

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, 2021

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☒  
Non-accelerated filer ☐

Accelerated filer ☐  
Smaller reporting company ☐  
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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

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

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 113,055,422 shares outstanding as of August 2, 2021

**REDWOOD TRUST, INC.**  
**2021 FORM 10-Q REPORT**  
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REDWOOD TRUST, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

(In Thousands, except Share Data)  
(Unaudited)

	June 30, 2021	December 31, 2020
<b>ASSETS <sup>(1)</sup></b>		
Residential loans, held-for-sale, at fair value	\$ 1,160,548	\$ 176,641
Residential loans, held-for-investment, at fair value	4,582,052	4,072,410
Business purpose loans, held-for-sale, at fair value	418,442	245,394
Business purpose loans, held-for-investment, at fair value	3,990,447	3,890,959
Multifamily loans, held-for-investment, at fair value	485,157	492,221
Real estate securities, at fair value	354,886	344,125
Other investments	308,732	348,175
Cash and cash equivalents	421,223	461,260
Restricted cash	55,048	83,190
Intangible assets	49,119	56,865
Derivative assets	34,305	53,238
Other assets	136,432	130,588
<b>Total Assets</b>	<b>\$ 11,996,391</b>	<b>\$ 10,355,066</b>
<b>LIABILITIES AND EQUITY <sup>(1)</sup></b>		
<b>Liabilities</b>		
Short-term debt, net	\$ 1,484,999	\$ 522,609
Derivative liabilities	3,240	16,072
Accrued expenses and other liabilities	191,705	179,340
Asset-backed securities issued (includes \$7,360,766 and \$6,900,362 at fair value), net	7,536,997	7,100,661
Long-term debt, net	1,484,308	1,425,485
<b>Total liabilities</b>	<b>10,701,249</b>	<b>9,244,167</b>
Commitments and Contingencies (see <i>Note 16</i> )		
<b>Equity</b>		
Common stock, par value \$0.01 per share, 395,000,000 shares authorized; 113,052,780 and 112,090,006 issued and outstanding	1,131	1,121
Additional paid-in capital	2,287,412	2,264,874
Accumulated other comprehensive income (loss)	9,740	(4,221)
Cumulative earnings	1,184,559	997,277
Cumulative distributions to stockholders	(2,187,700)	(2,148,152)
<b>Total equity</b>	<b>1,295,142</b>	<b>1,110,899</b>
<b>Total Liabilities and Equity</b>	<b>\$ 11,996,391</b>	<b>\$ 10,355,066</b>

(1) Our consolidated balance sheets include assets of consolidated variable interest entities (“VIEs”) that can only be used to settle obligations of these VIEs and liabilities of consolidated VIEs for which creditors do not have recourse to Redwood Trust, Inc. or its affiliates. At June 30, 2021 and December 31, 2020, assets of consolidated VIEs totaled \$8,616,435 and \$8,141,069, respectively. At June 30, 2021 and December 31, 2020, liabilities of consolidated VIEs totaled \$7,562,367 and \$7,148,414, respectively. See *Note 4* for further discussion.

*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 June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Interest Income</b>				
Residential loans	\$ 48,433	\$ 54,974	\$ 92,088	\$ 134,410
Business purpose loans	70,323	53,419	134,511	106,073
Multifamily loans	4,860	4,870	9,646	45,042
Real estate securities	9,279	10,027	18,942	28,336
Other interest income	5,800	6,656	11,813	14,166
Total interest income	138,695	129,946	267,000	328,027
<b>Interest Expense</b>				
Short-term debt	(11,195)	(16,907)	(18,968)	(39,974)
Asset-backed securities issued	(76,419)	(65,304)	(148,980)	(165,802)
Long-term debt	(20,451)	(20,455)	(42,669)	(43,561)
Total interest expense	(108,065)	(102,666)	(210,617)	(249,337)
<b>Net Interest Income</b>	30,630	27,280	56,383	78,690
<b>Non-interest Income (Loss)</b>				
Mortgage banking activities, net	54,419	(5,982)	137,026	(34,884)
Investment fair value changes, net	49,480	152,228	94,567	(718,604)
Other income, net	2,126	1,165	5,969	4,093
Realized gains, net	8,384	25,965	11,100	29,817
Total non-interest income (loss), net	114,409	173,376	248,662	(719,578)
General and administrative expenses	(40,594)	(28,520)	(84,145)	(57,202)
Loan acquisition costs	(3,748)	(1,572)	(7,307)	(5,558)
Other expenses	(3,985)	(5,083)	(8,081)	(96,498)
<b>Net Income (Loss) before (Provision for) Benefit from Income Taxes</b>	96,712	165,481	205,512	(800,146)
(Provision for) benefit from income taxes	(6,687)	(37)	(18,230)	22,192
<b>Net Income (Loss)</b>	<u>\$ 90,025</u>	<u>\$ 165,444</u>	<u>\$ 187,282</u>	<u>\$ (777,954)</u>
Basic earnings (loss) per common share	\$ 0.77	\$ 1.41	\$ 1.61	\$ (6.82)
Diluted earnings (loss) per common share	\$ 0.66	\$ 1.00	\$ 1.38	\$ (6.82)
Basic weighted average shares outstanding	112,921,070	114,383,289	112,337,984	114,229,928
Diluted weighted average shares outstanding	141,761,084	147,099,079	141,139,212	114,229,928

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

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

(In Thousands) (Unaudited)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Net Income (Loss)</b>	\$ 90,025	\$ 165,444	\$ 187,282	\$ (777,954)
Other comprehensive income (loss):				
Net unrealized gain (loss) on available-for-sale securities	11,224	52,393	22,210	(28,126)
Reclassification of unrealized (gain) loss on available-for-sale securities to net income	(7,500)	2,718	(10,295)	(11,080)
Net unrealized loss on interest rate agreements	—	—	—	(32,806)
Reclassification of unrealized loss on interest rate agreements to net income	1,028	1,029	2,046	1,108
<b>Total other comprehensive income (loss)</b>	<b>4,752</b>	<b>56,140</b>	<b>13,961</b>	<b>(70,904)</b>
<b>Total Comprehensive Income (Loss)</b>	<b>\$ 94,777</b>	<b>\$ 221,584</b>	<b>\$ 201,243</b>	<b>\$ (848,858)</b>

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

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**For the Three Months Ended June 30, 2021**

(In Thousands, except Share Data) (Unaudited)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Cumulative Earnings	Cumulative Distributions to Stockholders	Total
	Shares	Amount					
<b>March 31, 2021</b>	112,998,732	\$ 1,130	\$ 2,281,647	\$ 4,988	\$ 1,094,534	\$ (2,166,724)	\$ 1,215,575
Net income	—	—	—	—	90,025	—	90,025
Other comprehensive income	—	—	—	4,752	—	—	4,752
Employee stock purchase and incentive plans	54,048	1	122	—	—	—	123
Non-cash equity award compensation	—	—	5,643	—	—	—	5,643
Common dividends declared (\$0.18 per share)	—	—	—	—	—	(20,976)	(20,976)
<b>June 30, 2021</b>	<u>113,052,780</u>	<u>\$ 1,131</u>	<u>\$ 2,287,412</u>	<u>\$ 9,740</u>	<u>\$ 1,184,559</u>	<u>\$ (2,187,700)</u>	<u>\$ 1,295,142</u>

**For the Six Months Ended June 30, 2021**

(In Thousands, except Share Data) (Unaudited)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Cumulative Earnings	Cumulative Distributions to Stockholders	Total
	Shares	Amount					
<b>December 31, 2020</b>	112,090,006	\$ 1,121	\$ 2,264,874	\$ (4,221)	\$ 997,277	\$ (2,148,152)	\$ 1,110,899
Net income	—	—	—	—	187,282	—	187,282
Other comprehensive income	—	—	—	13,961	—	—	13,961
Issuance of common stock	806,068	8	13,366	—	—	—	13,374
Employee stock purchase and incentive plans	156,706	2	(689)	—	—	—	(687)
Non-cash equity award compensation	—	—	9,861	—	—	—	9,861
Common dividends declared (\$0.34 per share)	—	—	—	—	—	(39,548)	(39,548)
<b>June 30, 2021</b>	<u>113,052,780</u>	<u>\$ 1,131</u>	<u>\$ 2,287,412</u>	<u>\$ 9,740</u>	<u>\$ 1,184,559</u>	<u>\$ (2,187,700)</u>	<u>\$ 1,295,142</u>

**For the Three Months Ended June 30, 2020**

(In Thousands, except Share Data) (Unaudited)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Cumulative Earnings	Cumulative Distributions to Stockholders	Total
	Shares	Amount					
<b>March 31, 2020</b>	114,837,533	\$ 1,148	\$ 2,275,808	\$ (85,531)	\$ 635,726	\$ (2,101,949)	\$ 725,202
Net income	—	—	—	—	165,444	—	165,444
Other comprehensive income	—	—	—	56,140	—	—	56,140
Employee stock purchase and incentive plans	102,664	1	(235)	—	—	—	(234)
Non-cash equity award compensation	—	—	4,052	—	—	—	4,052
Common dividends declared (\$0.125 per share)	—	—	—	—	—	(14,028)	(14,028)
<b>June 30, 2020</b>	<u>114,940,197</u>	<u>\$ 1,149</u>	<u>\$ 2,279,625</u>	<u>\$ (29,391)</u>	<u>\$ 801,170</u>	<u>\$ (2,115,977)</u>	<u>\$ 936,576</u>

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

**For the Six Months Ended June 30, 2020**

(In Thousands, except Share Data) (Unaudited)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Cumulative Earnings	Cumulative Distributions to Stockholders	Total
	Shares	Amount					
<b>December 31, 2019</b>	114,353,036	\$ 1,144	\$ 2,269,617	\$ 41,513	\$ 1,579,124	\$ (2,064,167)	\$ 1,827,231
Net loss	—	—	—	—	(777,954)	—	(777,954)
Other comprehensive loss	—	—	—	(70,904)	—	—	(70,904)
Issuance of common stock	350,088	3	5,544	—	—	—	5,547
Employee stock purchase and incentive plans	237,073	2	(2,776)	—	—	—	(2,774)
Non-cash equity award compensation	—	—	7,240	—	—	—	7,240
Common dividends declared (\$0.445 per share)	—	—	—	—	—	(51,810)	(51,810)
<b>June 30, 2020</b>	<u>114,940,197</u>	<u>\$ 1,149</u>	<u>\$ 2,279,625</u>	<u>\$ (29,391)</u>	<u>\$ 801,170</u>	<u>\$ (2,115,977)</u>	<u>\$ 936,576</u>

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

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In Thousands) (Unaudited)	Six Months Ended June 30,	
	2021	2020
<b>Cash Flows From Operating Activities:</b>		
Net income (loss)	\$ 187,282	\$ (777,954)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Amortization of premiums, discounts, and securities issuance costs, net	3,998	4,083
Depreciation and amortization of non-financial assets	8,405	8,962
Originations of held-for-sale loans	(567,546)	(457,510)
Purchases of held-for-sale loans	(6,682,864)	(2,720,245)
Proceeds from sales of held-for-sale loans	4,526,370	3,126,860
Principal payments on held-for-sale loans	19,856	48,901
Net settlements of derivatives	39,697	(183,373)
Non-cash equity award compensation expense	9,861	7,240
Goodwill impairment expense	—	88,675
Market valuation adjustments	(213,641)	765,647
Realized gains, net	(11,100)	(29,817)
Net change in:		
Accrued interest receivable and other assets	10,260	254,368
Accrued interest payable and accrued expenses and other liabilities	17,327	(80,219)
Net cash (used in) provided by operating activities	(2,652,095)	55,618
<b>Cash Flows From Investing Activities:</b>		
Originations of loan investments	(348,389)	(263,544)
Proceeds from sales of loan investments	9,231	1,574,160
Principal payments on loan investments	1,312,064	1,136,000
Purchases of real estate securities	(18,593)	(52,260)
Sales of securities held in consolidated securitization trusts	8,197	142,990
Proceeds from sales of real estate securities	36,735	621,730
Principal payments on real estate securities	29,786	16,405
Purchases of servicer advance investments	—	(179,419)
Principal repayments from servicer advance investments	45,838	75,478
Other investing activities, net	(5,025)	(11,139)
Net cash provided by investing activities	1,069,844	3,060,401
<b>Cash Flows From Financing Activities:</b>		
Proceeds from borrowings on short-term debt	6,604,603	3,655,530
Repayments on short-term debt	(5,421,494)	(5,322,519)
Proceeds from issuance of asset-backed securities	1,629,218	827,644
Repayments on asset-backed securities issued	(1,088,809)	(673,323)
Proceeds from borrowings on long-term debt	487,975	944,282
Repayments on long-term debt	(654,893)	(2,128,805)
Net settlements of derivatives	—	(84,336)
Net proceeds from issuance of common stock	255	5,707
Taxes paid on equity award distributions	(943)	(2,934)
Dividends paid	(39,548)	(51,810)
Other financing activities, net	(2,292)	(3,180)
Net cash provided by (used in) financing activities	1,514,072	(2,833,744)
Net (decrease) increase in cash, cash equivalents and restricted cash	(68,179)	282,275
Cash, cash equivalents and restricted cash at beginning of period <sup>(1)</sup>	544,450	290,833
Cash, cash equivalents and restricted cash at end of period <sup>(1)</sup>	\$ 476,271	\$ 573,108



**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

(In Thousands) (Unaudited)	Six Months Ended June 30,	
	2021	2020
<b>Supplemental Cash Flow Information:</b>		
Cash paid during the period for:		
Interest	\$ 198,364	\$ 267,787
Taxes	19,183	209
<b>Supplemental Noncash Information:</b>		
Real estate securities retained from loan securitizations	\$ 9,374	\$ 46,560
Deconsolidation of multifamily loans held in securitization trusts	—	(3,849,779)
Deconsolidation of multifamily ABS	—	(3,706,789)
Transfers from loans held-for-sale to loans held-for-investment	1,998,535	706,775
Transfers from loans held-for-investment to loans held-for-sale	44,922	—
Transfers from residential loans to real estate owned	15,827	9,645
Transfers from long-term debt to short-term debt	47,994	—
Right-of-use asset obtained in exchange for operating lease liability	1,135	5,362
Issuance of common stock for 5 Arches acquisition	13,375	3,375

(1) Cash, cash equivalents, and restricted cash at June 30, 2021 includes cash and cash equivalents of \$ 421 million and restricted cash of \$ 55 million, and at December 31, 2020 includes cash and cash equivalents of \$461 million and restricted cash of \$ 83 million.

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

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2021**  
**(Unaudited)**

**Note 1. Organization**

Redwood Trust, Inc., together with its subsidiaries, is a specialty finance company focused on several distinct areas of housing credit. Our operating platforms occupy a unique position in the housing finance value chain, providing liquidity to growing segments of the U.S. housing market not served by government programs. We deliver customized housing credit investments to a diverse mix of investors, through our best-in-class securitization platforms; whole-loan distribution activities; and our publicly-traded shares. Our consolidated investment portfolio has evolved to incorporate a diverse mix of residential, business purpose and multifamily investments. Our goal is to provide attractive returns to shareholders through a stable and growing stream of earnings and dividends, capital appreciation, and a commitment to technological innovation that facilitates risk-minded scale. We operate our business in three segments: Residential Lending, Business Purpose Lending, and Third-Party Investments.

Our primary sources of income are net interest income from our investments and non-interest income from our mortgage banking activities. Net interest income primarily consists of the interest income we earn on investments less the interest expense we incur on borrowed funds and other liabilities. Income from mortgage banking activities is generated through the origination and acquisition of loans, and their subsequent sale, securitization, or transfer to our investment portfolios.

Redwood Trust, Inc. has elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), beginning with its taxable year ended December 31, 1994. We generally refer, collectively, to Redwood Trust, Inc. and those of its subsidiaries that are not subject to subsidiary-level corporate income tax as "the REIT" or "our REIT." We generally refer to subsidiaries of Redwood Trust, Inc. that are subject to subsidiary-level corporate income tax as "our taxable REIT subsidiaries" or "TRS."

Redwood was incorporated in the State of Maryland on April 11, 1994, and commenced operations on August 19, 1994. References herein to "Redwood," the "company," "we," "us," and "our" include Redwood Trust, Inc. and its consolidated subsidiaries, unless the context otherwise requires.

**Note 2. Basis of Presentation**

The consolidated financial statements presented herein are at June 30, 2021 and December 31, 2020, and for the three and six months ended June 30, 2021 and 2020. These interim unaudited consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and note disclosures normally included in our annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") — as prescribed by the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") — have been condensed or omitted in these interim financial statements according to these SEC rules and regulations. Management believes that the disclosures included in these interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the company's Annual Report on Form 10-K for the year ended December 31, 2020. In the opinion of management, all normal and recurring adjustments to present fairly the financial condition of the Company at June 30, 2021 and results of operations for all periods presented have been made. The results of operations for the three and six months ended June 30, 2021 should not be construed as indicative of the results to be expected for the full year.

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2021**  
**(Unaudited)**

**Note 2. Basis of Presentation - (continued)**

***Principles of Consolidation***

In accordance with GAAP, we determine whether we must consolidate transferred financial assets and variable interest entities ("VIEs") for financial reporting purposes. We currently consolidate the assets and liabilities of certain Sequoia securitization entities issued prior to 2012 ("Legacy Sequoia"), certain entities formed in connection with the securitization of Redwood Choice expanded-prime loans and, beginning in the second quarter of 2021, Redwood Select loans ("Sequoia"), and entities formed in connection with the securitization of CoreVest single-family rental loans ("CAFL"). We also consolidate the assets and liabilities of certain Freddie Mac K-Series and Freddie Mac Seasoned Loans Structured Transaction ("SLST") securitizations in which we have invested. Each securitization entity is independent of Redwood and of each other and the assets and liabilities are not owned by and are not legal obligations of Redwood Trust, Inc. Our exposure to these entities is primarily through the financial interests we have purchased or retained, although for the consolidated Sequoia and CAFL entities we are exposed to certain financial risks associated with our role as a sponsor, servicing administrator, or depositor of these entities or as a result of our having sold assets directly or indirectly to these entities.

