November 05, 2007

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

FORM 10-Q

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

For the Quarterly Period Ended: September 30, 2007

OR

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**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 94941**

(Address of Principal Executive Offices) (Zip Code)

(415) 389-7373

(Registrant's Telephone Number, Including Area Code)

Securities Registered Pursuant to Section 12(g) of the Act:

Title of Each Class:	Name of Exchange on Which Registered:
Common Stock, par value \$0.01 per share	New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None	

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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer <input checked="" type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-Accelerated Filer <input type="checkbox"/>
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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 stock, as of the last practicable date.

Common Stock, \$0.01 par value per share	28,072,642 as of November 5, 2007
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TABLE OF CONTENTS

REDWOOD TRUST, INC.

2007 FORM 10-Q REPORT

TABLE OF CONTENTS

	Page
PART I	
Item 1.	
Financial Statements	
<u>Consolidated Balance Sheets at September 30, 2007 (unaudited) and December 31, 2006</u>	<u>2</u>
<u>Consolidated Statements of Income (Loss) for the three and nine months ended September 30, 2007 and 2006 (unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2007 and 2006 (unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Stockholders' Equity for the nine months ended September 30, 2007 and 2006 (unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2007 and 2006 (unaudited)</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements</u>	<u>7</u>
Item 2.	<u>43</u>
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
Item 3.	<u>89</u>
<u>Quantitative and Qualitative Disclosures about Market Risk</u>	
Item 4.	<u>89</u>
<u>Controls and Procedures</u>	
PART II	
Item 2.	<u>91</u>
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	
Item 6.	<u>91</u>
<u>Exhibits</u>	
<u>Signatures</u>	<u>92</u>

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)	September 30, 2007	December 31, 2006
ASSETS		
Real estate loans	\$ 7,656,035	\$ 9,352,107
Real estate securities	2,926,388	3,232,767
Other real estate investments	25,300	
Non-real estate investments	80,000	
Cash and cash equivalents	309,544	168,016
Total earning assets	10,997,267	12,752,890
Restricted cash	137,062	112,167
Accrued interest receivable	50,473	70,769
Derivative assets	19,749	26,827
Deferred tax asset	5,943	5,146
Deferred asset-backed securities issuance costs	46,875	42,468
Other assets	25,439	20,206
Total Assets	\$ 11,282,808	\$ 13,030,473
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities		
Redwood debt	\$ 39,378	\$ 1,856,208
Asset-backed securities issued	10,802,528	9,979,224
Accrued interest payable	63,177	50,590
Derivative liabilities	28,477	6,214
Accrued expenses and other liabilities	29,467	16,832
Dividends payable	20,989	18,715
Subordinated notes	150,000	100,000
Total liabilities	11,134,016	12,027,783
Commitments and contingencies (Note 17)		
Stockholders Equity		
Common stock, par value \$0.01 per share, 50,000,000 shares authorized; 27,985,954 and 26,733,460 issued and outstanding	280	267
Additional paid-in capital	974,748	903,808
Accumulated other comprehensive income (loss)	(735,082)	93,158
Cumulative earnings	777,819	809,011
Cumulative distributions to stockholders	(868,973)	(803,554)
Total stockholders equity	148,792	1,002,690
Total Liabilities and Stockholders Equity	\$ 11,282,808	\$ 13,030,473

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

REDWOOD TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(In Thousands, Except Share Data) (Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Interest Income				
Real estate loans	\$116,670	\$149,018	\$363,097	\$470,893
Real estate securities	94,776	72,759	273,427	189,656
Other real estate investments	1,275		4,409	
Non-real estate investments	1,143		1,607	
Cash and cash equivalents	4,960	1,872	11,048	7,220
Total interest income	218,824	223,649	653,588	667,769
Interest Expense				
Redwood debt	(5,858)	(9,422)	(59,652)	(13,316)
Asset-backed securities issued	(156,222)	(165,251)	(431,709)	(515,531)
Subordinated notes	(3,150)		(7,722)	
Total interest expense	(165,230)	(174,673)	(499,083)	(528,847)
Net Interest Income	53,594	48,976	154,505	138,922
Operating expenses	(11,732)	(13,455)	(42,286)	(42,074)
Realized gains on sales and calls, net	1,824	5,690	5,708	15,740
Market valuation adjustments, net	(102,766)	(5,257)	(142,460)	(11,184)
Net (loss) income before provision for income taxes	(59,080)	35,954	(24,533)	101,404
Provision for income taxes	(1,837)	(3,538)	(6,659)	(9,563)
Net (Loss) Income	\$(60,917)	\$32,416	\$(31,192)	\$91,841
Basic earnings (loss) per share:	\$(2.18)	\$1.25	\$(1.14)	\$3.60
Diluted earnings (loss) per share:	\$(2.18)	\$1.22	\$(1.14)	\$3.51
Regular dividends declared per common share	\$0.75	\$0.70	\$2.25	\$2.10
Special dividends declared per common share	\$	\$		