

# Section 1: 8-K (FORM 8-K)

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

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): December 12, 2019

## 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

(IRS Employer Identification Number)

One Belvedere Place  
Suite 300

Mill Valley, California 94941

(Address of principal executive offices, including Zip Code)

(415) 389-7373

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

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:

- 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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 or Rule 12b-2 of the Securities Exchange Act of 1934.

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
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Common Stock, par value \$0.01 per share

RWT

New York Stock Exchange

## Item 5.02. Compensatory Arrangements of Certain Officers.

(e) At a meeting held on December 12, 2019, the Compensation Committee of the Board of Directors of Redwood Trust, Inc. (the “Company”) considered and approved the following compensation matters for certain named executive officers of the Company noted below.

2019 Year-End Long-Term Equity Compensation Awards. On December 12, 2019, the Compensation Committee approved 2019 year-end long-term equity compensation awards to certain named executive officers of the Company. Two different types of equity awards were granted: Deferred Stock Units (“DSUs”) and Performance Stock Units (“PSUs”) pursuant to the Company’s Amended and Restated 2014 Incentive Award Plan (the “2014 Incentive Plan”). The terms of each of these two types of awards are summarized below.

- The DSUs granted on December 12, 2019 will vest over four years, with 25% of each award vesting on January 31, 2021, and an additional 6.25% vesting on the first day of each subsequent quarter (beginning April 1, 2021), with full vesting of the final 6.25% on December 11, 2023. The DSUs will vest in full upon a termination of service (i) either without “cause” or for “good reason”, in either case, on or within 24 months following a change in control, or (ii) due to the officer’s death or disability. In addition, the DSUs are subject to partial or full accelerated vesting upon a termination of service due to the officer’s “retirement”. Shares of Company common stock underlying these DSUs will be distributed to the recipients not later than December 31, 2023, unless distribution is electively deferred by a recipient under the terms of the Company’s Executive Deferred Compensation Plan.
- Each DSU granted on December 12, 2019 had a grant date fair value of \$16.50, which was determined in accordance with FASB Accounting Standards Codification Topic 718 at the time the grant was made. The number of DSUs granted to each officer was determined based on a dollar amount for each award divided by the closing price of the Company’s common stock on the New York Stock Exchange (“NYSE”) on the grant date. The DSUs have attached dividend equivalent rights, resulting in the payment of dividend equivalents each time the Company declares a common stock dividend during the vesting period and until the underlying shares of common stock are distributed. The terms of the DSUs granted on December 12, 2019 are generally consistent with the terms of the 2018 year-end DSU awards made to named executive officers. The terms of these DSUs are set forth in the Form of Deferred Stock Unit Award Agreement (which is included as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on December 17, 2018 and incorporated by reference herein).
- The PSUs granted on December 12, 2019 are performance-based equity awards under which the number of underlying shares of Company common stock that vest and that the recipient becomes entitled to receive at the time of vesting will generally range from 0% to 250% of the target number of PSUs granted (for each executive, such target number, the “Target PSUs”), with the Target PSUs granted being adjusted to reflect the value of any dividends declared on Company common stock during the vesting period (as further described below). Vesting of these PSUs will generally occur as of January 1, 2023 based on a three-step process as described below.

First, baseline vesting would range from 0 – 200% of the Target PSUs granted based on the level of book value total stockholder return (“bvTSR”) attained over the three-year vesting period, with 100% of the Target PSUs vesting if three-year bvTSR is 25%.

Second, the vesting level would then be adjusted to increase or decrease by up to an additional 50 percentage points based on Redwood’s relative total stockholder return (“rTSR”) against a comparator group of companies measured over the three-year vesting period, with median rTSR performance correlating to no adjustment from the baseline level of vesting.

Third, if the vesting level after steps one and two is greater than 100% of the Target PSUs, but absolute total shareholder return (“TSR”) is negative over the three-year performance period, vesting would be capped at 100% of Target PSUs.

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In the event of a termination of employment due to the officer's death or disability, by the Company without cause, by the officer for good reason or due to the officer's retirement (each, a "qualifying termination"), in any event, during the performance period, the PSUs will remain outstanding and eligible to vest based on the achievement of performance goals during the performance period. The number of PSUs that ultimately vest (if any) will be pro-rated in connection with a retirement during 2020 or a termination of employment by the Company without cause; the pro-ration will be applied based on the number of days the officer was employed during 2020 and the performance period, respectively.

In addition, in the event of a change in control, PSUs will be earned based on the achievement of performance goals through the shortened performance period ending with the change in control (with the bvTSR goal being deemed achieved at target). The number of PSUs earned will remain outstanding and eligible to vest as time-vesting PSUs on January 1, 2023, subject to the officer's continued employment. If the officer experiences a qualifying termination prior to January 1, 2023, the then-outstanding time-vesting PSUs will vest.

Subject to vesting, shares of Company common stock underlying these PSUs will be distributed to the recipients not later than March 31, 2023, unless distribution is electively deferred by a recipient under the terms of the Company's Executive Deferred Compensation Plan. At the time of vesting, the value of any dividends declared during the vesting period will be reflected in the PSUs by increasing the target number of PSUs granted by an amount corresponding to the incremental number of shares of Company common stock that a stockholder would have acquired during the three-year vesting period had all dividends during that period been reinvested in Company common stock. Between the vesting of these PSUs and the delivery of the underlying shares of Company common stock, the underlying vested award shares will have attached dividend equivalent rights, resulting in the payment of dividend equivalents each time the Company declares a common stock dividend during that period.