For financial reporting purposes, the underlying loans owned at the consolidated Sequoia and Freddie Mac SLST entities are shown under Residential loans held-for-investment at fair value, the underlying loans at the consolidated Freddie Mac K-Series entity are shown under Multifamily loans held-for-investment at fair value, and the underlying single-family rental loans at the consolidated CAFL entities are shown under Business purpose loans held-for-investment at fair value on our consolidated balance sheets. The asset-backed securities ("ABS") issued to third parties by these entities are shown under ABS issued. In our consolidated statements of income (loss), we recorded interest income on the loans owned at these entities and interest expense on the ABS issued by these entities as well as other income and expenses associated with these entities' activities. See *Note 14* for further discussion on ABS issued.

We also consolidate two partnerships ("Servicing Investment" entities) through which we have invested in servicing-related assets. We maintain an 80% ownership interest in each entity and have determined that we are the primary beneficiary of these partnerships.

See *Note 4* for further discussion on principles of consolidation.

***Use of Estimates***

The preparation of financial statements requires us to make a number of significant estimates. These include estimates of fair value of certain assets and liabilities, amounts and timing of credit losses, prepayment rates, and other estimates that affect the reported amounts of certain assets and liabilities as of the date of the consolidated financial statements and the reported amounts of certain revenues and expenses during the reported periods. It is likely that changes in these estimates (e.g., valuation changes due to supply and demand, credit performance, prepayments, interest rates, or other reasons) will occur in the near term. Our estimates are inherently subjective in nature and actual results could differ from our estimates and the differences could be material.

***Acquisitions***

Refer to our Annual Report on Form 10-K for the year ended December 31, 2020 for additional information regarding the acquisitions of 5 Arches, LLC ("5 Arches") and CoreVest American Finance Lender, LLC and certain affiliated entities ("CoreVest"), including purchase price allocations.

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
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**Note 2. Basis of Presentation - (continued)**

In connection with the acquisitions of 5 Arches and CoreVest in 2019, we identified and recorded finite-lived intangible assets totaling \$25 million and \$57 million, respectively. The table below presents the amortization period and carrying value of our intangible assets, net of accumulated amortization at June 30, 2021.

**Table 2.1 – Intangible Assets – Activity**

<b>(Dollars in Thousands)</b>	<b>Intangible Assets at Acquisition</b>	<b>Accumulated Amortization at June 30, 2021</b>	<b>Carrying Value at June 30, 2021</b>	<b>Weighted Average Amortization Period (in years)</b>
Borrower network	\$ 45,300	\$ (11,055)	\$ 34,245	7
Broker network	18,100	(8,447)	9,653	5
Non-compete agreements	9,500	(6,014)	3,486	3
Tradenames	4,000	(2,528)	1,472	3
Developed technology	1,800	(1,537)	263	2
Loan administration fees on existing loan assets	2,600	(2,600)	—	1
<b>Total</b>	<b>\$ 81,300</b>	<b>\$ (32,181)</b>	<b>\$ 49,119</b>	<b>6</b>

All of our intangible assets are amortized on a straight-line basis. For each of the six months ended June 30, 2021 and 2020, we recorded intangible asset amortization expense of \$8 million. Estimated future amortization expense is summarized in the table below.

**Table 2.2 – Intangible Asset Amortization Expense by Year**

<b>(In Thousands)</b>	<b>June 30, 2021</b>
2021 (6 months)	\$ 7,558
2022	12,800
2023	10,091
2024	7,073
2025 and thereafter	11,597
<b>Total Future Intangible Asset Amortization</b>	<b>\$ 49,119</b>

On a quarterly basis, we evaluate our finite-lived intangible assets for impairment indicators and additionally evaluate the useful lives of our intangible assets to determine if revisions to the remaining periods of amortization are warranted. We reviewed our finite-lived intangible assets and determined that the estimated lives were appropriate and that there were no indicators of impairment at June 30, 2021.

A liability resulting from the contingent consideration arrangement with 5 Arches was initially recorded in 2019 at its acquisition-date fair value as part of total consideration for the acquisition of 5 Arches. During the first quarter of 2021, we distributed 806,068 shares of Redwood common stock and paid \$1 million in cash in full settlement of the remaining deferred consideration associated with this acquisition.

**Note 3. Summary of Significant Accounting Policies**

**Significant Accounting Policies**

Included in *Note 3* to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2020 is a summary of our significant accounting policies. Provided below is a summary of additional accounting policies that are significant to the company's consolidated financial position and results of operations for the three and six months ended June 30, 2021.

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
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**Note 3. Summary of Significant Accounting Policies - (continued)**

*Other Investments*

*Strategic Investments*

We have made and may make additional strategic investments in companies through our RWT Horizons venture investment strategy or at a corporate level. These investments can take the form of equity or debt and often have conversion features. Depending on the terms of the investments, we may account for these investments under the fair value option or as non-marketable equity securities under the equity method of accounting or the measurement alternative (to the extent they do not have a "readily determinable fair value," or are not traded in a verifiable public market or are restricted for sale in the public market by a restricted stock legend or otherwise).

Investments accounted for under the fair value option are carried at fair value with periodic changes in value recorded through Investment fair value changes on our consolidated statements of income (loss). For non-marketable securities, we utilize the equity method of accounting when we are able to exert significant influence over but do not control the activities of the investee. Under the equity method of accounting, we generally elect to record our share of earnings or losses from equity method investments on a one-quarter lag and we assess our investments for impairment whenever events or changes in circumstances indicate that the carrying amount of our investment might not be recoverable. Income from equity method investments is recorded in Other income, net on our consolidated statements of income (loss). Under the measurement alternative, the carrying value of our investment is measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Adjustments are determined primarily based on a market approach as of the transaction date and are recorded as a component of Other income, net on our consolidated statements of income (loss).

***Recent Accounting Pronouncements***

*Newly Adopted Accounting Standards Updates ("ASUs")*

In October 2020, the FASB issued ASU 2020-10, "Codification Improvements." This new guidance updates various codification topics by clarifying or improving disclosure requirements. This new guidance is effective for fiscal years ending after December 15, 2020. We adopted this guidance, as required, in the first quarter of 2021, which did not have a material impact on our consolidated financial statements.

In October 2020, the FASB issued ASU 2020-09, "Debt (Topic 470): Amendments to SEC Paragraphs Pursuant to SEC Release No. 33-10762." This new guidance aligns certain SEC paragraphs in the codification with new SEC rules issued in March 2020 related to changes to the disclosure requirements for registered debt securities. This new guidance became effective January 4, 2021. We adopted this guidance, as required, in the first quarter of 2021, which did not have a material impact on our consolidated financial statements.

In October 2020, the FASB issued ASU 2020-08, "Codification Improvements to Subtopic 310-20, Receivables - Nonrefundable Fees and Other Costs." This new guidance clarifies that an entity should reevaluate whether a callable debt security is within the scope of paragraph 310-20-35-33 for each reporting period. This new guidance is effective for fiscal years ending after December 15, 2020. We adopted this guidance, as required, in the first quarter of 2021, which did not have a material impact on our consolidated financial statements.

In January 2020, the FASB issued ASU 2020-01, "Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)." This new guidance clarifies the interaction of the accounting for equity securities, equity method investments, and certain forward contracts and purchased options. This new guidance is effective for fiscal years beginning after December 15, 2020. We adopted this guidance, as required, in the first quarter of 2021, which did not have a material impact on our consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes." This new guidance simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and by clarifying and amending existing guidance. This new guidance is effective for fiscal years beginning after December 15, 2020. We adopted this guidance, as required, in the first quarter of 2021, which did not have a material impact on our consolidated financial statements.

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
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**Note 3. Summary of Significant Accounting Policies - (continued)**

*Other Recent Accounting Pronouncements*

In August 2020, the FASB issued ASU 2020-06, "Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)." This new guidance simplifies the accounting for convertible debt by reducing the number of accounting models to separately present certain conversion features in equity. This new guidance is effective for fiscal years beginning after December 31, 2021. Early adoption is permitted. We plan to adopt this new guidance by the required date and do not anticipate that this update will have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." This new guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In January 2021, the FASB issued ASU 2021-01, "Reference Rate Reform (Topic 848): Scope." This new guidance clarifies that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. This new guidance is effective for all entities as of March 12, 2020 through December 31, 2022. We are currently evaluating the impact the adoption of this standard would have on our consolidated financial statements. Through June 30, 2021, we have not elected to apply the optional expedients and exceptions to any of our existing contracts, hedging relationships, or other transactions.

***Balance Sheet Netting***

Certain of our derivatives and short-term debt are subject to master netting arrangements or similar agreements. Under GAAP, in certain circumstances we may elect to present certain financial assets, liabilities and related collateral subject to master netting arrangements in a net position on our consolidated balance sheets. However, we do not report any of these financial assets or liabilities on a net basis, and instead present them on a gross basis on our consolidated balance sheets.

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
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**Note 3. Summary of Significant Accounting Policies - (continued)**

The table below presents financial assets and liabilities that are subject to master netting arrangements or similar agreements categorized by financial instrument, together with corresponding financial instruments and corresponding collateral received or pledged at June 30, 2021 and December 31, 2020.

*Table 3.1 – Offsetting of Financial Assets, Liabilities, and Collateral*

June 30, 2021 (In Thousands)	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Assets (Liabilities) Presented in Consolidated Balance Sheet	Gross Amounts Not Offset in Consolidated Balance Sheet <sup>(1)</sup>		
				Financial Instruments	Cash Collateral (Received) Pledged	Net Amount
Assets <sup>(2)</sup>						
Interest rate agreements	\$ 17,746	\$ —	\$ 17,746	\$ (957)	\$ (11,238)	\$ 5,551
TBAs	2,064	—	2,064	(478)	(1,393)	193
Futures	304	—	304	(194)	—	110
<b>Total Assets</b>	<b>\$ 20,114</b>	<b>\$ —</b>	<b>\$ 20,114</b>	<b>\$ (1,629)</b>	<b>\$ (12,631)</b>	<b>\$ 5,854</b>
Liabilities <sup>(2)</sup>						
Interest rate agreements	\$ (957)	\$ —	\$ (957)	\$ 957	\$ —	\$ —
TBAs	(1,367)	—	(1,367)	478	889	—
Futures	(194)	—	(194)	194	—	—
Loan warehouse debt	(1,049,144)	—	(1,049,144)	1,049,144	—	—
Security repurchase agreements	(80,938)	—	(80,938)	80,938	—	—
<b>Total Liabilities</b>	<b>\$ (1,132,600)</b>	<b>\$ —</b>	<b>\$ (1,132,600)</b>	<b>\$ 1,131,711</b>	<b>\$ 889</b>	<b>\$ —</b>

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
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**Note 3. Summary of Significant Accounting Policies - (continued)**

December 31, 2020 (In Thousands)	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Assets (Liabilities) Presented in Consolidated Balance Sheet	Gross Amounts Not Offset in Consolidated Balance Sheet <sup>(1)</sup>		
				Financial Instruments	Cash Collateral (Received) Pledged	Net Amount
<b>Assets <sup>(2)</sup></b>						
Interest rate agreements	\$ 19,951	\$ —	\$ 19,951	\$ —	\$ (7,769)	\$ 12,182
TBAs	18,260	—	18,260	(13,423)	(4,658)	179
<b>Total Assets</b>	<u>\$ 38,211</u>	<u>\$ —</u>	<u>\$ 38,211</u>	<u>\$ (13,423)</u>	<u>\$ (12,427)</u>	<u>\$ 12,361</u>
<b>Liabilities <sup>(2)</sup></b>						
TBAs	\$ (15,495)	\$ —	\$ (15,495)	\$ 13,423	\$ 1,061	\$ (1,011)
Loan warehouse debt	(137,269)	—	(137,269)	137,269	—	—
Security repurchase agreements	(77,775)	—	(77,775)	77,775	—	—
<b>Total Liabilities</b>	<u>\$ (230,539)</u>	<u>\$ —</u>	<u>\$ (230,539)</u>	<u>\$ 228,467</u>	<u>\$ 1,061</u>	<u>\$ (1,011)</u>

(1) Amounts presented in these columns are limited in total to the net amount of assets or liabilities presented in the prior column by instrument. In certain cases, there is excess cash collateral or financial assets we have pledged to a counterparty (which may, in certain circumstances, be a clearinghouse) that exceed the financial liabilities subject to a master netting arrangement or similar agreement. Additionally, in certain cases, counterparties may have pledged excess cash collateral to us that exceeds our corresponding financial assets. In each case, any of these excess amounts are excluded from the table although they are separately reported in our consolidated balance sheets as assets or liabilities, respectively.

(2) Interest rate agreements and TBAs are components of derivatives instruments on our consolidated balance sheets. Loan warehouse debt, which is secured by certain residential and business purpose loans, and security repurchase agreements are components of Short-term debt and Long-term debt on our consolidated balance sheets.

For each category of financial instrument set forth in the table above, the assets and liabilities resulting from individual transactions within that category between us and a counterparty are subject to a master netting arrangement or similar agreement with that counterparty that provides for individual transactions to be aggregated and treated as a single transaction. For certain categories of these instruments, some of our transactions are cleared and settled through one or more clearinghouses that are substituted as our counterparty. References herein to master netting arrangements or similar agreements include the arrangements and agreements governing the clearing and settlement of these transactions through the clearinghouses. In the event of the termination and close-out of any of those transactions, the corresponding master netting agreement or similar agreement provides for settlement on a net basis. Any such settlement would include the proceeds of the liquidation of any corresponding collateral, subject to certain limitations on termination, settlement, and liquidation of collateral that may apply in the event of the bankruptcy or insolvency of a party. Such limitations should not inhibit the eventual practical realization of the principal benefits of those transactions or the corresponding master netting arrangement or similar agreement and any corresponding collateral.

**Note 4. Principles of Consolidation**

GAAP requires us to consider whether securitizations we sponsor and other transfers of financial assets should be treated as sales or financings, as well as whether any VIEs that we hold variable interests in – for example, certain legal entities often used in securitization and other structured finance transactions – should be included in our consolidated financial statements. The GAAP principles we apply require us to reassess our requirement to consolidate VIEs each quarter and therefore our determination may change based upon new facts and circumstances pertaining to each VIE. This could result in a material impact to our consolidated financial statements during subsequent reporting periods.



**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
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**Note 4. Principles of Consolidation - (continued)**

***Analysis of Consolidated VIEs***

At June 30, 2021, we consolidated Legacy Sequoia, Sequoia, CAFL, Freddie Mac SLST, and Freddie Mac K-Series securitization entities that we determined were VIEs and for which we determined we were the primary beneficiary. Each of these entities is independent of Redwood and of each other and the assets and liabilities of these entities are not owned by and are not legal obligations of ours. Our exposure to these entities is primarily through the financial interests we have retained, although for the consolidated Legacy Sequoia, Sequoia and CAFL entities we are exposed to certain financial risks associated with our role as a sponsor, servicing administrator, or depositor of these entities or as a result of our having sold assets directly or indirectly to these entities. At June 30, 2021, the estimated fair value of our investments in the consolidated Legacy Sequoia, Sequoia, CAFL, Freddie Mac SLST, and Freddie Mac K-Series entities was \$4 million, \$234 million, \$272 million, \$452 million, and \$31 million, respectively.

We also consolidate two Servicing Investment entities formed to invest in servicing-related assets that we determined were VIEs and for which we determined we were the primary beneficiary. At June 30, 2021, we held an 80% ownership interest in, and were responsible for the management of, each entity. See *Note 10* for a further description of these entities and the investments they hold and *Note 12* for additional information on the minority partner's interest. Additionally, we consolidated an entity that was formed to finance servicer advances that we determined was a VIE and for which we, through our control of one of the aforementioned partnerships, were the primary beneficiary. The servicer advance financing consists of non-recourse short-term securitization debt, secured by servicer advances. We consolidate the securitization entity, but the securitization entity is independent of Redwood and the assets and liabilities are not owned by and are not legal obligations of Redwood. See *Note 13* for additional information on the servicer advance financing. At June 30, 2021, the estimated fair value of our investment in the Servicing Investment entities was \$62 million.

The following table presents a summary of the assets and liabilities of these VIEs.