Each PSU granted on December 12, 2019 had an estimated grant date fair value of \$16.69, which estimate will be finalized and determined in accordance with FASB Accounting Standards Codification Topic 718 at the time the grant was made. The terms of the PSUs granted on December 12, 2019 are generally consistent with the terms of the 2018 year-end PSU awards made to named executive officers, except that the method of calculating bvTSR has been updated to eliminate the impact of certain acquisition-related accounting-related items from the calculation of bvTSR. The terms of these PSUs are set forth in the Form of Performance Stock Unit Award Agreement (which is included as Exhibit 10.1 hereto and incorporated by reference herein) and the 2014 Incentive Plan.

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In accordance with the requirements of Item 5.02(e) of Form 8-K, the 2019 year-end long-term equity compensation awards granted on December 12, 2019 to the following officers of the Company are set forth in the table below:

	Deferred Stock Units (“DSUs”)		Performance Stock Units (“PSUs”)	
	#	Aggregate Grant Date Fair Value <sup>(1)(2)</sup>	Aggregate Grant Date Fair Value <sup>(1)(2)</sup>	Aggregate Grant Date Fair Value <sup>(1)(2)</sup>
Christopher J. Abate, Chief Executive Officer	113,636	\$ 1,875,000	\$	1,875,000
Dashiell I. Robinson, President	136,363	\$ 2,250,000	\$	1,250,000
Andrew P. Stone, Executive Vice President and General Counsel	31,818	\$ 525,000	\$	525,000
Collin L. Cochrane, Chief Financial Officer	25,757	\$ 425,000	\$	425,000
Garnet W. Kanouse, Managing Director – Head of Residential	33,333	\$ 550,000	\$	550,000

(1) Determined in accordance with FASB Accounting Standards Codification Topic 718 at the time the grant was made.

(2) Rounded to nearest \$100.00 increment.

2020 Base Salaries. On December 12, 2019, the Compensation Committee made determinations regarding the 2020 base salaries of certain named executive officers of the Company. In accordance with the requirements of Item 5.02(e) of Form 8-K, the 2020 base salaries of the following named executive officers of the Company are set forth in the table below, together with the percentage increase from their 2019 base salaries:

	2020 Base Salary	% Change from 2019 Base Salary
Christopher J. Abate, Chief Executive Officer	\$ 800,000	7%
Dashiell I. Robinson, President	\$ 700,000	17%
Andrew P. Stone, Executive Vice President and General Counsel	\$ 420,000	5%
Collin L. Cochrane, Chief Financial Officer	\$ 385,000	3%
Garnet W. Kanouse, Managing Director – Head of Residential	\$ 500,000	5%

2020 Target Annual Bonuses. On December 12, 2019, the Compensation Committee made determinations regarding the 2020 target annual bonuses of certain named executive officers of the Company. Performance goals associated with earning target annual bonuses for these officers for 2020 will be based on one or more of the following: the achievement of a pre-established overall Company financial performance goal, the achievement of pre-established operational and/or segment financial performance goals, and the achievement of pre-established individual goals. In accordance with the requirements of Item 5.02(e) of Form 8-K, the 2020 target annual bonuses of the following named executive officers of the Company are set forth in the table below, together with a comparison to their target annual bonuses for 2019.

	2020 Target Annual Bonus (as a % of 2020 Base Salary)	% Change from 2019 Target Annual Bonus Percentage (%)	2020 Target Annual Bonus (\$)
Christopher J. Abate, Chief Executive Officer	185%	6% \$	1,480,000
Dashiell I. Robinson, President	175%	6% \$	1,225,000
Andrew P. Stone, Executive Vice President and General Counsel	125%	4% \$	525,000
Collin L. Cochrane, Chief Financial Officer	125%	0% \$	481,250
Garnet W. Kanouse, Managing Director – Head of Residential	140%	0% \$	700,000

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits

[Exhibit 10.1](#) [Form of Performance Stock Unit Award Agreement under 2014 Incentive Plan \(2019 Form of Award Agreement\)](#)

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: December 13, 2019

REDWOOD TRUST, INC.

By: /s/ Andrew P. Stone

Name: Andrew P. Stone

Title: Executive Vice President, General Counsel, and Secretary

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## Section 2: EX-10.1 (EXHIBIT 10.1)

### EXHIBIT 10.1

#### REDWOOD TRUST, INC. PERFORMANCE STOCK UNIT AWARD AGREEMENT

**PERFORMANCE STOCK UNIT AWARD AGREEMENT** dated as of the [Date] day of [Month] [Year] (the "Award Agreement"), by and between Redwood Trust, Inc., a Maryland corporation (the "Company"), and [First Name] [Last Name], an employee, consultant or non-employee director of the Company (the "Participant").