**Table 4.1 – Assets and Liabilities of Consolidated VIEs Accounted for as Collateralized Financing Entities**

<b>June 30, 2021</b>							
<b>(Dollars in Thousands)</b>	<b>Legacy Sequoia</b>	<b>Sequoia</b>	<b>CAFL</b>	<b>Freddie Mac SLST</b>	<b>Freddie Mac K-Series</b>	<b>Servicing Investment</b>	<b>Total Consolidated VIEs</b>
Residential loans, held-for-investment	\$ 260,875	\$ 2,222,553	\$ —	\$ 2,098,624	\$ —	\$ —	\$ 4,582,052
Business purpose loans, held-for-investment	—	—	3,263,878	—	—	—	3,263,878
Multifamily loans, held-for-investment	—	—	—	—	485,157	—	485,157
Other investments	—	—	—	—	—	202,369	202,369
Cash and cash equivalents	—	—	—	—	—	12,459	12,459
Restricted cash	148	—	—	—	—	19,028	19,176
Accrued interest receivable	258	7,559	13,102	6,325	1,326	1,606	30,176
Other assets	659	—	12,596	1,636	—	6,277	21,168
<b>Total Assets</b>	<b>\$ 261,940</b>	<b>\$ 2,230,112</b>	<b>\$ 3,289,576</b>	<b>\$ 2,106,585</b>	<b>\$ 486,483</b>	<b>\$ 241,739</b>	<b>\$ 8,616,435</b>
Short-term debt	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 163,629	\$ 163,629
Accrued interest payable	124	5,521	10,183	4,490	1,200	94	21,612
Accrued expenses and other liabilities	—	—	—	—	—	16,360	16,360
Asset-backed securities issued	258,211	1,990,548	3,007,596	1,650,087	454,324	—	7,360,766
<b>Total Liabilities</b>	<b>\$ 258,335</b>	<b>\$ 1,996,069</b>	<b>\$ 3,017,779</b>	<b>\$ 1,654,577</b>	<b>\$ 455,524</b>	<b>\$ 180,083</b>	<b>\$ 7,562,367</b>
<b>Number of VIEs</b>	<b>20</b>	<b>12</b>	<b>14</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>53</b>

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
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**Note 4. Principles of Consolidation - (continued)**

<b>December 31, 2020</b>							
<b>(Dollars in Thousands)</b>	<b>Legacy Sequoia</b>	<b>Sequoia</b>	<b>CAFL</b>	<b>Freddie Mac SLST</b>	<b>Freddie Mac K-Series</b>	<b>Servicing Investment</b>	<b>Total Consolidated VIEs</b>
Residential loans, held-for-investment	\$ 285,935	\$ 1,565,322	\$ —	\$ 2,221,153	\$ —	\$ —	\$ 4,072,410
Business purpose loans, held-for-investment	—	—	3,249,194	—	—	—	3,249,194
Multifamily loans, held-for-investment	—	—	—	—	492,221	—	492,221
Other investments	—	—	—	—	—	251,773	251,773
Cash and cash equivalents	—	—	—	—	—	11,579	11,579
Restricted cash	148	—	—	—	—	23,220	23,368
Accrued interest receivable	305	6,802	13,055	6,754	1,337	2,334	30,587
Other assets	638	—	2,930	646	—	5,723	9,937
<b>Total Assets</b>	<b>\$ 287,026</b>	<b>\$ 1,572,124</b>	<b>\$ 3,265,179</b>	<b>\$ 2,228,553</b>	<b>\$ 493,558</b>	<b>\$ 294,629</b>	<b>\$ 8,141,069</b>
Short-term debt	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 208,375	\$ 208,375
Accrued interest payable	141	4,697	10,278	4,846	1,177	135	21,274
Accrued expenses and other liabilities	—	50	—	—	—	18,353	18,403
Asset-backed securities issued	282,326	1,347,357	3,013,093	1,793,620	463,966	—	6,900,362
<b>Total Liabilities</b>	<b>\$ 282,467</b>	<b>\$ 1,352,104</b>	<b>\$ 3,023,371</b>	<b>\$ 1,798,466</b>	<b>\$ 465,143</b>	<b>\$ 226,863</b>	<b>\$ 7,148,414</b>
<b>Number of VIEs</b>	<b>20</b>	<b>10</b>	<b>14</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>50</b>

The following table presents income (loss) from these VIEs for the three and six months ended June 30, 2021 and 2020.

**Table 4.2 – Income (Loss) from Consolidated VIEs Accounted for as Collateralized Financing Entities**

	<b>Three Months Ended June 30, 2021</b>						
<b>(Dollars in Thousands)</b>	<b>Legacy Sequoia</b>	<b>Sequoia</b>	<b>CAFL</b>	<b>Freddie Mac SLST</b>	<b>Freddie Mac K-Series</b>	<b>Servicing Investment</b>	<b>Total Consolidated VIEs</b>
Interest income	\$ 1,169	\$ 14,492	\$ 54,849	\$ 19,506	\$ 4,860	\$ 4,041	\$ 98,917
Interest expense	(755)	(11,374)	(43,201)	(13,927)	(4,478)	(1,110)	(74,845)
<b>Net interest income</b>	<b>414</b>	<b>3,118</b>	<b>11,648</b>	<b>5,579</b>	<b>382</b>	<b>2,931</b>	<b>24,072</b>
<b>Non-interest income</b>							
Investment fair value changes, net	(216)	4,906	3,697	36,316	1,855	(2,320)	44,238
<b>Total non-interest income, net</b>	<b>(216)</b>	<b>4,906</b>	<b>3,697</b>	<b>36,316</b>	<b>1,855</b>	<b>(2,320)</b>	<b>44,238</b>
General and administrative expenses	—	—	—	—	—	(52)	(52)
Other expenses	—	—	—	—	—	(112)	(112)
<b>Income from Consolidated VIEs</b>	<b>\$ 198</b>	<b>\$ 8,024</b>	<b>\$ 15,345</b>	<b>\$ 41,895</b>	<b>\$ 2,237</b>	<b>\$ 447</b>	<b>\$ 68,146</b>

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**Note 4. Principles of Consolidation - (continued)**

<b>Six Months Ended June 30, 2021</b>							
<b>(Dollars in Thousands)</b>	<b>Legacy Sequoia</b>	<b>Sequoia</b>	<b>CAFL</b>	<b>Freddie Mac SLST</b>	<b>Freddie Mac K-Series</b>	<b>Servicing Investment</b>	<b>Total Consolidated VIEs</b>
Interest income	\$ 2,517	\$ 29,975	\$ 103,722	\$ 39,665	\$ 9,646	\$ 8,263	\$ 193,788
Interest expense	(1,630)	(23,480)	(81,054)	(28,395)	(8,834)	(2,396)	(145,789)
<b>Net interest income</b>	<b>887</b>	<b>6,495</b>	<b>22,668</b>	<b>11,270</b>	<b>812</b>	<b>5,867</b>	<b>47,999</b>
<b>Non-interest income</b>							
Investment fair value changes, net	(915)	9,804	3,411	40,433	10,776	(3,566)	59,943
<b>Total non-interest income, net</b>	<b>(915)</b>	<b>9,804</b>	<b>3,411</b>	<b>40,433</b>	<b>10,776</b>	<b>(3,566)</b>	<b>59,943</b>
General and administrative expenses	—	—	—	—	—	(90)	(90)
Other expenses	—	—	—	—	—	(442)	(442)
<b>Income (Loss) from Consolidated VIEs</b>	<b>\$ (28)</b>	<b>\$ 16,299</b>	<b>\$ 26,079</b>	<b>\$ 51,703</b>	<b>\$ 11,588</b>	<b>\$ 1,769</b>	<b>\$ 107,410</b>

  

<b>Three Months Ended June 30, 2020</b>							
<b>(Dollars in Thousands)</b>	<b>Legacy Sequoia</b>	<b>Sequoia</b>	<b>CAFL</b>	<b>Freddie Mac SLST</b>	<b>Freddie Mac K-Series</b>	<b>Servicing Investment</b>	<b>Total Consolidated VIEs</b>
Interest income	\$ 2,685	\$ 22,564	\$ 32,978	\$ 21,187	\$ 4,870	\$ 4,540	\$ 88,824
Interest expense	(1,518)	(19,117)	(24,446)	(15,846)	(4,380)	(1,797)	(67,104)
<b>Net interest income</b>	<b>1,167</b>	<b>3,447</b>	<b>8,532</b>	<b>5,341</b>	<b>490</b>	<b>2,743</b>	<b>21,720</b>
<b>Non-interest income</b>							
Investment fair value changes, net	(230)	39,752	16,313	26,866	1,599	3,291	87,591
<b>Total non-interest income, net</b>	<b>(230)</b>	<b>39,752</b>	<b>16,313</b>	<b>26,866</b>	<b>1,599</b>	<b>3,291</b>	<b>87,591</b>
General and administrative expenses	—	—	—	—	—	(712)	(712)
Other expenses	—	—	—	—	—	(1,065)	(1,065)
<b>Income from Consolidated VIEs</b>	<b>\$ 937</b>	<b>\$ 43,199</b>	<b>\$ 24,845</b>	<b>\$ 32,207</b>	<b>\$ 2,089</b>	<b>\$ 4,257</b>	<b>\$ 107,534</b>

  

<b>Six Months Ended June 30, 2020</b>							
<b>(Dollars in Thousands)</b>	<b>Legacy Sequoia</b>	<b>Sequoia</b>	<b>CAFL</b>	<b>Freddie Mac SLST</b>	<b>Freddie Mac K-Series</b>	<b>Servicing Investment</b>	<b>Total Consolidated VIEs</b>
Interest income	\$ 5,879	\$ 47,647	\$ 62,988	\$ 43,173	\$ 45,042	\$ 8,623	\$ 213,352
Interest expense	(4,040)	(40,627)	(46,385)	(32,022)	(42,728)	(3,374)	(169,176)
<b>Net interest income</b>	<b>1,839</b>	<b>7,020</b>	<b>16,603</b>	<b>11,151</b>	<b>2,314</b>	<b>5,249</b>	<b>44,176</b>
<b>Non-interest income</b>							
Investment fair value changes, net	(621)	(29,916)	(51,533)	(115,295)	(84,910)	(8,593)	(290,868)
<b>Total non-interest income, net</b>	<b>(621)</b>	<b>(29,916)</b>	<b>(51,533)</b>	<b>(115,295)</b>	<b>(84,910)</b>	<b>(8,593)</b>	<b>(290,868)</b>
General and administrative expenses	—	—	—	—	—	(743)	(743)
Other expenses	—	—	—	—	—	817	817
<b>Income (Loss) from Consolidated VIEs</b>	<b>\$ 1,218</b>	<b>\$ (22,896)</b>	<b>\$ (34,930)</b>	<b>\$ (104,144)</b>	<b>\$ (82,596)</b>	<b>\$ (3,270)</b>	<b>\$ (246,618)</b>

We consolidate the assets and liabilities of certain Sequoia and CAFL securitization entities, as we did not meet the GAAP sale criteria at the time we transferred financial assets to these entities. Our involvement in consolidated Sequoia and CAFL entities continues in the following ways: (i) we continue to hold subordinate investments in each entity, and for certain entities, more senior investments; (ii) we maintain certain discretionary rights associated with our sponsorship of, or our subordinate investments in, each entity; and (iii) we continue to hold a right to call the assets of certain entities (once they have been paid down below a specified threshold) at a price equal to, or in excess of, the current outstanding principal amount of the entity's asset-backed securities issued. These factors have resulted in our continuing to consolidate the assets and liabilities of these Sequoia and CAFL entities in accordance with GAAP.

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**Note 4. Principles of Consolidation - (continued)**

We consolidate the assets and liabilities of certain Freddie Mac K-Series and SLST securitization trusts resulting from our investment in subordinate securities issued by these trusts, and in the case of certain CAFL securitizations, resulting from securities acquired through our acquisition of CoreVest. Additionally, we consolidate the assets and liabilities of Servicing Investment entities from our investment in servicer advance investments and excess MSRs. In each case, we maintain certain discretionary rights associated with the ownership of these investments that we determined reflected a controlling financial interest, as we have both the power to direct the activities that most significantly impact the economic performance of the VIEs and the right to receive benefits of and the obligation to absorb losses from the VIEs that could potentially be significant to the VIEs.

During the three months ended June 30, 2021, we called one of our consolidated CAFL entities and repaid the associated ABS issued. In association with this call, we transferred \$45 million (unpaid principal balance) of loans from held-for-investment to held-for-sale.

During 2020, we re-securitized subordinate securities we owned in our consolidated Freddie Mac SLST securitization trusts, through the transfer of these financial assets to a re-securitization trust that we sponsored. We retain a subordinate investment in the re-securitization trust and maintain certain discretionary rights associated with the ownership of this investment that we determined reflected a controlling financial interest in the entity, as we have both the power to direct the activities that most significantly impact the performance of the VIE and the right to receive benefits of and the obligation to absorb losses from the VIE that could potentially be significant to the VIE.

***Analysis of Unconsolidated VIEs with Continuing Involvement***

Since 2012, we have transferred residential loans to 52 Sequoia securitization entities sponsored by us that are still outstanding as of June 30, 2021, and accounted for these transfers as sales for financial reporting purposes, in accordance with ASC 860. We also determined we were not the primary beneficiary of these VIEs as we lacked the power to direct the activities that will have the most significant economic impact on the entities. For certain of these transfers to securitization entities, for the transferred loans where we held the servicing rights prior to the transfer and continued to hold the servicing rights following the transfer, we recorded mortgage servicing rights ("MSRs") on our consolidated balance sheets, and classified those MSRs as Level 3 assets. We also retained senior and subordinate securities in these securitizations that we classified as Level 3 assets. Our continuing involvement in these securitizations is limited to customary servicing obligations associated with retaining servicing rights (which we retain a third-party sub-servicer to perform) and the receipt of interest income associated with the securities we retained.

During the three months ended June 30, 2021, we called three of our unconsolidated Sequoia entities, and purchased \$83 million (unpaid principal balance) of loans from the securitization trusts. In association with these calls, we realized a \$7 million gain on the securities we owned from these called securitizations, which was recognized through Realized gains, net on our consolidated statements of income (loss). During the six months ended June 30, 2021, we called four of our unconsolidated Sequoia entities, and purchased \$101 million (unpaid principal balance) of loans from the securitization trusts. In association with these calls, we realized a \$9 million gain on the securities we owned from these called securitizations, which was recognized through Realized gains, net on our consolidated statements of income (loss). At June 30, 2021, we held \$97 million of loans for sale at fair value that were acquired following the calls.

The following table presents information related to securitization transactions that occurred during the three and six months ended June 30, 2021 and 2020.

**Table 4.3 – Securitization Activity Related to Unconsolidated VIEs Sponsored by Redwood**

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Principal balance of loans transferred	\$ 355,924	\$ —	\$ 1,231,803	\$ 1,573,703
Trading securities retained, at fair value	1,225	—	7,774	43,362
AFS securities retained, at fair value	522	—	1,600	3,198

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**Note 4. Principles of Consolidation - (continued)**

The following table summarizes the cash flows during the three and six months ended June 30, 2021 and 2020 between us and the unconsolidated VIEs sponsored by us and accounted for as sales since 2012.

*Table 4.4 – Cash Flows Related to Unconsolidated VIEs Sponsored by Redwood*

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Proceeds from new transfers	\$ 361,673	\$ —	\$ 1,266,063	\$ 1,610,761
MSR fees received	1,336	2,475	2,943	5,165
Funding of compensating interest, net	(70)	(205)	(170)	(297)
Cash flows received on retained securities	16,764	6,788	25,393	13,369

The following table presents the key weighted-average assumptions used to value securities retained at the date of securitization for securitizations completed during the three and six months ended June 30, 2021 and 2020.

*Table 4.5 – Assumptions Related to Assets Retained from Unconsolidated VIEs Sponsored by Redwood*

At Date of Securitization	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020	
	Senior IO Securities	Subordinate Securities	Senior IO Securities	Subordinate Securities
Prepayment rates	8 %	8 %	N/A	N/A
Discount rates	15 %	7 %	N/A	N/A
Credit loss assumptions	0.25 %	0.25 %	N/A	N/A

  

At Date of Securitization	Six Months Ended June 30, 2021		Six Months Ended June 30, 2020	
	Senior IO Securities	Subordinate Securities	Senior IO Securities	Subordinate Securities
Prepayment rates	11 %	11 %	41 %	13 %
Discount rates	15 %	6 %	16 %	6 %
Credit loss assumptions	0.23 %	0.23 %	0.21 %	0.22 %

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**Note 4. Principles of Consolidation - (continued)**

The following table presents additional information at June 30, 2021 and December 31, 2020, related to unconsolidated VIEs sponsored by Redwood and accounted for as sales since 2012.

**Table 4.6 – Unconsolidated VIEs Sponsored by Redwood**

(In Thousands)	June 30, 2021	December 31, 2020
On-balance sheet assets, at fair value:		
Interest-only, senior and subordinate securities, classified as trading	\$ 20,527	\$ 20,982
Subordinate securities, classified as AFS	140,321	136,475
Mortgage servicing rights	6,496	8,413
Maximum loss exposure <sup>(1)</sup>	<u>\$ 167,344</u>	<u>\$ 165,870</u>
Assets transferred:		
Principal balance of loans outstanding	\$ 6,326,188	\$ 7,728,432
Principal balance of loans 30+ days delinquent	58,362	138,029

(1) Maximum loss exposure from our involvement with unconsolidated VIEs pertains to the carrying value of our securities and MSRs retained from these VIEs and represents estimated losses that would be incurred under severe, hypothetical circumstances, such as if the value of our interests and any associated collateral declines to zero. This does not include, for example, any potential exposure to representation and warranty claims associated with our initial transfer of loans into a securitization.

The following table presents key economic assumptions for assets retained from unconsolidated VIEs and the sensitivity of their fair values to immediate adverse changes in those assumptions at June 30, 2021 and December 31, 2020.

**Table 4.7 – Key Assumptions and Sensitivity Analysis for Assets Retained from Unconsolidated VIEs Sponsored by Redwood**

June 30, 2021 (Dollars in Thousands)	MSRs	Senior Securities <sup>(1)</sup>	Subordinate Securities
Fair value at June 30, 2021	\$ 6,496	\$ 20,527	\$ 140,321
Expected life (in years) <sup>(2)</sup>	2	4	8
Prepayment speed assumption (annual CPR) <sup>(2)</sup>	38 %	25 %	33 %
Decrease in fair value from:			
10% adverse change	\$ 613	\$ 1,374	\$ 238
25% adverse change	1,422	3,120	440
Discount rate assumption <sup>(2)</sup>	12 %	18 %	3.5 %
Decrease in fair value from:			
100 basis point increase	\$ 139	\$ 462	\$ 10,058
200 basis point increase	271	900	19,174
Credit loss assumption <sup>(2)</sup>	N/A	0.39 %	0.39 %
Decrease in fair value from:			
10% higher losses	N/A	\$ —	\$ 2,671
25% higher losses	N/A	—	6,384

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**Note 4. Principles of Consolidation - (continued)**

<b>December 31, 2020</b> <b>(Dollars in Thousands)</b>	<b>MSRs</b>	<b>Senior Securities<sup>(1)</sup></b>	<b>Subordinate Securities</b>
Fair value at December 31, 2020	\$ 8,413	\$ 17,333	\$ 140,124
Expected life (in years) <sup>(2)</sup>	2	3	8
Prepayment speed assumption (annual CPR) <sup>(2)</sup>	37 %	31 %	33 %
Decrease in fair value from:			
10% adverse change	\$ 906	\$ 1,557	\$ 452
25% adverse change	2,058	3,754	2,298
Discount rate assumption <sup>(2)</sup>	12 %	21 %	5 %
Decrease in fair value from:			
100 basis point increase	\$ 196	\$ 337	\$ 9,769
200 basis point increase	380	659	18,650
Credit loss assumption <sup>(2)</sup>	N/A	0.41 %	0.41 %
Decrease in fair value from:			
10% higher losses	N/A	\$ —	\$ 2,409
25% higher losses	N/A	—	5,915

(1) Senior securities included \$21 million and \$17 million of interest-only securities at June 30, 2021 and December 31, 2020, respectively.

(2) Expected life, prepayment speed assumption, discount rate assumption, and credit loss assumption presented in the tables above represent weighted averages.

**Analysis of Unconsolidated Third-Party VIEs**

Third-party VIEs are securitization entities in which we maintain an economic interest, but do not sponsor. Our economic interest may include several securities and other investments from the same third-party VIE, and in those cases, the analysis is performed in consideration of all of our interests. The following table presents a summary of our interests in third-party VIEs at June 30, 2021 and December 31, 2020, grouped by asset type.

**Table 4.8 – Third-Party Sponsored VIE Summary**

<b>(In Thousands)</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
<b>Mortgage-Backed Securities</b>		
Senior	\$ 4,740	\$ 11,131
Mezzanine	—	2,014
Subordinate	189,298	173,523
<b>Total Mortgage-Backed Securities</b>	<b>194,038</b>	<b>186,668</b>
Excess MSR	12,170	14,133
<b>Total Investments in Third-Party Sponsored VIEs</b>	<b>\$ 206,208</b>	<b>\$ 200,801</b>

We determined that we are not the primary beneficiary of these third-party VIEs, as we do not have the required power to direct the activities that most significantly impact the economic performance of these entities. Specifically, we do not service or manage these entities or otherwise solely hold decision making powers that are significant. As a result of this assessment, we do not consolidate any of the underlying assets and liabilities of these third-party VIEs – we only account for our specific interests in them.

Our assessments of whether we are required to consolidate a VIE may change in subsequent reporting periods based upon changing facts and circumstances pertaining to each VIE. Any related accounting changes could result in a material impact to our financial statements.

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**Note 5. Fair Value of Financial Instruments**

For financial reporting purposes, we follow a fair value hierarchy established under GAAP that is used to determine the fair value of financial instruments. This hierarchy prioritizes relevant market inputs in order to determine an “exit price” at the measurement date, or the price at which an asset could be sold or a liability could be transferred in an orderly process that is not a forced liquidation or distressed sale. Level 1 inputs are observable inputs that reflect quoted prices for identical assets or liabilities in active markets. Level 2 inputs are observable inputs other than quoted prices for an asset or liability that are obtained through corroboration with observable market data. Level 3 inputs are unobservable inputs (e.g., our own data or assumptions) that are used when there is little, if any, relevant market activity for the asset or liability required to be measured at fair value.

In certain cases, inputs used to measure fair value fall into different levels of the fair value hierarchy. In such cases, the level at which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. Our assessment of the significance of a particular input requires judgment and considers factors specific to the asset or liability being measured.



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**Note 5. Fair Value of Financial Instruments - (continued)**

The following table presents the carrying values and estimated fair values of assets and liabilities that are required to be recorded or disclosed at fair value at June 30, 2021 and December 31, 2020.

**Table 5.1 – Carrying Values and Fair Values of Assets and Liabilities**

(In Thousands)	June 30, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<b>Assets</b>				
Residential loans, held-for-sale at fair value	\$ 1,160,513	\$ 1,160,513	\$ 176,604	\$ 176,604
Residential loans, held-for-investment	4,582,052	4,582,052	4,072,410	4,072,410
Business purpose loans, held-for-sale	418,442	418,442	245,394	245,394
Business purpose loans, held-for-investment	3,990,447	3,990,447	3,890,959	3,890,959
Multifamily loans	485,157	485,157	492,221	492,221
Real estate securities	354,886	354,886	344,125	344,125
Servicer advance investments <sup>(1)</sup>	184,551	184,551	231,489	231,489
MSRs <sup>(1)</sup>	8,721	8,721	8,815	8,815
Excess MSRs <sup>(1)</sup>	29,988	29,988	34,418	34,418
Shared home appreciation options <sup>(1)</sup>	44,319	44,319	42,440	42,440
Other financial instruments <sup>(2)</sup>	28,556	28,556	10,203	10,203
Cash and cash equivalents	421,223	421,223	461,260	461,260
Restricted cash	55,048	55,048	83,190	83,190
Derivative assets	34,305	34,305	53,238	53,238
REO <sup>(3)</sup>	15,489	17,718	8,413	9,229
Margin receivable <sup>(3)</sup>	10,269	10,269	4,758	4,758
FHLBC stock <sup>(3)</sup>	10	10	5,000	5,000
Pledged collateral <sup>(3)</sup>	—	—	1,177	1,177
<b>Liabilities</b>				
Short-term debt	\$ 1,484,999	\$ 1,484,999	\$ 522,609	\$ 522,609
Margin payable <sup>(4)</sup>	19,503	19,503	—	—
Guarantee obligation <sup>(4)</sup>	8,446	5,932	10,039	7,843
Derivative liabilities	3,240	3,240	16,072	16,072
ABS issued, net				
Fair value	7,360,766	7,360,766	6,900,362	6,900,362
Amortized cost	176,231	180,080	200,299	204,892
Other long-term debt, net <sup>(5)</sup>	833,272	834,214	774,726	783,570
Convertible notes, net <sup>(5)</sup>	512,339	531,473	511,085	499,865
Trust preferred securities and subordinated notes, net <sup>(5)</sup>	138,697	87,188	138,674	80,910

(1) These investments are included in Other investments on our consolidated balance sheets.

(2) Includes equity, debt, and loan investments included in Other investments on our consolidated balance sheets.

(3) These assets are included in Other assets on our consolidated balance sheets.

(4) These liabilities are included in Accrued expenses and other liabilities on our consolidated balance sheets.

(5) These liabilities are included in Long-term debt, net on our consolidated balance sheets.

During the three and six months ended June 30, 2021, we elected the fair value option for \$4 million and \$26 million of securities, respectively, \$3.48 billion and \$6.58 billion of residential loans (principal balance), respectively, and \$527 million and \$914 million of business purpose loans (principal balance), respectively. Additionally, during the three months ended June 30, 2021, we elected the fair value option for \$2 million of MSRs and \$2 million of other financial instruments. We anticipate electing the fair value option for all future purchases of residential and business purpose loans that we intend to sell to third parties or transfer to securitizations, for business purpose bridge loans we hold for investment, as well as for MSRs retained from sales of residential loans, and for certain securities we purchase, including IO securities and fixed-rate securities rated investment grade or higher.

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**Note 5. Fair Value of Financial Instruments - (continued)**

The following table presents the assets and liabilities that are reported at fair value on our consolidated balance sheets on a recurring basis at June 30, 2021 and December 31, 2020, as well as the fair value hierarchy of the valuation inputs used to measure fair value.

*Table 5.2 – Assets and Liabilities Measured at Fair Value on a Recurring Basis*

June 30, 2021 (In Thousands)	Carrying Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Assets				
Residential loans	\$ 5,742,565	\$ —	\$ —	\$ 5,742,565
Business purpose loans	4,408,889	—	—	4,408,889
Multifamily loans	485,157	—	—	485,157
Real estate securities	354,886	—	—	354,886
Servicer advance investments	184,551	—	—	184,551
MSRs	8,721	—	—	8,721
Excess MSRs	29,988	—	—	29,988
Shared home appreciation options	44,319	—	—	44,319
Derivative assets	34,305	2,368	17,746	14,191
Liabilities				
Derivative liabilities	\$ 3,240	\$ 1,561	\$ 957	\$ 722
ABS issued	7,360,766	—	—	7,360,766
December 31, 2020 (In Thousands)	Carrying Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Assets				
Residential loans	\$ 4,249,014	\$ —	\$ —	\$ 4,249,014
Business purpose loans	4,136,353	—	—	4,136,353
Multifamily loans	492,221	—	—	492,221
Real estate securities	344,125	—	—	344,125
Servicer advance investments	231,489	—	—	231,489
MSRs	8,815	—	—	8,815
Excess MSRs	34,418	—	—	34,418
Shared home appreciation options	42,440	—	—	42,440
Derivative assets	53,238	18,260	19,951	15,027
Pledged collateral	1,177	1,177	—	—
FHLBC stock	5,000	—	5,000	—
Liabilities				
Derivative liabilities	\$ 16,072	\$ 15,495	\$ —	\$ 577
ABS issued	6,900,362	—	—	6,900,362

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**Note 5. Fair Value of Financial Instruments - (continued)**

The following table presents additional information about Level 3 assets and liabilities measured at fair value on a recurring basis for the six months ended June 30, 2021.

**Table 5.3 – Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis**

(In Thousands)	Assets								
	Residential Loans	Business Purpose Loans	Multifamily Loans	Trading Securities	AFS Securities	Servicer Advance Investments	MSRs	Excess MSRs	Shared Home Appreciation Options
Beginning balance - December 31, 2020	\$ 4,249,014	\$ 4,136,353	\$ 492,221	\$ 125,667	\$ 218,458	\$ 231,489	\$ 8,815	\$ 34,418	\$ 42,440
Acquisitions	6,684,292	—	—	26,367	1,600	—	2,283	—	—
Originations	—	913,704	—	—	—	—	—	—	—
Sales	(4,531,811)	(9,231)	—	(31,949)	(4,785)	—	—	—	—
Principal paydowns	(727,627)	(599,889)	(3,806)	(807)	(28,979)	(45,838)	—	—	(5,516)
Gains (losses) in net income (loss), net	70,184	(17,835)	(3,258)	23,147	14,172	(1,100)	(2,251)	(4,430)	7,395
Unrealized losses in OCI, net	—	—	—	—	11,995	—	—	—	—
Other settlements, net <sup>(1)</sup>	(1,487)	(14,213)	—	—	—	—	(126)	—	—
<b>Ending balance - June 30, 2021</b>	<b>\$ 5,742,565</b>	<b>\$ 4,408,889</b>	<b>\$ 485,157</b>	<b>\$ 142,425</b>	<b>\$ 212,461</b>	<b>\$ 184,551</b>	<b>\$ 8,721</b>	<b>\$ 29,988</b>	<b>\$ 44,319</b>

**Table 5.3 – Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis (continued)**

(In Thousands)	Liabilities	
	Derivatives <sup>(2)</sup>	ABS Issued
Beginning balance - December 31, 2020	\$ 14,450	\$ 6,900,362
Acquisitions	—	1,629,218
Principal paydowns	—	(1,055,541)
Gains (losses) in net income (loss), net	(197)	(113,273)
Other settlements, net <sup>(1)</sup>	(784)	—
<b>Ending balance - June 30, 2021</b>	<b>\$ 13,469</b>	<b>\$ 7,360,766</b>

(1) Other settlements, net for residential and business purpose loans represents the transfer of loans to REO, and for derivatives, the settlement of forward sale commitments and the transfer of the fair value of loan purchase or interest rate lock commitments at the time loans are acquired to the basis of residential and single-family rental loans.

(2) For the purpose of this presentation, derivative assets and liabilities, which consist of loan purchase commitments and interest rate lock commitments, are presented on a net basis.

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**Note 5. Fair Value of Financial Instruments - (continued)**

The following table presents the portion of gains or losses included in our consolidated statements of income (loss) that were attributable to Level 3 assets and liabilities recorded at fair value on a recurring basis and held at June 30, 2021 and 2020. Gains or losses incurred on assets or liabilities sold, matured, called, or fully written down during the three and six months ended June 30, 2021 and 2020 are not included in this presentation.

**Table 5.4 – Portion of Net Gains (Losses) Attributable to Level 3 Assets and Liabilities Still Held at June 30, 2021 and 2020 Included in Net Income**

(In Thousands)	Included in Net Income			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Assets</b>				
Residential loans at Redwood	\$ 14,130	\$ (359)	\$ 10,481	\$ (746)
Business purpose loans	28,404	31,187	40,003	(21,026)
Net investments in consolidated Sequoia entities <sup>(1)</sup>	4,693	39,558	8,893	(30,502)
Net investments in consolidated Freddie Mac SLST entities <sup>(1)</sup>	36,137	26,867	40,225	(115,295)
Net investments in consolidated Freddie Mac K-Series entity <sup>(1)</sup>	1,855	1,599	10,776	(13,180)
Net investments in consolidated CAFL entities <sup>(1)</sup>	2,908	17,125	2,556	(50,721)
Trading securities	1,772	30,647	2,262	(79,633)
Servicer advance investments	(940)	(136)	(1,100)	(6,198)
MSRs	(330)	(1,591)	273	(16,507)
Excess MSRs	(2,477)	2,971	(4,430)	(6,523)
Shared home appreciation options	2,080	884	7,395	(6,670)
Loan purchase and interest rate lock commitments	14,550	357	14,171	357
<b>Liabilities</b>				
Loan purchase commitments	\$ (696)	\$ 2,137	\$ (724)	\$ (1,634)

(1) Represents the portion of net gains or losses included in our consolidated statements of income (loss) related to loans and the associated ABS issued at our consolidated securitization entities held at June 30, 2021 and 2020, which netted together represent the change in value of our investments at the consolidated VIEs, excluding REO.

The following table presents information on assets recorded at fair value on a non-recurring basis at June 30, 2021. This table does not include the carrying value and gains or losses associated with the asset types below that were not recorded at fair value on our consolidated balance sheets at June 30, 2021.

**Table 5.5 – Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis at June 30, 2021**

June 30, 2021 (In Thousands)	Carrying Value	Fair Value Measurements Using			Gain (Loss) for	
					Three Months Ended	Six Months Ended
		Level 1	Level 2	Level 3	June 30, 2021	June 30, 2021
Assets						
REO	\$ 1,233	\$ —	\$ —	\$ 1,233	\$ (3)	\$ (7)

The following table presents the net market valuation gains and losses recorded in each line item of our consolidated statements of income for the three and six months ended June 30, 2021 and 2020.

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**Note 5. Fair Value of Financial Instruments - (continued)**

*Table 5.6 – Market Valuation Gains and Losses, Net*

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Mortgage Banking Activities, Net</b>				
Residential loans held-for-sale, at fair value	\$ 24,988	\$ (2,014)	\$ 48,100	\$ (15,494)
Residential loan purchase and forward sale commitments	51,919	621	(466)	22,056
Single-family rental loans held-for-sale, at fair value	25,222	1,210	35,470	12,677
Single-family rental loan purchase and interest rate lock commitments	744	—	744	341
Bridge loans	2,225	(1,260)	3,269	(5,194)
Trading securities <sup>(1)</sup>	(1,095)	—	(374)	—
Risk management derivatives, net	(58,244)	—	34,578	(52,832)
<b>Total mortgage banking activities, net <sup>(2)</sup></b>	<b>\$ 45,759</b>	<b>\$ (1,443)</b>	<b>\$ 121,321</b>	<b>\$ (38,446)</b>
<b>Investment Fair Value Changes, Net</b>				
Residential loans at Redwood	\$ 1,290	\$ 104	\$ 1,607	\$ (93,532)
Single-family rental loans held-for-investment	—	2,222	—	(20,806)
Bridge loans held-for-investment	(62)	21,774	3,242	(16,828)
Trading securities	2,893	42,246	23,521	(221,079)
Servicer advance investments	(940)	(136)	(1,100)	(6,198)
Excess MSRs	(2,477)	2,971	(4,430)	(6,523)
Net investments in Legacy Sequoia entities <sup>(3)</sup>	(216)	(230)	(915)	(621)
Net investments in Sequoia entities <sup>(3)</sup>	4,906	39,753	9,804	(29,916)
Net investments in Freddie Mac SLST entities <sup>(3)</sup>	36,316	26,867	40,433	(115,295)
Net investment in Freddie Mac K-Series entity <sup>(3)</sup>	1,855	1,599	10,776	(84,910)
Net investments in CAFL entities <sup>(3)</sup>	3,697	17,125	3,411	(50,721)
Shared home appreciation options	2,080	884	7,395	(6,670)
Other investments	125	(3,005)	435	(4,892)
Risk management derivatives, net	—	—	—	(59,142)
Credit recoveries (losses) on AFS securities	13	54	388	(1,471)
<b>Total investment fair value changes, net</b>	<b>\$ 49,480</b>	<b>\$ 152,228</b>	<b>\$ 94,567</b>	<b>\$ (718,604)</b>
<b>Other Income</b>				
MSRs	\$ (1,381)	\$ (3,955)	\$ (2,247)	\$ (22,563)
Risk management derivatives, net	—	—	—	13,966
<b>Total other income <sup>(4)</sup></b>	<b>\$ (1,381)</b>	<b>\$ (3,955)</b>	<b>\$ (2,247)</b>	<b>\$ (8,597)</b>
<b>Total Market Valuation Gains (Losses), Net</b>	<b>\$ 93,858</b>	<b>\$ 146,830</b>	<b>\$ 213,641</b>	<b>\$ (765,647)</b>

(1) Represents fair value changes on trading securities that are being used along with risk management derivatives to manage the mark-to-market risks associated with our residential mortgage banking operations.

(2) Mortgage banking activities, net presented above does not include fee income from loan originations or acquisitions, provisions for repurchases expense, and other expenses that are components of Mortgage banking activities, net presented on our consolidated statements of income (loss), as these amounts do not represent market valuation changes.

(3) Includes changes in fair value of the residential loans held-for-investment, REO and the ABS issued at the entities, which netted together represent the change in value of our investments at the consolidated VIEs.

(4) Other income presented above does not include net MSR fee income or provisions for repurchases for MSRs, as these amounts do not represent market valuation adjustments.

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**Note 5. Fair Value of Financial Instruments - (continued)**

At June 30, 2021, our valuation policy and processes had not changed from those described in our Annual Report on Form 10-K for the year ended December 31, 2020. The following table provides quantitative information about the significant unobservable inputs used in the valuation of our Level 3 assets and liabilities measured at fair value.