Pursuant to the Redwood Trust, Inc. Amended and Restated 2014 Incentive Award Plan (as may be amended from time to time, the "Plan"), the Compensation Committee (the "Committee") of the Board of Directors of the Company has determined that the Participant is to be granted an award of Performance Stock Units for shares of the Company's common stock, par value \$0.01 per share ("Common Stock"), on the terms and conditions set forth herein and on Exhibit A hereto (the "Award"), and the Company hereby grants such Award. This Award is being made in connection with a deferral of compensation by the Participant pursuant to the Redwood Trust, Inc. Executive Deferred Compensation Plan, as amended to date (the "Deferred Compensation Plan"), and the executed Deferral Election attached hereto as Exhibit B (the "Deferral Election"). Any capitalized terms not defined herein shall have the meaning set forth in the Plan or the Deferred Compensation Plan, as applicable.

**1. Number of Performance Stock Units Awarded.** This Award Agreement sets forth the terms and conditions of a Performance Stock Unit Award with a target award of [ ] shares of Common Stock, as the same may be adjusted to reflect cash dividends declared on the Common Stock pursuant to Section 2 (the "Target Shares"). The number of units representing shares of Common Stock that vest and shall be credited to the Participant's Deferral Account pursuant to this Award (the "Award Shares") shall be determined based upon the Company's achievement of the Performance Goals set forth in Exhibit A hereto (the "Performance Goals") and may range from zero percent (0%) to two hundred fifty percent (250%) of the Target Shares.

**2. Effect of Dividends on Target Shares.** On the last day of the Performance Period (as defined in Exhibit A) (or, in the event the Performance Period ends due to a Change in Control, on the applicable vesting date), the number of Target Shares set forth in Section 1 shall automatically be increased to reflect all cash dividends, if any, which have been declared to all or substantially all holders of the outstanding shares of Common Stock with a record date during the period beginning on the date of this Award Agreement and ending on the applicable vesting date (such period, the "Award Period"). On such date, the Target Shares shall be automatically increased by an aggregate number of shares determined by multiplying (x) the number of Target Shares set forth in Section 1 by (y) the Dividend Reinvestment Factor (as defined below) with respect to the Award Period.

"Dividend Reinvestment Factor" shall mean, with respect to the Company and a designated period of time, the number of shares of Common Stock that would have been acquired from the reinvestment of cash dividends, if any, which have been declared to all or substantially all holders of the outstanding shares of Common Stock with a record date during such designated period of time, with respect to one share of Common Stock outstanding on the first day of such designated period of time. Such number of shares shall be determined cumulatively, for each cash dividend declared with a record date during such designated period of time (beginning with the first such cash dividend with a record date during such designated period of time and continuing chronologically with each subsequent cash dividend declared with a record date during such designated period of time (and in each case other than the first such cash dividend, taking into account any increase in shares resulting from the application of this formula to the chronologically immediately preceding cash dividend)), by multiplying (i) the applicable number of shares of Common Stock immediately prior to the record date of such cash dividend (which in the case of the first such cash dividend declared with a record date during such designated period of time shall be one) by (ii) the per share amount of such cash dividend and dividing the product by the Fair Market Value per share of Common Stock on the ex-dividend date with respect to such dividend. With respect to a Comparator Group Company, Dividend Reinvestment Factor shall be determined in a manner consistent with the foregoing, but in respect of such Comparator Group Company's common stock.

Any amounts that may become payable in respect of this Section 2 shall be treated separately from the Award Shares and the rights arising in connection therewith for purposes of Section 409A of the Code.

Any calculations made pursuant to this Section 2 shall contemplate any necessary adjustments to the number of Target Shares in accordance with Section 14.2 of the Plan in the event of a Change in Control.

3. **Vesting and Payment of Award.** Except as otherwise may be provided in Exhibit A under subclause (i) of “Vesting (Change in Control)”, the Award Shares shall vest and be credited as of [*January 1, 2023*], if at all, provided that the Committee determines, in its sole discretion, whether and to what extent the Performance Goals set forth in Exhibit A have been attained. The crediting of the Award Shares is contingent on the attainment of the Performance Goals as set forth on Exhibit A. In connection with such determination by the Committee and subject to the provisions of the Plan and this Award Agreement (including Exhibit A), the Participant shall be entitled to crediting of that portion of the Performance Stock Units as corresponds to the Performance Goals attained (as determined by the Committee in its sole discretion) as set forth on Exhibit A.

No Award Shares shall be credited to the Participant’s Deferral Account unless the Committee determines, in its sole discretion, whether and to what extent the Performance Goals set forth in Exhibit A have been attained and the number of Award Shares earned pursuant to the Award have been determined and have vested in accordance with the provisions of Exhibit A. Any shares of Common Stock in respect of Award Shares shall be delivered to the Participant at the time or times provided in the Deferral Election and the Deferred Compensation Plan (or any re-deferral election made in accordance with Section 409A of the Code and the terms of the Deferred Compensation Plan).

4. **Forfeiture of Performance Stock Units.**

(a) Upon:

(i) the Participant’s Retirement (as defined below) prior to [*January 1, 2021*] (or, if earlier, the expiration of the Performance Period), the Target Shares shall be reduced on a pro-rata basis to reflect (x) the number of days of employment completed during the period beginning on the date of this Agreement divided by (y) 365 (or, if less, the number of days in the Performance Period), and the Award shall continue to be eligible to vest and become payable based on such prorated number of Target Shares and the Performance Goals in accordance with the provisions of Exhibit A; or

(ii) the Participant’s Termination of Service as an Employee by the Company without Cause (as defined below) prior to the expiration of the Performance Period, the Target Shares shall be reduced on a pro-rata basis to reflect (x) the number of days of employment completed during the period beginning on first day of the Performance Period divided by (y) 1,095 (or, if less, the number of days in the Performance Period), and the Award shall continue to be eligible to vest and become payable based on such prorated number of Target Shares and the Performance Goals in accordance with the provisions of Exhibit A.