**Table 5.7 – Fair Value Methodology for Level 3 Financial Instruments**

<b>June 30, 2021</b>		<b>Input Values</b>		
<b>(Dollars in Thousands, except Input Values)</b>	<b>Fair Value</b>	<b>Unobservable Input</b>	<b>Range</b>	<b>Weighted Average<sup>(1)</sup></b>
<b>Assets</b>				
<b>Residential loans, at fair value:</b>				
Jumbo fixed-rate loans	\$ 232,343	Prepayment rate (annual CPR)	20 - 20 %	20 %
		Whole loan spread to TBA price	\$ 2.00 - \$ 2.00	\$ 2.00
		Whole loan spread to swap rate	215 - 215 bps	215 bps
Jumbo loans committed to sell	928,170	Whole loan committed sales price	\$ 100.88 - \$ 103.03	\$ 102.38
Loans held by Legacy Sequoia <sup>(2)</sup>	260,875	Liability price	N/A	N/A
Loans held by Sequoia <sup>(2)</sup>	2,222,553	Liability price	N/A	N/A
Loans held by Freddie Mac SLST <sup>(2)</sup>	2,098,624	Liability price	N/A	N/A
<b>Business purpose loans:</b>				
Single-family rental loans	418,442	Senior credit spread	70 - 70 bps	70 bps
		Subordinate credit spread	105 - 1,531 bps	391 bps
		Senior credit support	34 - 34 %	34 %
		IO discount rate	9 - 9 %	9 %
		Prepayment rate (annual CPR)	3 - 3 %	3 %
		Non-securitizable loan dollar price	\$ 82 - \$ 102	\$ 99
Single-family rental loans held by CAFL	3,263,878	Liability price	N/A	N/A
Bridge loans	726,569	Discount rate	6 - 15 %	8 %
Multifamily loans held by Freddie Mac K-Series <sup>(2)</sup>	485,157	Liability price	N/A	N/A
Trading and AFS securities	354,886	Discount rate	2 - 31 %	7 %
		Prepayment rate (annual CPR)	8 - 62 %	28 %
		Default rate	— - 25 %	4 %
		Loss severity	— - 50 %	22 %
		CRT dollar price	\$ 95 - \$ 113	\$ 102
Servicer advance investments	184,551	Discount rate	3 - 3 %	3 %
		Prepayment rate (annual CPR)	20 - 30 %	21 %
		Expected remaining life <sup>(3)</sup>	4 - 4 years	4 years
		Mortgage servicing income	— - 15 bps	9 bps
MSRs	8,721	Discount rate	12 - 12 %	12 %
		Prepayment rate (annual CPR)	7 - 84 %	36 %
		Per loan annual cost to service	\$ 96 - \$ 96	\$ 96
Excess MSRs	29,988	Discount rate	13 - 16 %	15 %
		Prepayment rate (annual CPR)	21 - 30 %	24 %
		Excess mortgage servicing income	8 - 17 bps	11 bps

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**Note 5. Fair Value of Financial Instruments - (continued)**

**Table 5.7 – Fair Value Methodology for Level 3 Financial Instruments (continued)**  
**June 30, 2021**

June 30, 2021			Input Values			
(Dollars in Thousands, except Input Values)	Fair Value	Unobservable Input	Range		Weighted Average <sup>(1)</sup>	
Assets (continued)						
Shared home appreciation options	\$ 44,319	Discount rate	13	- 13 %	13 %	
		Prepayment rate (annual CPR)	16	- 24 %	17 %	
		Home price appreciation	3	- 4 %	3 %	
REO	1,233	Loss severity	4	- 40 %	23 %	
Residential loan purchase commitments, net	12,725	Committed sales price	\$ 102.00	- \$ 103.03	\$ 102.64	
		Pull-through rate	21	- 100 %	72 %	
		Whole loan spread to TBA price	\$ 2.00	- \$ 2.00	\$ 2.00	
		Whole loan spread to swap rate	191	- 215 bps	201 bps	
		Prepayment rate (annual CPR)	20	- 20 %	20 %	
Single-family rental interest rate lock commitments	744	Senior credit spread	70	- 70 bps	70 bps	
		Subordinate credit spread	105	- 1,531 bps	391 bps	
		Senior credit support	34	- 34 %	34 %	
		IO discount rate	10	- 11 %	10 %	
		Prepayment rate (annual CPR)	3	- 3 %	3 %	
		Pull-through rate	100	- 100 %	100 %	
Liabilities						
ABS issued <sup>(2)</sup> :						
At consolidated Sequoia entities	2,248,759	Discount rate	1	- 18 %	3 %	
		Prepayment rate (annual CPR)	7	- 51 %	33 %	
		Default rate	—	- 39 %	2 %	
		Loss severity	25	- 50 %	32 %	
At consolidated CAFL entities <sup>(4)</sup>	3,007,596	Discount rate	1	- 13 %	3 %	
		Prepayment rate (annual CPR)	3	- 3 %	3 %	
		Default rate	3	- 18 %	9 %	
		Loss severity	30	- 30 %	30 %	
At consolidated Freddie Mac SLST entities	1,650,087	Discount rate	2	- 7 %	3 %	
		Prepayment rate (annual CPR)	6	- 8 %	6 %	
		Default rate	9	- 10 %	9 %	
		Loss severity	35	- 35 %	35 %	
At consolidated Freddie Mac K-Series entities <sup>(4)</sup>	454,324	Discount rate	1	- 9 %	2 %	

(1) The weighted average input values for all loan types are based on the unpaid principal balance. The weighted average input values for all other assets and liabilities are based on relative fair value.

(2) The fair value of the loans held by consolidated entities was based on the fair value of the ABS issued by these entities, including securities we own, which we determined were more readily observable, in accordance with accounting guidance for collateralized financing entities. At June 30, 2021, the fair value of securities we owned at the consolidated Sequoia, CAFL, Freddie Mac SLST, and Freddie Mac K-Series entities was \$235 million, \$268 million, \$450 million, and \$31 million, respectively.

(3) Represents the estimated average duration of outstanding servicer advances at a given point in time (not taking into account new advances made with respect to the pool).

(4) As a market convention, certain securities are priced to a no-loss yield and therefore do not include default and loss severity assumptions.

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**Note 5. Fair Value of Financial Instruments - (continued)**

***Determination of Fair Value***

We generally use both market comparable information and discounted cash flow modeling techniques to determine the fair value of our Level 3 assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated in the preceding table. Accordingly, a significant increase or decrease in any of these inputs - such as anticipated credit losses, prepayment rates, interest rates, or other valuation assumptions - in isolation would likely result in a significantly lower or higher fair value measurement.

Included in *Note 5* to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2020 is a more detailed description of our financial instruments measured at fair value and their significant inputs, as well as the general classification of such instruments pursuant to the Level 1, Level 2, and Level 3 valuation hierarchy.

**Note 6. Residential Loans**

We acquire residential loans from third-party originators and may sell or securitize these loans or hold them for investment. The following table summarizes the classifications and carrying values of the residential loans owned at Redwood and at consolidated Sequoia and Freddie Mac SLST entities at June 30, 2021 and December 31, 2020.

***Table 6.1 – Classifications and Carrying Values of Residential Loans***

<b>June 30, 2021</b> <b>(In Thousands)</b>	<b>Redwood</b>	<b>Legacy Sequoia</b>	<b>Sequoia</b>	<b>Freddie Mac SLST</b>	<b>Total</b>
Held-for-sale at fair value	\$ 1,160,548	\$ —	\$ —	\$ —	\$ 1,160,548
Held-for-investment at fair value	—	260,875	2,222,553	2,098,624	4,582,052
<b>Total Residential Loans</b>	<b>\$ 1,160,548</b>	<b>\$ 260,875</b>	<b>\$ 2,222,553</b>	<b>\$ 2,098,624</b>	<b>\$ 5,742,600</b>
<b>December 31, 2020</b> <b>(In Thousands)</b>	<b>Redwood</b>	<b>Legacy Sequoia</b>	<b>Sequoia</b>	<b>Freddie Mac SLST</b>	<b>Total</b>
Held-for-sale at fair value	\$ 176,641	\$ —	\$ —	\$ —	\$ 176,641
Held-for-investment at fair value	—	285,935	1,565,322	2,221,153	4,072,410
<b>Total Residential Loans</b>	<b>\$ 176,641</b>	<b>\$ 285,935</b>	<b>\$ 1,565,322</b>	<b>\$ 2,221,153</b>	<b>\$ 4,249,051</b>

At June 30, 2021, we owned mortgage servicing rights associated with \$1.10 billion (principal balance) of residential loans owned at Redwood that were purchased from third-party originators. The value of these MSRs is included in the carrying value of the associated loans on our consolidated balance sheets. We contract with licensed sub-servicers that perform servicing functions for these loans.



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**Note 6. Residential Loans - (continued)**

***Residential Loans Held-for-Sale***

*At Fair Value*

The following table summarizes the characteristics of residential loans held-for-sale at June 30, 2021 and December 31, 2020.

**Table 6.2 – Characteristics of Residential Loans Held-for-Sale**

<b>(Dollars in Thousands)</b>	<b>June 30, 2021</b>		<b>December 31, 2020</b>	
Number of loans		1,316		198
Unpaid principal balance	\$	1,135,356	\$	172,748
Fair value of loans	\$	1,160,548	\$	176,641
Market value of loans pledged as collateral under short-term borrowing agreements	\$	1,152,267	\$	156,355
<b>Delinquency information</b>				
Number of loans with 90+ day delinquencies		2		1
Unpaid principal balance of loans with 90+ day delinquencies	\$	2,100	\$	1,882
Fair value of loans with 90+ day delinquencies	\$	1,397	\$	1,223
Number of loans in foreclosure		—		—

The following table provides the activity of residential loans held-for-sale during the three and six months ended June 30, 2021 and 2020.

**Table 6.3 – Activity of Residential Loans Held-for-Sale**

<b>(In Thousands)</b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Principal balance of loans acquired	\$ 3,484,633	\$ 57,743	\$ 6,580,681	\$ 2,687,651
Principal balance of loans sold	3,324,919	2,280,076	5,600,751	4,936,795
Net market valuation gains (losses) recorded <sup>(1)</sup>	26,278	(2,014)	49,707	(15,494)

(1) Net market valuation gains (losses) on residential loans held-for-sale are recorded primarily through Mortgage banking activities, net on our consolidated statements of income (loss).

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**Note 6. Residential Loans - (continued)**

***Residential Loans Held-for-Investment at Fair Value***

We invest in residential subordinate securities issued by Legacy Sequoia, Sequoia, and Freddie Mac SLST securitization trusts and consolidate the underlying residential loans owned by these entities for financial reporting purposes in accordance with GAAP. The following tables summarize the characteristics of the residential loans owned at consolidated Sequoia and Freddie Mac SLST entities at June 30, 2021 and December 31, 2020.

**Table 6.4 – Characteristics of Residential Loans Held-for-Investment**

<b>June 30, 2021</b> <b>(Dollars in Thousands)</b>	<b>Legacy Sequoia</b>	<b>Sequoia</b>	<b>Freddie Mac SLST</b>
Number of loans	1,733	2,775	12,902
Unpaid principal balance	\$ 295,368	\$ 2,193,269	\$ 2,107,256
Fair value of loans	\$ 260,875	\$ 2,222,553	\$ 2,098,624

**Delinquency information**

Number of loans with 90+ day delinquencies <sup>(1)</sup>	43	48	1,446
Unpaid principal balance of loans with 90+ day delinquencies	\$ 14,878	\$ 38,502	\$ 261,504
Fair value of loans with 90+ day delinquencies <sup>(2)</sup>	N/A	N/A	N/A
Number of loans in foreclosure	18	3	308
Unpaid principal balance of loans in foreclosure	\$ 3,830	\$ 2,257	\$ 51,191

<b>December 31, 2020</b> <b>(Dollars in Thousands)</b>	<b>Legacy Sequoia</b>	<b>Sequoia</b>	<b>Freddie Mac SLST</b>
Number of loans	1,908	2,177	13,605
Unpaid principal balance	\$ 333,474	\$ 1,550,454	\$ 2,247,771
Fair value of loans	\$ 285,935	\$ 1,565,322	\$ 2,221,153

**Delinquency information**

Number of loans with 90+ day delinquencies <sup>(1)</sup>	52	94	2,110
Unpaid principal balance of loans with 90+ day delinquencies	\$ 17,285	\$ 74,742	\$ 389,245
Fair value of loans with 90+ day delinquencies <sup>(2)</sup>	N/A	N/A	N/A
Number of loans in foreclosure	21	3	245
Unpaid principal balance of loans in foreclosure	\$ 4,939	\$ 2,251	\$ 38,610

(1) For loans held at consolidated entities, the number of loans greater than 90 days delinquent includes loans in foreclosure.

(2) The fair value of the loans held by consolidated entities was based on the fair value of the ABS issued by these entities, including securities we own, which we determined were more readily observable, in accordance with accounting guidance for collateralized financing entities.

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
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**Note 6. Residential Loans - (continued)**

The following table provides the activity of residential loans held-for-investment at Redwood during the three and six months ended June 30, 2021 and 2020.

**Table 6.5 – Activity of Residential Loans Held-for-Investment at Redwood**

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Fair value of loans transferred from HFS to HFI	\$ —	\$ —	\$ —	\$ 13,258
Fair value of loans transferred from HFI to HFS	—	—	—	1,870,986
Net market valuation gains (losses) recorded <sup>(1)</sup>	—	104	—	(93,532)

(1) Subsequent to the transfer of these loans to our investment portfolio, net market valuation gains (losses) on residential loans held-for-investment at Redwood are recorded through Investment fair value changes, net on our consolidated statements of income (loss).

The following table provides the activity of residential loans held-for-investment at consolidated entities during the three and six months ended June 30, 2021 and 2020.

**Table 6.6 – Activity of Residential Loans Held-for-Investment at Consolidated Entities**

(In Thousands)	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
	Legacy Sequoia	Sequoia	Freddie Mac SLST	Legacy Sequoia	Sequoia	Freddie Mac SLST
Fair value of loans transferred from HFS to HFI	N/A	\$ 1,205,494	N/A	N/A	\$ 270,506	N/A
Net market valuation gains (losses) recorded <sup>(1)</sup>	4,863	(12,835)	22,579	8,081	93,932	48,587

  

(In Thousands)	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
	Legacy Sequoia	Sequoia	Freddie Mac SLST	Legacy Sequoia	Sequoia	Freddie Mac SLST
Fair value of loans transferred from HFS to HFI	N/A	\$ 1,205,494	N/A	N/A	\$ 270,506	N/A
Net market valuation gains (losses) recorded <sup>(1)</sup>	12,476	(15,413)	19,014	(60,933)	(16,553)	(144,433)

(1) Represents the transfer of loans from held-for-sale to held-for-investment associated with Sequoia securitizations.

(2) For loans held at our consolidated Legacy Sequoia, Sequoia, and Freddie Mac SLST entities, market value changes are based on the estimated fair value of the associated ABS issued, pursuant to collateralized financing entity guidelines. The net impact to our income statement associated with our economic investments in these securitization entities is presented in Table 4.2.

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**Note 7. Business Purpose Loans**

We originate and invest in business purpose loans, including single-family rental ("SFR") loans and bridge loans. The following table summarizes the classifications and carrying values of the business purpose loans owned at Redwood and at consolidated CAFL entities at June 30, 2021 and December 31, 2020.

**Table 7.1 – Classifications and Carrying Values of Business Purpose Loans**

<b>June 30, 2021</b> <b>(In Thousands)</b>	<b>Single-Family Rental</b>		<b>Residential</b>		<b>Total</b>
	<b>Redwood</b>	<b>CAFL</b>	<b>Bridge</b>		
Held-for-sale at fair value	\$ 418,442	—	\$ —		\$ 418,442
Held-for-investment at fair value	—	3,263,878	726,569		3,990,447
<b>Total Business Purpose Loans</b>	<b>\$ 418,442</b>	<b>\$ 3,263,878</b>	<b>\$ 726,569</b>		<b>\$ 4,408,889</b>

  

<b>December 31, 2020</b> <b>(In Thousands)</b>	<b>Single-Family Rental</b>		<b>Residential</b>		<b>Total</b>
	<b>Redwood</b>	<b>CAFL</b>	<b>Bridge</b>		
Held-for-sale at fair value	\$ 245,394	—	\$ —		\$ 245,394
Held-for-investment at fair value	—	3,249,194	641,765		3,890,959
<b>Total Business Purpose Loans</b>	<b>\$ 245,394</b>	<b>\$ 3,249,194</b>	<b>\$ 641,765</b>		<b>\$ 4,136,353</b>

The following table provides the activity of business purpose loans at Redwood during the three and six months ended June 30, 2021 and 2020.

**Table 7.2 – Activity of Business Purpose Loans at Redwood**

<b>(In Thousands)</b>	<b>Three Months Ended</b> <b>June 30, 2021</b>		<b>Three Months Ended</b> <b>June 30, 2020</b>	
	<b>SFR at Redwood</b>	<b>Bridge</b>	<b>SFR at Redwood</b>	<b>Bridge</b>
Principal balance of loans originated	\$ 312,217	\$ 215,160	\$ 175,876	\$ 58,468
Principal balance of loans sold to third parties	—	354	—	1,558
Fair value of loans transferred from HFS to HFI <sup>(1)</sup>	297,301	N/A	220,923	N/A
Fair value of loans transferred from HFI to HFS <sup>(2)</sup>	44,922	—	—	—
Mortgage banking activities income (loss) recorded <sup>(3)</sup>	25,222	978	1,210	(3,277)
Investment fair value changes recorded <sup>(4)</sup>	—	(62)	2,222	21,774

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**Note 7. Business Purpose Loans - (continued)**

(In Thousands)	Six Months Ended June 30, 2021		Six Months Ended June 30, 2020	
	SFR at Redwood	Bridge	SFR at Redwood	Bridge
Principal balance of loans originated	\$ 565,315	\$ 348,389	\$ 436,005	\$ 285,836
Principal balance of loans sold to third parties	—	9,231	26,148	22,293
Fair value of loans transferred from HFS to HFI <sup>(1)</sup>	466,705	N/A	599,032	N/A
Fair value of loans transferred from HFI to HFS <sup>(2)</sup>	44,922	—	—	—
Mortgage banking activities income (loss) recorded <sup>(3)</sup>	35,470	1,521	11,540	(3,441)
Investment fair value changes recorded <sup>(4)</sup>	—	3,242	(20,806)	(16,828)

(1) Represents the transfer of single-family rental loans from held-for-sale to held-for-investment associated with CAFL securitizations.