(b) Upon the Participant’s Termination of Service as an Employee due to Retirement on or after [*January 1, 2021*], death or Disability (or, if the Participant is party to an employment agreement with the Company, in accordance with such employment agreement in the case of a Termination of Service for “Good Reason”, as defined in such employment agreement) prior to the expiration of the Performance Period, the Target Shares shall not be reduced, and the Award shall continue to be eligible to vest and become payable based on the number of Target Shares and the Performance Goals in accordance with the provisions of Exhibit A.

(c) Upon the Participant’s Termination of Service as an Employee for any reason other than death, Disability, Retirement, or without Cause (or, if the Participant is party to an employment agreement with the Company, for Good Reason), prior to expiration of the Performance Period, all Award Shares shall become ineligible for crediting to the Participant’s Deferral Account and shall be forfeited.

(d) Any Award Shares which have vested and been credited to the Participant’s Deferral Account prior to (or in connection with) the Participant’s Termination of Service as an Employee shall not be forfeited in the event of such Termination of Service as an Employee but rather delivery of such shares shall continue to be governed by the terms of the Deferral Election and the Deferred Compensation Plan (or any re-deferral election made in accordance with Section 409A of the Code and the terms of the Deferred Compensation Plan).

For purposes of this Award Agreement, "Cause" shall have such meaning defined in the Participant's employment agreement with the Company or, if no such agreement exists or does exist but does not contain such a definition, shall mean (i) the Participant's material failure to substantially perform the reasonable and lawful duties of the Participant's position for the Company, which failure shall continue for thirty (30) days after written notice thereof by the Company to the Participant; (ii) acts or omissions constituting gross negligence, recklessness or willful misconduct on the Participant's part in respect of the performance of the Participant's duties, the Participant's fiduciary obligations or otherwise relating to the business of the Company; (iii) the habitual or repeated neglect of the Participant's duties; (iv) the Participant's conviction of a felony; (v) the Participant's theft or embezzlement, or attempted theft or embezzlement, of money or tangible or intangible assets or property of the Company or its employees, customers, clients, or others having business relations with the Company; (vi) any act of moral turpitude by the Participant injurious to the interest, property, operations, business or reputation of the Company; or (vii) the Participant's unauthorized use or disclosure of trade secrets or confidential or proprietary information pertaining to the Company's business.

For purposes of this Award Agreement, "Retirement" shall mean a Termination of Service due to retirement (as determined by the Committee in its sole discretion) if such Termination of Service (i) occurs on or after the completion by the Participant of ten (10) years of employment with the Company (which need not be continuous) and (ii) the sum of the Participant's age and years of service as an Employee equals or exceeds seventy (70) (in each case measured in years, rounded down to the nearest whole number). [Notwithstanding the generality of the foregoing, a Termination of Service shall only constitute a Retirement if the Participant provides the Company with at least [insert #] months' written notice of his or her anticipated retirement (which notice period may be up to 12 months, based on the Participant's position with the Company at the time of such anticipated retirement).]

5. **Adjustments.** This Award and the Performance Goals shall be subject to adjustment as set forth in this Award Agreement and the Plan.

6. **At-Will Employment.** This Award Agreement is not an employment contract and nothing in this Award Agreement shall be deemed to create in any way whatsoever any obligation of the Participant to continue as an Employee, Consultant or Director of the Company or on the part of the Company to continue the employment or other service relationship of the Participant with the Company. It is understood and agreed to by the Participant that the Award and participation in the Plan or the Deferred Compensation Plan does not alter the at-will nature of the Participant's relationship with the Company (subject to the terms of any separate employment agreement the Participant may have with the Company). The at-will nature of the Participant's relationship with the Company can only be altered by a writing signed by both the Participant and the Chief Executive Officer or the President of the Company.

7. **Notices.** Any notice required or permitted under this Award Agreement shall be deemed given when delivered personally, or when deposited in a United States Post Office, postage prepaid, addressed, as appropriate, to the Participant either at the Participant's address set forth below or such other address as the Participant may designate in writing to the Company, and to the Company: Attention: General Counsel, at the Company's address or such other address as the Company may designate in writing to the Participant.

8. **Failure to Enforce Not a Waiver.** The failure of the Company to enforce at any time any provision of this Award Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

9. **Restrictive Covenants; Arbitration.** The Participant agrees and acknowledges that the Participant's right to receive and retain the Award Shares and any DER payments is subject to and conditioned upon the Participant's continued compliance with the restrictive covenants contained in Exhibit C attached hereto. In addition, the Participant agrees and acknowledges that any dispute arising with respect to this Award and this Award Agreement will be subject to the Alternative Dispute Resolution provisions set forth in an Employment and Confidentiality Agreement by and between the Participant and the Company.

10. **Existing Agreements.** This Award Agreement does not supersede nor does it modify any existing agreements between the Participant and the Company. Notwithstanding the foregoing, if the Participant is a party to an employment agreement with the Company that includes provisions relating to the treatment of equity awards upon termination of the Participant's employment with the Company, then (i) the terms of this Award Agreement shall supersede the terms of such employment agreement solely with respect to the treatment of the Performance Stock Unit award granted hereby upon termination of the Participant's employment with the Company due to Retirement as defined herein; and (ii) except as set forth on Exhibit A under "Vesting (Change in Control)", the terms of such employment agreement shall supersede the terms of this Award Agreement solely with respect to the treatment of the Performance Stock Unit award granted hereby upon termination of the Participant's employment with the Company for any other reason.

11. **Incorporation of Plan.** The Plan and the Deferred Compensation Plan are incorporated by reference and made a part of this Award Agreement, and this Award Agreement is subject to all terms and conditions of the Plan and the Deferred Compensation Plan as in effect from time to time.

12. **Amendments.** This Award Agreement may be amended or modified at any time by an instrument in writing signed by the parties hereto. Notwithstanding the foregoing, the Deferral Election shall be irrevocable and the dates specified for distribution of vested Award Shares may not be modified after the date hereof except as otherwise permitted under Section 409A of the Code.

13. **Withholding.** The Company shall withhold, or cause to be withheld, Award Shares or other compensation otherwise vesting or issuable under this Award in satisfaction of any applicable withholding tax obligations. The number of Award Shares which may be so withheld or surrendered shall be limited to the number of Award Shares which have a fair market value on the date of withholding no greater than the aggregate amount of such liabilities based on the maximum individual statutory withholding rates in the Participant's applicable jurisdictions for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such taxable income. To the extent that any Federal Insurance Contributions Act tax withholding obligations arise in connection with the Award prior to the applicable vesting date, the Administrator shall accelerate the payment of a portion of the Award sufficient to satisfy (but not in excess of) such tax withholding obligations and any tax withholding obligations associated with any such accelerated payment, and the Administrator may withhold such amounts in satisfaction of such withholding obligations.

14. **Section 409A.** Notwithstanding anything to the contrary in this Award Agreement, this Award Agreement is intended to comply with Section 409A of the Code and this Award Agreement, the Plan and the Deferred Compensation Plan shall be interpreted in a manner consistent with such intent, and any provisions of this Award Agreement, the Plan or the Deferred Compensation Plan that would cause the Award to fail to satisfy the requirements for an effective deferral of compensation under Section 409A of the Code shall have no force and effect. Notwithstanding anything to the contrary in this Award Agreement, no amounts shall be paid to the Participant under this Award Agreement during the six (6)-month period following the Participant's "separation from service" (within the meaning of Section 409A of the Code) to the extent that the Administrator determines that the Participant is a "specified employee" (within the meaning of Section 409A of the Code) at the time of such separation from service and that paying such amounts at the time or times indicated in this Award Agreement would be a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code. If the payment of any such amounts is delayed as a result of the previous sentence, then on the first business day following the end of such six (6)-month period (or such earlier date upon which such amount can be paid under Section 409A of the Code without being subject to such additional taxes), the Company shall pay to the Participant in a lump-sum all amounts that would have otherwise been payable to the Participant during such six (6)-month period under this Award Agreement.

IN WITNESS WHEREOF, the parties have executed this Award Agreement on the day and year first above written.

**REDWOOD TRUST, INC.**

By:

\_\_\_\_\_  
[Andrew P. Stone  
General Counsel & Corporate Secretary]  
One Belvedere Place, Suite 300  
Mill Valley, CA 94941

The undersigned hereby accepts and agrees to all the terms and provisions of this Award Agreement and to all the terms and provisions of the Plan herein incorporated by reference.

\_\_\_\_\_  
[*First Name*] [*Last Name*]  
c/o Redwood Trust, Inc.  
One Belvedere Place, Suite 300  
Mill Valley, CA 94941

## EXHIBIT A

### PERFORMANCE GOALS

**Performance Period:** The performance period begins on [January 1, 2020] and ends on the earlier of (i) [December 31, 2022] or (ii) the date of consummation of a Change in Control (the “Performance Period”).

**Performance Goals:** The number of Award Shares which will be eligible for vesting and crediting to the Participant’s Deferral Account (the “Eligible Award Shares”), if any, shall be determined based upon the Company’s achievement during the Performance Period of cumulative book value total shareholder return, relative total shareholder return and absolute total shareholder return goals, each as further described and defined below.

The number of Eligible Award Shares shall be equal to the Target Shares multiplied by the sum of:

(i) the percentage corresponding to the Company’s achievement of bvTSR (as defined below) during the Performance Period, determined in accordance with the first table below, plus

(ii) the rTSR Modifier (which may be negative) based on the Company’s Relative TSR during the Performance Period, determined in accordance with the second table below;

provided, however, that if the Company’s TSR for the Performance Period is less than 0%, then the maximum number of Eligible Award Shares shall be 100% of the Target Shares.

bvTSR	% of Target Shares
Less than 50% bvTSR Goal	0%
50% of bvTSR Goal	50%
100% of bvTSR Goal	100%
150% or greater of bvTSR Goal	200%

Relative TSR	rTSR Modifier
Less than 25th percentile	-50%
25th percentile	-50%
50th percentile	0%
75th percentile or greater	+50%

If the actual performance results fall between two goals on a table, the percentage of Target Shares or the rTSR Modifier, as applicable, shall be determined based on a straight-line, mathematical interpolation between the applicable amounts. In no event shall the number of Eligible Award Shares exceed 250% of the number of Target Shares.