(2) Represents the transfer of single-family rental loans from held-for-investment to held-for-sale associated with the call of a consolidated CAFL securitization during the second quarter of 2021.

(3) Represents net market valuation changes from the time a loan is originated to when it is sold or transferred to our investment portfolio. Additionally, for the three and six months ended June 30, 2021, we recorded loan origination fee income of \$7 million and \$13 million, respectively, through Mortgage banking activities, net on our consolidated statements of income (loss). For the three and six months ended June 30, 2020, we recorded loan origination fee income of \$2 million and \$11 million, respectively, through Mortgage banking activities, net on our consolidated statements of income (loss).

(4) Represents net market valuation changes for loans classified as held-for-investment.

*Bridge Loans Held-for-Investment*

The outstanding bridge loans held-for-investment at June 30, 2021 were first lien, interest-only loans with original maturities of six to 24 months and were comprised of 63% one-month LIBOR-indexed adjustable-rate loans and 37% fixed-rate loans. During the six months ended June 30, 2021, we transferred four loans with a fair value of \$2 million to REO, which is included in Other assets on our consolidated balance sheets. At June 30, 2021, we had a \$374 million commitment to fund bridge loans. See *Note 16* for additional information on this commitment.

*Single-Family Rental Loans Held-for-Investment at CAFL*

We invest in securities issued by CAFL securitizations sponsored by CoreVest and consolidate the underlying single-family rental loans owned by these entities. The outstanding single-family rental loans held-for-investment at CAFL at June 30, 2021 were first-lien, fixed-rate loans with original maturities of five, seven, or ten years. During the six months ended June 30, 2021, we transferred two CAFL loans with a fair value of \$12 million to REO, which is included in Other assets on our consolidated balance sheets. The following table provides the activity of single-family rental loans held-for-investment at CAFL during the three and six months ended June 30, 2021 and 2020.

**Table 7.3 – Activity of Single-Family Rental Loans Held-for-Investment at CAFL**

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net market valuation gains (losses) recorded <sup>(1)</sup>	\$ (1,230)	\$ 169,327	\$ (62,132)	\$ (102,590)

(1) For loans held at our consolidated CAFL entities, market value changes are based on the estimated fair value of the associated ABS issued, including securities we own, pursuant to collateralized financing entity guidelines. The net impact to our income statement associated with our economic investments in these securitization entities is presented in Table 4.2.

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**Note 7. Business Purpose Loans - (continued)**

***Business Purpose Loan Characteristics***

The following tables summarize the characteristics of the business purpose loans owned at Redwood and at consolidated CAFL entities at June 30, 2021 and December 31, 2020.

**Table 7.4 – Characteristics of Business Purpose Loans**

<b>June 30, 2021</b> <b>(Dollars in Thousands)</b>	<b>Single-Family Rental at Redwood</b>	<b>Single-Family Rental at CAFL</b>	<b>Bridge</b>
Number of loans	112	1,121	2,471
Unpaid principal balance	\$ 399,900	\$ 3,060,949	\$ 729,149
Fair value of loans	\$ 418,442	\$ 3,263,878	\$ 726,569
Weighted average coupon	4.84 %	5.34 %	7.63 %
Weighted average remaining loan term (years)	7	5	1
Market value of loans pledged as collateral under short-term debt facilities	\$ 122,277	N/A	\$ 127,133
Market value of loans pledged as collateral under long-term debt facilities	\$ 246,903	N/A	\$ 555,791

**Delinquency information**

Number of loans with 90+ day delinquencies <sup>(1)</sup>	9	21	40
Unpaid principal balance of loans with 90+ day delinquencies	\$ 6,586	\$ 59,841	\$ 35,018
Fair value of loans with 90+ day delinquencies <sup>(2)</sup>	\$ 5,369	N/A	\$ 31,512
Number of loans in foreclosure	7	10	43
Unpaid principal balance of loans in foreclosure	\$ 5,976	\$ 24,212	\$ 32,611
Fair value of loans in foreclosure <sup>(2)</sup>	\$ 4,798	N/A	\$ 28,963

**December 31, 2020**

<b>(Dollars in Thousands)</b>	<b>Single-Family Rental at Redwood</b>	<b>Single-Family Rental at CAFL</b>	<b>Bridge</b>
Number of loans	65	1,094	1,725
Unpaid principal balance	\$ 234,475	\$ 3,017,137	\$ 649,532
Fair value of loans	\$ 245,394	\$ 3,249,194	\$ 641,765
Weighted average coupon	4.84 %	5.44 %	8.09 %
Weighted average remaining loan term (years)	8	5	1
Market value of loans pledged as collateral under short-term debt facilities	\$ 34,098	N/A	\$ 92,931
Market value of loans pledged as collateral under long-term debt facilities	\$ 154,774	N/A	\$ 544,151

**Delinquency information**

Number of loans with 90+ day delinquencies <sup>(1)</sup>	10	22	31
Unpaid principal balance of loans with 90+ day delinquencies	\$ 7,127	\$ 61,440	\$ 39,415
Fair value of loans with 90+ day delinquencies <sup>(2)</sup>	\$ 6,143	N/A	\$ 33,605
Number of loans in foreclosure	—	10	25
Unpaid principal balance of loans in foreclosure	\$ —	\$ 24,745	\$ 38,552
Fair value of loans in foreclosure <sup>(2)</sup>	\$ —	N/A	\$ 33,066

(1) The number of loans greater than 90 days delinquent includes loans in foreclosure.

(2) The fair value of the loans held by consolidated entities was based on the fair value of the ABS issued by these entities, including securities we own, which we determined were more readily observable, in accordance with accounting guidance for collateralized financing entities.

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**Note 8. Multifamily Loans**

We invest in multifamily subordinate securities issued by a Freddie Mac K-Series securitization trust and consolidate the underlying multifamily loans owned by this entity for financial reporting purposes in accordance with GAAP. The following table summarizes the characteristics of the multifamily loans consolidated at Redwood at June 30, 2021 and December 31, 2020.

**Table 8.1 – Characteristics of Multifamily Loans**

(Dollars in Thousands)	June 30, 2021	December 31, 2020
Number of loans	28	28
Unpaid principal balance	\$ 459,002	\$ 462,808
Fair value of loans	\$ 485,157	\$ 492,221
Weighted average coupon	4.25 %	4.25 %
Weighted average remaining loan term (years)	4	5
<b>Delinquency information</b>		
Number of loans with 90+ day delinquencies	—	—
Number of loans in foreclosure	—	—

The outstanding multifamily loans held-for-investment at the consolidated Freddie Mac K-Series entity at June 30, 2021 were first-lien, fixed-rate loans that were originated in 2015. The following table provides the activity of multifamily loans held-for-investment during the three and six months ended June 30, 2021 and 2020.

**Table 8.2 – Activity of Multifamily Loans Held-for-Investment**

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net market valuation gains (losses) recorded <sup>(1)</sup>	\$ (2,528)	\$ 18,591	\$ (3,258)	\$ (63,840)

(1) Net market valuation gains (losses) on multifamily loans held-for-investment are recorded through Investment fair value changes, net on our consolidated statements of income (loss). For loans held at our consolidated Freddie Mac K-Series entity, market value changes are based on the estimated fair value of the associated ABS issued, including securities we own, pursuant to collateralized financing entity guidelines. The net impact to our income statement associated with our economic investment in these securitization entities is presented in Table 4.2.

**Note 9. Real Estate Securities**

We invest in real estate securities that we create and retain from our Sequoia securitizations or acquire from third parties. The following table presents the fair values of our real estate securities by type at June 30, 2021 and December 31, 2020.

**Table 9.1 – Fair Values of Real Estate Securities by Type**

(In Thousands)	June 30, 2021	December 31, 2020
Trading	\$ 142,425	\$ 125,667
Available-for-sale	212,461	218,458
<b>Total Real Estate Securities</b>	<b>\$ 354,886</b>	<b>\$ 344,125</b>

Our real estate securities include mortgage-backed securities, which are presented in accordance with their general position within a securitization structure based on their rights to cash flows. Senior securities are those interests in a securitization that generally have the first right to cash flows and are last in line to absorb losses. Mezzanine securities are interests that are generally subordinate to senior securities in their rights to receive cash flows, and have subordinate securities below them that are first to absorb losses. Subordinate securities are all interests below mezzanine. Exclusive of our re-performing loan securities, nearly all of our residential securities are supported by collateral that was designated as prime at the time of issuance.

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**Note 9. Real Estate Securities - (continued)**

**Trading Securities**

We elected the fair value option for certain securities and classify them as trading securities. Our trading securities include both residential and multifamily mortgage-backed securities, and our residential securities also include securities backed by re-performing loans ("RPL"). The following table presents the fair value of trading securities by position and collateral type at June 30, 2021 and December 31, 2020.

**Table 9.2 – Fair Value of Trading Securities by Position**

(In Thousands)	June 30, 2021	December 31, 2020
<b>Senior</b>		
Interest-only securities <sup>(1)</sup>	\$ 25,267	\$ 28,464
<b>Total Senior</b>	25,267	28,464
<b>Mezzanine</b>		
Sequoia securities	—	3,649
<b>Total Mezzanine</b>	—	3,649
<b>Subordinate</b>		
RPL securities	60,887	47,448
Multifamily securities	8,266	5,592
Other third-party residential securities	48,005	40,514
<b>Total Subordinate</b>	117,158	93,554
<b>Total Trading Securities</b>	\$ 142,425	\$ 125,667

(1) Includes \$17 million and \$13 million of Sequoia certificated mortgage servicing rights at June 30, 2021 and December 31, 2020, respectively.

The following table presents the unpaid principal balance of trading securities by position and collateral type at June 30, 2021 and December 31, 2020.

**Table 9.3 – Unpaid Principal Balance of Trading Securities by Position**

(In Thousands)	June 30, 2021	December 31, 2020
Senior <sup>(1)</sup>	\$ —	\$ —
Mezzanine	—	3,577
Subordinate	208,381	242,278
<b>Total Trading Securities</b>	\$ 208,381	\$ 245,855

(1) Our senior trading securities include interest-only securities, for which there is no principal balance.

The following table provides the activity of trading securities during the three and six months ended June 30, 2021 and 2020.

**Table 9.4 – Trading Securities Activity**

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Principal balance of securities acquired	\$ 1,750	\$ 10,250	\$ 17,630	\$ 66,721
Principal balance of securities sold	18,068	85,747	52,811	704,614
Net market valuation gains (losses) recorded <sup>(1)</sup>	1,798	42,246	23,147	(221,079)

(1) Net market valuation gains (losses) on trading securities are recorded through Investment fair value changes, net and Mortgage banking activities, net on our consolidated statements of income (loss).



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**Note 9. Real Estate Securities - (continued)**

**AFS Securities**

The following table presents the fair value of our available-for-sale securities by position and collateral type at June 30, 2021 and December 31, 2020.

**Table 9.5 – Fair Value of Available-for-Sale Securities by Position**

(In Thousands)	June 30, 2021	December 31, 2020
<b>Mezzanine</b>		
Other third-party residential securities	\$ —	\$ 2,014
<b>Total Mezzanine</b>	—	2,014
<b>Subordinate</b>		
Sequoia securities	140,321	136,475
Multifamily securities	34,213	43,663
Other third-party residential securities	37,927	36,306
<b>Total Subordinate</b>	212,461	216,444
<b>Total AFS Securities</b>	\$ 212,461	\$ 218,458

The following table provides the activity of available-for-sale securities during the three and six months ended June 30, 2021 and 2020.

**Table 9.6 – Available-for-Sale Securities Activity**

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Fair value of securities acquired	\$ 522	\$ —	\$ 1,600	\$ 31,181
Fair value of securities sold	2,585	8,736	4,785	55,193
Net realized gains recorded	1,307	783	1,507	4,635

During the three months ended June 30, 2021, we called three of our unconsolidated Sequoia entities, and purchased \$83 million (unpaid principal balance) of loans from the securitization trusts. In association with these calls, we realized a \$7 million gain on the securities we owned from these securitizations, which was recognized through Realized gains, net on our consolidated statements of income (loss). During the six months ended June 30, 2021, we called four of our unconsolidated Sequoia entities, and purchased \$101 million (unpaid principal balance) of loans from the securitization trusts. In association with these calls, we realized a \$9 million gain on the securities we owned from these securitizations, which was recognized through Realized gains, net on our consolidated statements of income (loss).

We often purchase AFS securities at a discount to their outstanding principal balances. To the extent we purchase an AFS security that has a likelihood of incurring a loss, we do not amortize into income the portion of the purchase discount that we do not expect to collect due to the inherent credit risk of the security. We may also expense a portion of our investment in the security to the extent we believe that principal losses will exceed the purchase discount. We designate any amount of unpaid principal balance that we do not expect to receive and thus do not expect to earn or recover as a credit reserve on the security. Any remaining net unamortized discounts or premiums on the security are amortized into income over time using the effective yield method.

At June 30, 2021, we had \$31 million of AFS securities with contractual maturities less than five years, \$4 million with contractual maturities greater than five years but less than ten years, and the remainder of our AFS securities had contractual maturities greater than ten years.

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
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**Note 9. Real Estate Securities - (continued)**

The following table presents the components of carrying value (which equals fair value) of AFS securities at June 30, 2021 and December 31, 2020.

**Table 9.7 – Carrying Value of AFS Securities**

<b>June 30, 2021</b>			
<b>(In Thousands)</b>			
	<b>Mezzanine</b>	<b>Subordinate</b>	<b>Total</b>
Principal balance	\$ —	\$ 254,784	\$ 254,784
Credit reserve	—	(40,349)	(40,349)
Unamortized discount, net	—	(90,216)	(90,216)
Amortized cost	—	124,219	124,219
Gross unrealized gains	—	88,321	88,321
Gross unrealized losses	—	(79)	(79)
CECL allowance	—	—	—
<b>Carrying Value</b>	<b>\$ —</b>	<b>\$ 212,461</b>	<b>\$ 212,461</b>

  

<b>December 31, 2020</b>			
<b>(In Thousands)</b>			
	<b>Mezzanine</b>	<b>Subordinate</b>	<b>Total</b>
Principal balance	\$ 2,000	\$ 281,284	\$ 283,284
Credit reserve	—	(44,967)	(44,967)
Unamortized discount, net	—	(95,718)	(95,718)
Amortized cost	2,000	140,599	142,599
Gross unrealized gains	14	77,280	77,294
Gross unrealized losses	—	(1,047)	(1,047)
CECL allowance	—	(388)	(388)
<b>Carrying Value</b>	<b>\$ 2,014</b>	<b>\$ 216,444</b>	<b>\$ 218,458</b>

The following table presents the changes for the three and six months ended June 30, 2021, in unamortized discount and designated credit reserves on residential AFS securities.

**Table 9.8 – Changes in Unamortized Discount and Designated Credit Reserves on AFS Securities**

<b>(In Thousands)</b>	<b>Three Months Ended June 30, 2021</b>		<b>Six Months Ended June 30, 2021</b>	
	<b>Credit Reserve</b>	<b>Unamortized Discount, Net</b>	<b>Credit Reserve</b>	<b>Unamortized Discount, Net</b>
Beginning balance	\$ 44,947	\$ 94,188	\$ 44,967	\$ 95,718
Amortization of net discount	—	(1,569)	—	(3,183)
Realized credit losses	(112)	—	(249)	—
Acquisitions	890	368	2,825	1,208
Sales, calls, other	(718)	(7,429)	(992)	(9,729)
Transfers to (release of) credit reserves, net	(4,658)	4,658	(6,202)	6,202
<b>Ending Balance</b>	<b>\$ 40,349</b>	<b>\$ 90,216</b>	<b>\$ 40,349</b>	<b>\$ 90,216</b>

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**Note 9. Real Estate Securities - (continued)**

***AFS Securities with Unrealized Losses***

The following table presents the components comprising the total carrying value of residential AFS securities that were in a gross unrealized loss position at June 30, 2021 and December 31, 2020.

**Table 9.9 – Components of Fair Value of AFS Securities by Holding Periods**

(In Thousands)	Less Than 12 Consecutive Months			12 Consecutive Months or Longer		
	Amortized Cost	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Losses	Fair Value
June 30, 2021	\$ —	\$ —	\$ —	\$ 3,600	\$ (79)	\$ 3,521
December 31, 2020	9,129	(1,047)	7,920	—	—	—

At June 30, 2021, after giving effect to purchases, sales, and extinguishment due to credit losses, our consolidated balance sheet included 88 AFS securities, of which two were in a continuous unrealized loss position for 12 consecutive months or longer. At December 31, 2020, our consolidated balance sheet included 96 AFS securities, of which five were in an unrealized loss position and zero were in a continuous unrealized loss position for 12 consecutive months or longer.

***Evaluating AFS Securities for Credit Losses***

Gross unrealized losses on our AFS securities were \$0.1 million at June 30, 2021. We evaluate all securities in an unrealized loss position to determine if the impairment is credit-related (resulting in an allowance for credit losses recorded in earnings) or non-credit-related (resulting in an unrealized loss through other comprehensive income). At June 30, 2021, we did not intend to sell any of our AFS securities that were in an unrealized loss position, and it is more likely than not that we will not be required to sell these securities before recovery of their amortized cost basis, which may be at their maturity. We review our AFS securities that are in an unrealized loss position to identify those securities with losses based on an assessment of changes in expected cash flows for such securities, which considers recent security performance and expected future performance of the underlying collateral.

At June 30, 2021, our current expected credit loss ("CECL") allowance related to our AFS securities was zero. AFS securities for which an allowance is recognized have experienced, or are expected to experience, credit-related adverse cash flow changes. In determining our estimate of cash flows for AFS securities we may consider factors such as structural credit enhancement, past and expected future performance of underlying mortgage loans, including timing of expected future cash flows, which are informed by prepayment rates, default rates, loss severities, delinquency rates, percentage of non-performing loans, FICO scores at loan origination, year of origination, loan-to-value ratios, and geographic concentrations, as well as general market assessments. Changes in our evaluation of these factors impacted the cash flows expected to be collected at the assessment date and were used to determine if there were credit-related adverse cash flows and if so, the amount of credit related losses. Significant judgment is used in both our analysis of the expected cash flows for our AFS securities and any determination of security credit losses.