For example, if the Company’s bvTSR during the Performance Period is 110% and the Company’s Relative TSR during the Performance Period is at the 62.5<sup>th</sup> percentile, then the number of Eligible Award Shares would be 145% of the number of Target Shares (assuming that the Company’s TSR during the Performance Period is not negative).

Notwithstanding the foregoing, in the event that a Change in Control occurs and the Participant either (i) remains in continuous employment until immediately prior to such Change in Control or (ii) experienced a Termination of Service as an Employee prior to such Change in Control and the Award Shares are not subject to forfeiture in connection with such termination under Section 4(c) of this Award Agreement (including without limitation in connection with a Termination of Service by the Participant for Good Reason in accordance with the Participant’s employment agreement), then the Performance Period will end upon such Change in Control, and the number of Eligible Award Shares will be determined by reference to (i) bvTSR being deemed equal to 100% of the bvTSR Goal and (ii) the Company’s actual Relative TSR and actual TSR achieved during the shortened Performance Period.

For example, if a Change in Control occurs one year after the commencement date of a Performance Period, and assuming the Company's Relative TSR for such then-shortened Performance Period is at the 37.5<sup>th</sup> percentile, then for purposes of determining the number of Eligible Award Shares, bvTSR would be deemed equal to 100% of the bvTSR Goal and the number of Eligible Award Shares would be 75% of the number of Target Shares (assuming the Company's TSR during such then-shortened Performance Period is not negative).

**Vesting (Change in Control):** If the Performance Period ends due to the occurrence of a Change in Control and:

- (i) the Participant remains in continuous employment until the date of such Change in Control, then any Eligible Award Shares that become eligible for vesting due to the Change in Control shall remain outstanding and eligible to vest on [January 1, 2023], subject only to continued employment through such date. However, if the Participant experiences a Qualifying Termination (as defined below) upon or following such Change in Control but prior to or on [January 1, 2023], then any Eligible Award Shares shall vest and be credited to the Participant's Deferral Account as of such termination; or
- (ii) the Participant experienced a Termination of Service as an Employee, prior to the date of the Change in Control, due to death, Disability, Retirement, without Cause (or, if the Participant is party to an employment agreement with the Company, for Good Reason), in any case, then any Eligible Award Shares that become eligible for vesting due to the Change in Control shall vest immediately prior to such Change in Control and shall be credited to the Participant's Deferral Account on the date of such Change in Control.

Notwithstanding the foregoing, in the event that a successor corporation in a Change in Control refuses to assume or substitute for the Award, then any Eligible Award Shares that become eligible for vesting due to the Change in Control shall vest immediately prior to such Change in Control and shall be credited to the Participant's Deferral Account on the date of such Change in Control.

**Definitions:**

**"bvTSR"** means the quotient, expressed as a percentage, obtained by dividing:

(i) the sum of:

(x) GAAP Book Value Per Share as of the Valuation Date, plus

(y) the total of all cash dividends per share of Common Stock declared to all or substantially all holders of outstanding shares of Common Stock with a record date during the Performance Period, minus

(z) GAAP Book Value Per Share as of the beginning of the Performance Period;

by,

(ii) GAAP Book Value Per Share as of the beginning of the Performance Period.

**"bvTSR Goal"** means 25%.

**"Comparator Group Companies"** means only those entities that are set forth on Schedule I attached hereto (collectively, the "Comparator Group"); *provided, however*, that if a Comparator Group Company is acquired or otherwise ceases to have a class of equity securities that is both registered under the Securities Exchange Act of 1934 and actively traded on a U.S. public securities market, such Comparator Group Company will be removed from the Comparator Group.

**"GAAP"** means generally accepted accounting principles in the United States as in effect as of an applicable date or during an applicable reporting period.

“GAAP Book Value Per Share” means, as of a specified date, book value per share of Common Stock, as determined in accordance with GAAP, as of such specified date (or, if such specified date does not fall on the final day of a calendar quarter (i.e., a March 31, June 30, September 30, or December 31), then as of the final day of the calendar quarter immediately preceding such specified date) as calculated in accordance with the same methodology used to report GAAP book value per share as of the final day of such calendar quarter within the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of the Company’s Quarterly Report on Form 10-Q or Annual Report on Form 10-K, as applicable, filed with the Securities and Exchange Commission; provided that:

(i) to the extent there are changes in GAAP accounting principles (or the methods of applying any of them to the Company due to a change from one principle to another principle when there are two or more generally accepted accounting principles that apply or when the accounting principle formerly used is no longer generally accepted) on or subsequent to the first date of the Performance Period (collectively, “GAAP Changes”) that result in recording, in accordance with GAAP, one or more one-time cumulative effect adjustments to retained earnings which, all other factors being equal, have an aggregate net impact on GAAP Book Value Per Share as of a specified date of more than \$0.10 per share, then GAAP Book Value Per Share for such specified date shall be deemed equal to GAAP Book Value Per Share calculated as of such specified date after reversing the aggregate net impact of such one-time cumulative effect adjustments to retained earnings;