The table below summarizes the weighted average of the significant credit quality indicators we used for the credit loss allowance on our AFS securities at June 30, 2021.

**Table 9.10 – Significant Credit Quality Indicators**

June 30, 2021	Subordinate Securities
Default rate	0.35%
Loss severity	18%

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**Note 9. Real Estate Securities - (continued)**

The following table details the activity related to the allowance for credit losses for AFS securities for the three and six months ended June 30, 2021.

**Table 9.11 – Rollforward of Allowance for Credit Losses**

(In Thousands)	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
Beginning balance allowance for credit losses	\$ 13	\$ 388
Additions to allowance for credit losses on securities for which credit losses were not previously recorded	—	—
Additional increases (decreases) to the allowance for credit losses on securities that had an allowance recorded in a previous period	(13)	(388)
Allowance on purchased financial assets with credit deterioration	—	—
Reduction to allowance for securities sold during the period	—	—
Reduction to allowance for securities we intend to sell or more likely than not will be required to sell	—	—
Write-offs charged against allowance	—	—
Recoveries of amounts previously written off	—	—
<b>Ending balance of allowance for credit losses</b>	<b>\$ —</b>	<b>\$ —</b>

Gains and losses from the sale of AFS securities are recorded as Realized gains, net, in our consolidated statements of income (loss). The following table presents the gross realized gains and losses on sales and calls of AFS securities for the three and six months ended June 30, 2021 and 2020.

**Table 9.12 – Gross Realized Gains and Losses on AFS Securities**

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Gross realized gains - sales	\$ 1,307	\$ 1,074	\$ 1,507	\$ 8,779
Gross realized gains - calls	6,687	—	9,095	—
Gross realized losses - sales	—	(291)	—	(4,144)
<b>Total Realized Gains on Sales and Calls of AFS Securities, net</b>	<b>\$ 7,994</b>	<b>\$ 783</b>	<b>\$ 10,602</b>	<b>\$ 4,635</b>

**Note 10. Other Investments**

Other investments at June 30, 2021 and December 31, 2020 are summarized in the following table.

**Table 10.1 – Components of Other Investments**

(In Thousands)	June 30, 2021	December 31, 2020
Servicer advance investments	\$ 184,551	\$ 231,489
Shared home appreciation options	44,319	42,440
Excess MSRs	29,988	34,418
Mortgage servicing rights	8,721	8,815
Other	41,153	31,013
<b>Total Other Investments</b>	<b>\$ 308,732</b>	<b>\$ 348,175</b>

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**Note 10. Other Investments - (continued)**

*Servicer advance investments*

We and a third-party co-investor, through two partnerships (“SA Buyers”) consolidated by us, purchased the outstanding servicer advances and excess MSR related to a portfolio of legacy residential mortgage-backed securitizations serviced by the co-investor (Refer to our Annual Report on Form 10-K for the year ended December 31, 2020 for additional information regarding the transactions). At June 30, 2021, we had funded \$94 million of total capital to the SA Buyers (see *Note 16* for additional detail).

At June 30, 2021, our servicer advance investments had a carrying value of \$185 million and were associated with a portfolio of residential mortgage loans with an unpaid principal balance of \$8.03 billion. The outstanding servicer advance receivables associated with this investment were \$172 million at June 30, 2021, which were financed with short-term non-recourse securitization debt (see *Note 13* for additional detail on this debt). The servicer advance receivables were comprised of the following types of advances at June 30, 2021 and December 31, 2020.

**Table 10.2 – Components of Servicer Advance Receivables**

<b>(In Thousands)</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Principal and interest advances	\$ 80,741	\$ 110,923
Escrow advances (taxes and insurance advances)	68,534	79,279
Corporate advances	22,543	27,454
<b>Total Servicer Advance Receivables</b>	<b>\$ 171,818</b>	<b>\$ 217,656</b>

We account for our servicer advance investments at fair value and during the three and six months ended June 30, 2021, we recorded \$ million and \$5 million of interest income, respectively, through Other interest income, and recorded net market valuation losses of \$1 million for both periods through Investment fair value changes, net in our consolidated statements of income (loss). During the three and six months ended June 30, 2020, we recorded \$3 million and \$6 million of interest income, respectively, through Other interest income, and recorded net market valuation losses of \$0.1 million and \$6 million, respectively, through Investment fair value changes, net in our consolidated statements of income (loss).

*Shared Home Appreciation Options*

In 2019, we entered into a flow purchase agreement to acquire shared home appreciation options. At June 30, 2021, we had acquired \$7 million of shared home appreciation options under this flow purchase agreement. We account for these investments under the fair value option and during the three and six months ended June 30, 2021, we recorded net market valuation gains of \$2 million and \$7 million, respectively, related to these assets through Investment fair value changes, net on our consolidated statements of income (loss). During the three and six months ended June 30, 2020, we recorded a net market valuation gain of \$1 million and a net market valuation loss of \$7 million, respectively, related to these assets through Investment fair value changes, net on our consolidated statements of income (loss).

*Excess MSRs*

In association with our servicer advance investments described above, we (through our consolidated SA Buyers) invested in excess MSRs associated with the same portfolio of legacy residential mortgage-backed securitizations. Additionally, we own excess MSRs associated with specified pools of multifamily loans. We account for our excess MSRs at fair value and during the three and six months ended June 30, 2021, we recognized \$3 million and \$6 million of interest income, respectively, through Other interest income, and recorded net market valuation losses of \$2 million and \$4 million, respectively, through Investment fair value changes, net on our consolidated statements of income (loss). During the three and six months ended June 30, 2020, we recognized \$3 million and \$6 million of interest income, respectively, through Other interest income, and recorded a net market valuation gain of \$3 million and a net market valuation loss of \$7 million, respectively, through Investment fair value changes, net on our consolidated statements of income (loss).

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**Note 10. Other Investments - (continued)**

*Mortgage Servicing Rights*

We invest in mortgage servicing rights associated with residential mortgage loans and contract with licensed sub-servicers to perform all servicing functions for these loans. The majority of our investments in MSR's were made through the retention of servicing rights associated with the residential jumbo mortgage loans that we acquired and subsequently sold to third parties. During both the three and six months ended June 30, 2021, we retained \$2 million of MSR's from sales of residential loans to third parties. We hold our MSR investments at our taxable REIT subsidiaries.

At June 30, 2021 and December 31, 2020, our MSR's had a fair value of \$9 million and \$9 million, respectively, and were associated with loans with an aggregate principal balance of \$1.97 billion and \$2.59 billion, respectively. During the three and six months ended June 30, 2021, including net market valuation gains and losses on our MSR's and related risk management derivatives, we recorded a net loss of less than \$0.1 million and net income of \$1 million, respectively, through Other income on our consolidated statements of income (loss). During the three and six months ended June 30, 2020, we recorded net losses of \$1 million and \$3 million, respectively, through Other income on our consolidated statements of income (loss).

**Note 11. Derivative Financial Instruments**

The following table presents the fair value and notional amount of our derivative financial instruments at June 30, 2021 and December 31, 2020.

*Table 11.1 – Fair Value and Notional Amount of Derivative Financial Instruments*

(In Thousands)	June 30, 2021		December 31, 2020	
	Fair Value	Notional Amount	Fair Value	Notional Amount
<b>Assets - Risk Management Derivatives</b>				
Interest rate swaps	\$ 264	\$ 133,000	\$ 224	\$ 42,000
TBAs	2,064	730,000	18,260	3,520,000
Interest rate futures	304	81,500	—	—
Swaptions	17,482	2,100,000	19,727	1,585,000
<b>Assets - Other Derivatives</b>				
Loan purchase and interest rate lock commitments	14,191	2,332,511	15,027	2,617,254
<b>Total Assets</b>	<u>\$ 34,305</u>	<u>\$ 5,377,011</u>	<u>\$ 53,238</u>	<u>\$ 7,764,254</u>
<b>Liabilities - Risk Management Derivatives</b>				
Interest rate swaps	\$ (957)	\$ 87,500	\$ —	\$ —
TBAs	(1,367)	730,000	(15,495)	3,105,000
Interest rate futures	(194)	140,000	—	—
<b>Liabilities - Other Derivatives</b>				
Loan purchase commitments	(722)	164,971	(577)	477,153
<b>Total Liabilities</b>	<u>\$ (3,240)</u>	<u>\$ 1,122,471</u>	<u>\$ (16,072)</u>	<u>\$ 3,582,153</u>
<b>Total Derivative Financial Instruments, Net</b>	<u>\$ 31,065</u>	<u>\$ 6,499,482</u>	<u>\$ 37,166</u>	<u>\$ 11,346,407</u>

*Risk Management Derivatives*

To manage, to varying degrees, risks associated with certain assets and liabilities on our consolidated balance sheets, we may enter into derivative contracts. At June 30, 2021, we were party to swaps and swaptions with an aggregate notional amount of \$2.32 billion, TBA agreements with an aggregate notional amount of \$1.46 billion, and interest rate futures contracts with an aggregate notional amount of \$222 million. At December 31, 2020, we were party to swaps and swaptions with an aggregate notional amount of \$1.63 billion and TBA agreements with an aggregate notional amount of \$6.63 billion.

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**Note 11. Derivative Financial Instruments - (continued)**

During the three and six months ended June 30, 2021, risk management derivatives had a net market valuation loss of \$8 million and a net market valuation gain of \$35 million, respectively. During the three and six months ended June 30, 2020, risk management derivatives had net market valuation losses of zero and \$98 million, respectively. These market valuation gains and losses are recorded in Mortgage banking activities, net, Investment fair value changes, net, and Other income on our consolidated statements of income (loss).

***Loan Purchase and Interest Rate Lock Commitments***

LPCs and IRLCs that qualify as derivatives are recorded at their estimated fair values. For the three and six months ended June 30, 2021, LPCs and IRLCs had net market valuation gains of \$53 million and \$0.3 million, respectively, that were recorded in Mortgage banking activities, net on our consolidated statements of income (loss). For the three and six months ended June 30, 2020, LPCs and IRLCs had net market valuation gains of \$1 million and \$22 million, respectively, that were recorded in Mortgage banking activities, net on our consolidated statements of income (loss).

***Derivatives Designated as Cash Flow Hedges***

To manage the variability in interest expense related to a portion of our long-term debt that is included in our consolidated balance sheets for financial reporting purposes, we designated certain interest rate swaps as cash flow hedges.

During the first quarter of 2020, we terminated and settled all of our outstanding derivatives that had been designated as cash flow hedges for our long-term debt, with a payment of \$84 million. For interest rate agreements previously designated as cash flow hedges, our total unrealized loss reported in Accumulated other comprehensive income was \$79 million and \$81 million at June 30, 2021 and December 31, 2020, respectively. We are amortizing this loss into interest expense over the remaining term of the debt they were originally hedging. As of June 30, 2021, we expect to amortize \$4 million of realized losses related to terminated cash flow hedges into interest expense over the next twelve months.

For both the three and six months ended June 30, 2021, we did not have any derivatives designated as cash flow hedges. For the three and six months ended June 30, 2020, changes in the values of designated cash flow hedges were zero and negative \$33 million, respectively, and were recorded in Accumulated other comprehensive income, a component of equity.

The following table illustrates the impact on interest expense of our interest rate agreements accounted for as cash flow hedges for the three and six months ended June 30, 2021 and 2020.

**Table 11.2 – Impact on Interest Expense of Interest Rate Agreements Accounted for as Cash Flow Hedges**

<b>(In Thousands)</b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Net interest expense on cash flows hedges	\$ —	\$ —	\$ —	\$ (860)
Realized net losses reclassified from other comprehensive income	(1,028)	(1,029)	(2,046)	(1,108)
<b>Total Interest Expense</b>	<b>\$ (1,028)</b>	<b>\$ (1,029)</b>	<b>\$ (2,046)</b>	<b>\$ (1,968)</b>

***Derivative Counterparty Credit Risk***

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2020, we consider counterparty risk as part of our fair value assessments of all derivative financial instruments at each quarter-end. At June 30, 2021, we assessed this risk as remote and did not record an associated specific valuation adjustment.

At June 30, 2021, we were in compliance with our derivative counterparty ISDA agreements.

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**Note 12. Other Assets and Liabilities**

Other assets at June 30, 2021 and December 31, 2020 are summarized in the following table.

**Table 12.1 – Components of Other Assets**

<b>(In Thousands)</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Accrued interest receivable	\$ 41,366	\$ 39,445
Investment receivable	38,281	43,176
REO	15,489	8,413
Operating lease right-of-use assets	14,370	15,012
Margin receivable	10,269	4,758
Fixed assets and leasehold improvements <sup>(1)</sup>	7,202	4,203
Pledged collateral	—	1,177
Other	9,455	14,404
<b>Total Other Assets</b>	<b>\$ 136,432</b>	<b>\$ 130,588</b>

(1) Fixed assets and leasehold improvements had a basis of \$14 million and accumulated depreciation of \$7 million at June 30, 2021.

Accrued expenses and other liabilities at June 30, 2021 and December 31, 2020 are summarized in the following table.

**Table 12.2 – Components of Accrued Expenses and Other Liabilities**

<b>(In Thousands)</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Accrued compensation	\$ 42,737	\$ 24,393
Accrued interest payable	35,615	34,858
Margin payable	19,503	14,728
Operating lease liabilities	15,997	16,687
Payable to minority partner	15,414	16,941
Unsettled trades	13,952	—
Residential loan and MSR repurchase reserve	8,709	8,631
Guarantee obligations	8,446	10,039
Accrued income taxes payable	5,395	5,614
Bridge loan holdbacks	5,394	5,708
Accrued operating expenses	4,938	5,509
Deferred consideration	—	14,579
Other	15,605	21,653
<b>Total Accrued Expenses and Other Liabilities</b>	<b>\$ 191,705</b>	<b>\$ 179,340</b>

*Deferred Consideration*

The deferred consideration presented in the table above is related to our acquisition of 5 Arches in 2019. During the first quarter of 2021, we distributed 806,068 shares of Redwood common stock and paid \$1 million in cash in full settlement of the remaining deferred consideration associated with this acquisition.



**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
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**Note 12. Other Assets and Liabilities - (continued)**

*REO*

The following table summarizes the activity and carrying values of REO assets held at Redwood and at consolidated Legacy Sequoia, Freddie Mac SLST, and CAFL entities during the six months ended June 30, 2021.

**Table 12.3 – REO Activity**

(In Thousands)	Six Months Ended June 30, 2021				
	Redwood Bridge	Legacy Sequoia	Freddie Mac SLST	CAFL	Total
Balance at beginning of period	\$ 4,600	\$ 638	\$ 646	\$ 2,529	\$ 8,413
Transfers to REO	2,289	65	1,548	11,924	15,826
Liquidations <sup>(1)</sup>	(5,972)	(39)	(766)	(1,949)	(8,726)
Changes in fair value, net	428	(5)	208	(655)	(24)
<b>Balance at End of Period</b>	<b>\$ 1,345</b>	<b>\$ 659</b>	<b>\$ 1,636</b>	<b>\$ 11,849</b>	<b>\$ 15,489</b>

(1) For the six months ended June 30, 2021, REO liquidations resulted in less than \$0.1 million of realized losses, which were recorded in Investment fair value changes, net on our consolidated statements of income (loss).

The following table provides the detail of REO assets at Redwood and at consolidated Legacy Sequoia, Freddie Mac SLST, and CAFL entities at June 30, 2021 and December 31, 2020.

**Table 12.4 – REO Assets**

Number of REO assets	Redwood Bridge	Legacy Sequoia	Freddie Mac SLST	CAFL	Total
At June 30, 2021	3	3	18	2	26
At December 31, 2020	3	3	9	2	17

Refer to our Annual Report on Form 10-K for the year ended December 31, 2020 for additional descriptions of our other assets and liabilities.

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
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**Note 13. Short-Term Debt**

We enter into repurchase agreements, bank warehouse agreements, and other forms of collateralized (and generally uncommitted) short-term borrowings with several banks and major investment banking firms. At June 30, 2021, we had outstanding agreements with several counterparties and we were in compliance with all of the related covenants.

The table below summarizes our short-term debt, including the facilities that are available to us, the outstanding balances, the weighted average interest rate, and the maturity information at June 30, 2021 and December 31, 2020.

**Table 13.1 – Short-Term Debt**

<b>June 30, 2021</b>						
<b>(Dollars in Thousands)</b>	<b>Number of Facilities</b>	<b>Outstanding Balance</b>	<b>Limit</b>	<b>Weighted Average Interest Rate <sup>(1)</sup></b>	<b>Maturity</b>	<b>Weighted Average Days Until Maturity</b>
<b>Facilities</b>						
Residential loan warehouse	6	\$ 1,049,144	\$ 2,350,000	1.87 %	8/2021-3/2022	211
Business purpose loan warehouse	2	191,288	355,497	2.99 %	3/2022-5/2022	260
Real estate securities repo	3	80,938	—	1.53 %	7/2021-9/2021	35
<b>Total Short-Term Debt Facilities</b>	<b>11</b>	<b>1,321,370</b>				
Servicer advance financing	1	163,629	260,000	1.89 %	11/2021	153
<b>Total Short-Term Debt</b>		<b>\$ 1,484,999</b>				

  

<b>December 31, 2020</b>						
<b>(Dollars in Thousands)</b>	<b>Number of Facilities</b>	<b>Outstanding Balance</b>	<b>Limit</b>	<b>Weighted Average Interest Rate <sup>(1)</sup></b>	<b>Maturity</b>	<b>Weighted Average Days Until Maturity</b>
<b>Facilities</b>						
Residential loan warehouse	4	\$ 137,269	\$ 1,300,000	2.45 %	1/2021-11/2021	268
Business purpose loan warehouse	2	99,190	500,000	3.37 %	5/2022-6/2022	521
Real estate securities repo	3	77,775	—	2.24 %	1/2021-3/2021	36
<b>Total Short-Term Debt Facilities</b>	<b>9</b>	<b>314,234</b>				
Servicer advance financing	1	208,375	335,000	1.95 %	11/2021	334
<b>Total Short-Term Debt</b>		<b>\$ 522,609</b>				

(1) Borrowings under our facilities are generally uncommitted and charged interest based on a specified margin over the 1- or 3-month LIBOR.