(ii) to the extent there are changes to applicable tax laws or regulations or interpretations thereof (including the enactment or promulgations of new tax laws, regulations, or tax accounting methodologies or changes in the applicability of existing tax laws, regulations, or tax accounting methodologies to the Company) on or subsequent to the first date of the Performance Period (collectively, “Tax Changes”) that result in recording, in accordance with GAAP, one or more one-time tax benefits or tax provisions which, all other factors being equal, have an aggregate net impact on GAAP Book Value Per Share as of a specified date of more than \$0.10 per share, then GAAP Book Value Per Share for such specified date shall be deemed equal to GAAP Book Value Per Share calculated as of such specified date after reversing the aggregate net impact of such one-time tax benefits and tax provisions;

(iii) to the extent there are GAAP Changes and Tax Changes subsequent to the first date of the Performance Period that have an aggregate impact (as determined under clauses (i) and (ii) above), all other factors being equal, on GAAP Book Value Per Share as of a specified date of more than \$0.10 per share, then GAAP Book Value Per Share for such specified date shall be deemed equal to GAAP Book Value Per Share calculated as of such specified date after reversing the aggregate net impact of such one-time cumulative effect adjustments to retained earnings and such one-time tax benefits and tax provisions; and

(iv) to the extent there are Acquisition-Related Accounting Items (defined below) recorded on or subsequent to the first date of the Performance Period that impact book value per share of Common Stock, as determined in accordance with GAAP, as of any specified date subsequent to the first date of the Performance Period, the GAAP Book Value Per Share for such specified date shall be deemed equal to GAAP Book Value Per Share calculated as of such specified date after reversing the net impact of such Acquisition-Related Accounting Items.

“Acquisition-Related Accounting Items” shall mean any of the following relating to business acquisitions undertaken by the Company or any of its subsidiaries:

- (i) amortization of intangible assets recorded under the acquisition method of accounting pursuant to ASC 805;
- (ii) changes in the fair value of contingent consideration recorded as part of purchase consideration under the acquisition method of accounting pursuant to ASC 805;
- (iii) amortization of stock-based compensation expense recorded for shares of common stock (or other securities or similar instruments) issued in connection with, or related to, acquisitions; and
- (iv) other acquisition-related accounting items that are similar in nature to any of foregoing items and/or the reversal of the impact of which would otherwise be consistent with the foregoing, in each case as determined by the Administrator.

“Good Reason” shall have such meaning defined in the Participant’s employment agreement with the Company or, if no such agreement exists or does exist but does not contain such a definition, shall mean the occurrence, without the Participant’s express written consent, of any one or more of the following events: (i) a material reduction in the Participant’s base salary or wages or a material reduction by the Company in the value of the Participant’s total compensation package (salary, wages, bonus opportunity, equity incentive award opportunity and benefits) if such a reduction is not made in proportion to an across-the-board reduction for all similarly-situated service providers of the Company; or (ii) the relocation of the Participant’s principal Company office to a location more than twenty-five (25) miles from its location as of the date hereof, except for required travel on the Company’s business to the extent necessary to fulfill the Participant’s obligations to the Company. Notwithstanding the foregoing, the Participant will not be deemed to have resigned for Good Reason unless (1) the Participant provides the Company with written notice setting forth in reasonable detail the facts and circumstances claimed by the Participant to constitute Good Reason within ninety (90) days after the date of the occurrence of any event that the Participant knows or should reasonably have known to constitute Good Reason, (2) the Company fails to cure such acts or omissions within thirty (30) days following its receipt of such notice, and (3) the effective date of the Participant’s termination for Good Reason occurs no later than thirty (30) days after the expiration of the Company’s cure period.

“Per Share Price” means, with respect to the Company and any Comparator Group Company, the average of the closing prices of the applicable company’s common stock during the sixty (60) consecutive trading days ending on the day prior to the Valuation Date, adjusted to reflect the reinvestment of any cash dividends declared to all or substantially all holders of the outstanding shares of such company’s common stock with a record date during the calculation period; *provided, however*, that for purposes of calculating the Company’s Per Share Price in the event of a Change in Control, the Per Share Price shall be the price per share of Common Stock paid in connection with such Change in Control or, to the extent that the consideration in the Change in Control transaction is paid in stock of the acquiror or its affiliate, then, unless otherwise determined by the Administrator (including in connection with valuing any shares that are not publicly traded), Per Share Price shall mean the value of the consideration paid per share of Common Stock based on the average of the closing trading prices of a share of such acquiror stock on the principal exchange on which such shares are then traded for each trading day during the five consecutive trading days ending on and including the date on which a Change in Control occurs.

“Qualifying Termination” means the Participant’s Termination of Service as an Employee (i) due to the Participant’s death, Disability or Retirement or (ii) upon or within 24 months following a Change in Control, either by the Company without Cause or by the Participant for Good Reason.

“Relative TSR” means, with respect to the Performance Period, the Company’s TSR, as a percentile with respect to the range of TSRs of each of the Comparator Group Companies.

“TSR” means, for the Performance Period, the Company’s or a Comparator Group Company’s cumulative total shareholder return (rounded to the nearest hundredth), expressed as a percentage, determined as the quotient obtained by dividing:

(A) the sum of:

(x) the Per Share Price as of the Valuation Date, plus

(y) the Per Share Price as of the Valuation Date multiplied by the Dividend Reinvestment Factor with respect to the Performance Period,

by,

(B) the Per Share Price as of the first day of the Performance Period, which, in the case of the Company is \$[\_\_\_\_\_] <sup>1</sup>, and, in the case of a Comparator Group Company, is the amount set forth on Schedule I hereto under the heading “Initial Per Share Price”.

Notwithstanding the foregoing, the Committee shall make appropriate adjustments in calculating TSR to reflect any dividends which may be declared or have a record date during the sixty (60) consecutive trading days prior to the end of the Performance Period, as determined by the Committee in its sole discretion.

In addition, TSR for a Comparator Group Company will be deemed to be negative one hundred percent (-100%) if the Comparator Group Company (i) files for bankruptcy, reorganization or liquidation under any chapter of the U.S. Bankruptcy Code; (ii) is the subject of an involuntary bankruptcy proceeding that is not dismissed within thirty (30) days; or (iii) is the subject of a stockholder approved plan of liquidation or dissolution.

“Valuation Date” means [December 31, 2022]; *provided, however*, that in the event of a Change in Control that occurs prior to [December 31, 2022], the Valuation Date shall mean the date of the Change in Control.

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<sup>1</sup> *The average of the closing prices of the Common Stock during the sixty (60) consecutive trading days ending on the day prior to the grant date, as adjusted to reflect any cash dividends declared with a record date during such sixty (60) day period.*

SCHEDULE I

COMPARATOR GROUP COMPANIES

**Comparator Group Company:**  
*[to be inserted]*

**Initial Per Share Price:**  
*[to be inserted]*

**EXHIBIT B**

**DEFERRAL ELECTION**

*[to be separately attached]*

## EXHIBIT C - RESTRICTIVE COVENANTS

1. Non-Disparagement. While providing services to the Company and thereafter, the Participant agrees not to make negative comments or statements about, or otherwise criticize or disparage, in any format or through any medium, the Company or any entity controlled by, controlling or under common control with the Company (“Affiliates”) or any of the officers, directors, managers, employees, services, operations, investments or products of the Company or any of its Affiliates. For purposes of the foregoing sentence, disparagement shall include, but not be limited to, negative comments or statements intended or reasonably likely to be harmful or disruptive to a person’s or entity’s respective business, business reputation, business operations, or personal reputation.
2. Non-solicitation. While providing services to the Company and, for a period of one (1) year thereafter, the Participant shall not directly or indirectly solicit, induce, or encourage any employee or consultant of any member of the Company and its subsidiaries or Affiliates to terminate their employment or other relationship with the Company and its Affiliates or to cease to render services to any member of the Company and its subsidiaries or Affiliates and the Participant shall not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity. While providing services to the Company and thereafter, the Participant shall not use any trade secret of the Company or its subsidiaries or Affiliates to solicit, induce, or encourage any customer, client, vendor, or other party doing business with any member of the Company and its subsidiaries or Affiliates to terminate its relationship therewith or transfer its business from any member of the Company and its subsidiaries or Affiliates and the Participant shall not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity.
3. Confidentiality. The Participant shall keep secret and retain in the strictest confidence all confidential, proprietary and non-public matters, tangible or intangible, of or related to the Company, its stockholders, subsidiaries, affiliates, successors, assigns, officers, directors, attorneys, fiduciaries, representatives, employees, licensees and agents including, without limitation, trade secrets, business strategies and operations, seller, counterparty and customer lists, manufacturers, vendors, material suppliers, financial information, personnel information, legal advice and counsel obtained from counsel, information regarding litigation, actual, pending or threatened, research and development, identities and habits of employees and agents and business relationships, and shall not disclose them to any person, entity or any federal, state or local agency or authority, except as may be required by law; provided that, in the event disclosure is sought as a result of any subpoena or other legal process initiated against the Participant, the Participant shall immediately give the Company’s General Counsel written notice thereof in order to afford the Company an opportunity to contest such disclosure (such notice to be delivered to: Redwood Trust, Inc., One Belvedere Place, Suite 300, Mill Valley, CA, 94941, Attn: General Counsel).
4. Exceptions. Nothing herein shall prohibit or restrict the Participant from: (i) making any disclosure of information required by law; (ii) providing information to, or testifying or otherwise assisting in any investigation or proceeding brought by, any federal or state regulatory or law enforcement agency or legislative body, any self-regulatory organization, or the Company’s Human Resources, Legal, or Compliance Departments; (iii) testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of the Sarbanes-Oxley Act of 2002, any federal, state or municipal law relating to fraud or any rule or regulation of any self-regulatory organization; or (iv) filing a charge with, reporting possible violations to, or participating or cooperating with the Securities and Exchange Commission or any other federal, state or local regulatory body or law enforcement agency (each a “Governmental Agency”). Nothing herein shall be construed to limit the Participant’s right to receive an award for any information provided to a Governmental Agency in relation to any whistleblower, anti-discrimination, or anti-retaliation provisions of federal, state or local law or regulation. In addition, notwithstanding the foregoing obligations, pursuant to 18 U.S.C. § 1833(b), the Participant understands and acknowledges that the Participant shall not be held criminally or civilly liable under any U.S. federal or state trade secret law for the disclosure of a trade secret that is made: (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (2) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b).