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
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**Note 13. Short-Term Debt - (continued)**

The following table below presents the value of loans, securities, and other assets pledged as collateral under our short-term debt at June 30, 2021 and December 31, 2020.

**Table 13.2 – Collateral for Short-Term Debt**

(In Thousands)	June 30, 2021	December 31, 2020
<b>Collateral Type</b>		
Held-for-sale residential loans	\$ 1,152,267	\$ 156,355
Business purpose loans	249,410	127,029
Real estate securities		
On balance sheet	16,435	23,193
Sequoia securitizations <sup>(1)</sup>	62,387	63,105
Freddie Mac K-Series securitization <sup>(1)</sup>	30,834	28,255
Total real estate securities owned	109,656	114,553
Restricted cash and other assets	1,709	315
<b>Total Collateral for Short-Term Debt Facilities</b>	1,513,042	398,252
Cash	12,442	9,978
Restricted cash	19,028	23,220
Servicer advances	171,818	217,656
<b>Total Collateral for Servicer Advance Financing</b>	203,288	250,854
<b>Total Collateral for Short-Term Debt</b>	<u>\$ 1,716,330</u>	<u>\$ 649,106</u>

(1) Represents securities we have retained from consolidated securitization entities. For GAAP purposes, we consolidate the loans and non-recourse ABS debt issued from these securitizations.

For the three and six months ended June 30, 2021, the average balances of our short-term debt facilities were \$.85 billion and \$1.42 billion, respectively. At June 30, 2021 and December 31, 2020, accrued interest payable on our short-term debt facilities was \$2 million and \$1 million, respectively.

Servicer advance financing consists of non-recourse short-term securitization debt used to finance servicer advance investments. We consolidate the securitization entity that issued the debt, but the entity is independent of Redwood and the assets and liabilities are not owned by and are not legal obligations of Redwood. At June 30, 2021, the accrued interest payable balance on this financing was \$0.1 million and the unamortized capitalized commitment costs were \$0.4 million.

We also maintain a \$10 million committed line of credit with a financial institution that is secured by certain mortgage-backed securities with a fair market value of \$ million at June 30, 2021. At both June 30, 2021 and December 31, 2020, we had no outstanding borrowings on this facility.

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
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**Note 13. Short-Term Debt - (continued)**

***Remaining Maturities of Short-Term Debt***

The following table presents the remaining maturities of our secured short-term debt by the type of collateral securing the debt at June 30, 2021.

**Table 13.3 – Short-Term Debt by Collateral Type and Remaining Maturities**

(In Thousands)	June 30, 2021			
	Within 30 days	31 to 90 days	Over 90 days	Total
<b>Collateral Type</b>				
Held-for-sale residential loans	\$ —	\$ 119,462	\$ 929,682	\$ 1,049,144
Business purpose loans	—	—	191,288	191,288
Real estate securities	44,527	36,411	—	80,938
<b>Total Secured Short-Term Debt</b>	<b>44,527</b>	<b>155,873</b>	<b>1,120,970</b>	<b>1,321,370</b>
Servicer advance financing	—	—	163,629	163,629
<b>Total Short-Term Debt</b>	<b>\$ 44,527</b>	<b>\$ 155,873</b>	<b>\$ 1,284,599</b>	<b>\$ 1,484,999</b>

**Note 14. Asset-Backed Securities Issued**

The carrying values of ABS issued by our consolidated securitization entities at June 30, 2021 and December 31, 2020, along with other selected information, are summarized in the following table.

**Table 14.1 – Asset-Backed Securities Issued**

June 30, 2021 (Dollars in Thousands)	Legacy Sequoia	Sequoia	CAFL	Freddie Mac SLST <sup>(1)</sup>	Freddie Mac K-Series	Total
Certificates with principal balance	\$ 291,083	\$ 1,946,901	\$ 2,746,648	\$ 1,718,754	\$ 422,534	\$ 7,125,920
Interest-only certificates	788	15,282	167,460	21,455	11,627	216,612
Market valuation adjustments	(33,660)	28,365	93,488	86,109	20,163	194,465
<b>ABS Issued, Net</b>	<b>\$ 258,211</b>	<b>\$ 1,990,548</b>	<b>\$ 3,007,596</b>	<b>\$ 1,826,318</b>	<b>\$ 454,324</b>	<b>\$ 7,536,997</b>
Range of weighted average interest rates, by series	0.49% to 1.46%	2.31% to 5.10%	2.62% to 5.20%	3.50% to 4.75%	3.41 %	
Stated maturities	2024 - 2036	2047 - 2051	2021 - 2031	2028 - 2059	2025	
Number of series	20	12	14	3	1	

December 31, 2020 (Dollars in Thousands)	Legacy Sequoia	Sequoia	CAFL	Freddie Mac SLST <sup>(1)</sup>	Freddie Mac K-Series	Total
Certificates with principal balance	\$ 329,039	\$ 1,309,957	\$ 2,716,425	\$ 1,866,145	\$ 416,339	\$ 6,637,905
Interest-only certificates	1,092	4,591	162,934	23,335	13,026	204,978
Market valuation adjustments	(47,805)	32,809	133,734	104,439	34,601	257,778
<b>ABS Issued, Net</b>	<b>\$ 282,326</b>	<b>\$ 1,347,357</b>	<b>\$ 3,013,093</b>	<b>\$ 1,993,919</b>	<b>\$ 463,966</b>	<b>\$ 7,100,661</b>
Range of weighted average interest rates, by series	0.35% to 1.55%	2.25% to 5.04%	2.68% to 5.42%	3.50% to 4.75%	3.39 %	
Stated maturities	2024 - 2036	2047 - 2050	2021 - 2031	2028 - 2059	2025	
Number of series	20	10	14	3	1	

(1) Includes \$179 million and \$205 million (principal balance) of ABS issued by a re-securitization trust sponsored by Redwood and accounted for at amortized cost at June 30, 2021 and December 31, 2020, respectively.

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**Note 14. Asset-Backed Securities Issued - (continued)**

During the third quarter of 2020, we transferred all of the subordinate securities we owned from two consolidated re-performing loan securitization VIEs sponsored by Freddie Mac SLST to a re-securitization trust, which we determined was a VIE and for which we determined we are the primary beneficiary. At issuance, we sold \$210 million (principal balance) of ABS issued to third parties and retained 100% of the remaining beneficial ownership interest in the trust through ownership of a subordinate security issued by the trust. The ABS was issued at a discount and we have elected to account for the ABS issued at amortized cost. At June 30, 2021, the principal balance of the ABS issued was \$179 million, and the debt discount and deferred issuance costs were \$3 million, for a carrying value of \$176 million. The stated coupon of the ABS issued was 4.75% at issuance and the final stated maturity occurs in July 2059. The ABS issued is subject to optional redemption and interest rate step-ups prior to the stated maturity according to the terms of the respective governing agreements.

The actual maturity of each class of ABS issued is primarily determined by the rate of principal prepayments on the assets of the issuing entity. Each series is also subject to redemption prior to the stated maturity according to the terms of the respective governing documents of each ABS issuing entity. As a result, the actual maturity of ABS issued may occur earlier than its stated maturity. At June 30, 2021, the majority of the ABS issued and outstanding had contractual maturities beyond five years. See *Note 4* for detail on the carrying value components of the collateral for ABS issued and outstanding. The following table summarizes the accrued interest payable on ABS issued at June 30, 2021 and December 31, 2020. Interest due on consolidated ABS issued is payable monthly.

**Table 14.2 – Accrued Interest Payable on Asset-Backed Securities Issued**

<b>(In Thousands)</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Legacy Sequoia	\$ 123	\$ 141
Sequoia	5,521	4,697
CAFL	10,183	10,122
Freddie Mac SLST <sup>(1)</sup>	5,200	5,656
Freddie Mac K-Series	1,200	1,177
<b>Total Accrued Interest Payable on ABS Issued</b>	<b>\$ 22,227</b>	<b>\$ 21,793</b>

(1) Includes accrued interest payable on ABS issued by a re-securitization trust sponsored by Redwood.

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**Note 15. Long-Term Debt**

The table below summarizes our long-term debt, including the facilities that are available to us, the outstanding balances, the weighted average interest rate, and the maturity information at June 30, 2021.

**Table 15.1 – Long-Term Debt**

<b>June 30, 2021</b>						
<b>(Dollars in Thousands)</b>	<b>Borrowings</b>	<b>Unamortized Deferred Issuance Costs / Discount</b>	<b>Net Carrying Value</b>	<b>Limit</b>	<b>Weighted Average Interest Rate <sup>(1)</sup></b>	<b>Final Maturity</b>
<b>Facilities</b>						
Recourse Subordinate Securities Financing						
Sequoia	\$ 160,102	\$ (521)	\$ 159,581	N/A	4.21 %	9/2024
CAFL	102,424	(505)	101,919	N/A	4.21 %	2/2025
Non-Recourse BPL Financing						
Facility A	45,582	(444)	45,138	45,582	L + 3.85%	7/2022
Facility B	57,616	(199)	57,417	250,000	L + 3.00%	N/A
Recourse BPL Financing						
Facility C	269,100	—	269,100	450,000	L + 3.40%	6/2023
Facility D	200,275	(158)	200,117	250,000	L + 3.00%	9/2023
<b>Total Long-Term Debt Facilities</b>	<b>835,099</b>	<b>(1,827)</b>	<b>833,272</b>			
Convertible notes						
4.75% convertible senior notes	198,629	(2,356)	196,273	N/A	4.75 %	8/2023
5.625% convertible senior notes	150,200	(2,450)	147,750	N/A	5.625 %	7/2024
5.75% exchangeable senior notes	172,092	(3,776)	168,316	N/A	5.75 %	10/2025
Trust preferred securities and subordinated notes	139,500	(803)	138,697	N/A	L + 2.25%	7/2037
<b>Total Long-Term Debt</b>	<b>\$ 1,495,520</b>	<b>\$ (11,212)</b>	<b>\$ 1,484,308</b>			

(1) Variable rate borrowings are based on 1- or 3-month LIBOR ("L" in the table above) plus an applicable spread.

**Non-Recourse BPL Financing Facilities**

In the second quarter of 2021, we repaid one of our non-recourse BPL financing facilities that had a balance of \$42 million at March 31, 2021, and entered into a new non-recourse facility to finance business purpose bridge loans with a total borrowing capacity of \$250 million (see details for "Facility B" above).

**Recourse BPL Financing Facilities**

In the second quarter of 2021, we reclassified one of our recourse facilities with a borrowing capacity of \$50 million from short-term to long-term debt as we amended the terms of this facility, including an extension of its maturity (see details for "Facility C" above).

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**Note 15. Long-Term Debt - (continued)**

The following table below presents the value of loans, securities, and other assets pledged as collateral under our long-term debt at June 30, 2021 and December 31, 2020.

**Table 15.2 – Collateral for Long-Term Debt**

(In Thousands)	June 30, 2021	December 31, 2020
<b>Collateral Type</b>		
Bridge loans	\$ 555,791	\$ 544,151
Single-family rental loans	246,903	154,774
Real estate securities		
Sequoia securitizations <sup>(1)</sup>	256,910	249,446
CAFL securitizations <sup>(1)</sup>	112,207	114,044
Total real estate securities owned	369,117	363,490
Other BPL investments	—	21,414
Restricted cash	—	1,100
<b>Total Collateral for Long-Term Debt</b>	<b>\$ 1,171,811</b>	<b>\$ 1,084,929</b>

(1) Represents securities we have retained from consolidated securitization entities. For GAAP purposes, we consolidate the loans and non-recourse ABS debt issued from these securitizations.

The following table summarizes the accrued interest payable on long-term debt at June 30, 2021 and December 31, 2020.

**Table 15.3 – Accrued Interest Payable on Long-Term Debt**

(In Thousands)	June 30, 2021	December 31, 2020
Long-term debt facilities	\$ 704	\$ 1,799
Convertible notes		
4.75% convertible senior notes	3,564	3,564
5.625% convertible senior notes	3,896	3,896
5.75% exchangeable senior notes	2,474	2,474
Trust preferred securities and subordinated notes	585	669
<b>Total Accrued Interest Payable on Long-Term Debt</b>	<b>\$ 11,223</b>	<b>\$ 12,402</b>

Refer to our Annual Report on Form 10-K for the year ended December 31, 2020 for a full description of our long-term debt

**Note 16. Commitments and Contingencies**

**Lease Commitments**

At June 30, 2021, we were obligated under seven non-cancelable operating leases with expiration dates through 2031 for \$19 million of cumulative lease payments. Our operating lease expense was \$2 million for both six-month periods ended June 30, 2021 and 2020.

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**Note 16. Commitments and Contingencies - (continued)**

The following table presents our future lease commitments at June 30, 2021.

**Table 16.1 – Future Lease Commitments by Year**

<b>(In Thousands)</b>	<b>June 30, 2021</b>
2021 (6 months)	\$ 1,854
2022	3,714
2023	3,235
2024	2,411
2025	1,983
2026 and thereafter	6,128
<b>Total Lease Commitments</b>	<b>19,325</b>
Less: Imputed interest	(3,328)
<b>Operating Lease Liabilities</b>	<b>\$ 15,997</b>

During the six months ended June 30, 2021, we did not enter into any office leases. During the three months ended June 30, 2021, we increased our operating lease right-of-use assets and liabilities by \$1 million as the result of an amendment to one of our existing leases. At June 30, 2021, our operating lease liabilities were \$6 million, which were a component of Accrued expenses and other liabilities, and our operating lease right-of-use assets were \$4 million, which were a component of Other assets.

We determined that none of our leases contained an implicit interest rate and used a discount rate equal to our incremental borrowing rate on a collateralized basis to determine the present value of our total lease payments. As such, we determined the applicable discount rate for each of our leases using a swap rate plus an applicable spread for borrowing arrangements secured by our real estate loans and securities for a length of time equal to the remaining lease term on the date of adoption. At June 30, 2021, the weighted-average remaining lease term and weighted-average discount rate for our leases was 7 years and 4.9%, respectively.

**Commitment to Fund Bridge Loans**

As of June 30, 2021, we had commitments to fund up to \$74 million of additional advances on existing bridge loans. These commitments are generally subject to loan agreements with covenants regarding the financial performance of the customer and other terms regarding advances that must be met before we fund the commitment. At June 30, 2021, we carried a \$0.3 million contingent liability related to these commitments to fund construction advances. We may also advance funds related to loans sold under a separate loan sale agreement that are generally repaid immediately by the loan purchaser and do not generally expose us to loss. The outstanding commitments related to these loans that we may temporarily fund totaled approximately \$0.3 million at June 30, 2021. During the three and six months ended June 30, 2021, we recorded net market valuation gains of \$1 million and \$2 million, respectively, related to this liability through Mortgage banking activities, net on our consolidated statements of income (loss). During the three and six months ended June 30, 2020, we recorded a net market valuation gain of \$2 million and a net market valuation loss of \$2 million, respectively, related to this liability through Mortgage banking activities, net on our consolidated statements of income (loss).

**Commitment to Fund Partnerships**

In 2018, we invested into two partnerships created to acquire and manage certain mortgage servicing related assets (see *Note 10* for additional detail). In connection with this investment, we are required to fund future net servicer advances related to the underlying mortgage loans. The actual amount of net servicer advances we may fund in the future is subject to significant uncertainty and will be based on the credit and prepayment performance of the underlying loans.



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**Note 16. Commitments and Contingencies - (continued)**

***Loss Contingencies — Risk-Sharing***

During 2015 and 2016, we sold conforming loans to the Agencies with an original unpaid principal balance of \$.19 billion, subject to our risk-sharing arrangements with the Agencies. At June 30, 2021, the maximum potential amount of future payments we could be required to make under these arrangements was \$44 million and this amount was partially collateralized by assets we transferred to pledged accounts and is presented as pledged collateral in Other assets on our consolidated balance sheets. We have no recourse to any third parties that would allow us to recover any amounts related to our obligations under the arrangements. At June 30, 2021, we had not incurred any losses under these arrangements. For the three and six months ended June 30, 2021, other income related to these arrangements was \$1 million and \$2 million, respectively, and net market valuation losses related to these investments were less than \$0.1 million for both periods. For the three and six months ended June 30, 2020, other income related to these arrangements was \$1 million and \$2 million, respectively, and net market valuation losses related to these investments were less than \$0.2 million and \$1 million, respectively.

All of the loans in the reference pools subject to these risk-sharing arrangements were originated in 2014 and 2015, and at June 30, 2021, the loans had an unpaid principal balance of \$702 million and a weighted average FICO score of 756 (at origination) and LTV ratio of 75% (at origination). At June 30, 2021, \$29 million of the loans were 90 days or more delinquent, of which one of these loans with an unpaid principal balance of \$0.2 million was in foreclosure. At June 30, 2021, the carrying value of our guarantee obligation was \$8 million and included \$5 million designated as a non-amortizing credit reserve, which we believe is sufficient to cover current expected losses under these obligations.

Our consolidated balance sheets include assets of special purpose entities ("SPEs") associated with these risk-sharing arrangements (i.e., the "pledged collateral" referred to above) that can only be used to settle obligations of these SPEs for which the creditors of these SPEs (the Agencies) do not have recourse to Redwood Trust, Inc. or its affiliates. At June 30, 2021 and December 31, 2020, assets of such SPEs totaled \$34 million and \$46 million, respectively, and liabilities of such SPEs totaled \$8 million and \$10 million, respectively.

***Loss Contingencies — Residential Repurchase Reserve***

We maintain a repurchase reserve for potential obligations arising from representation and warranty violations related to residential loans we have sold to securitization trusts or third parties and for conforming residential loans associated with MSR that we have purchased from third parties. We do not originate residential loans and we believe the initial risk of loss due to loan repurchases (i.e., due to a breach of representations and warranties) would generally be a contingency to the companies from whom we acquired the loans. However, in some cases, for example, where loans were acquired from companies that have since become insolvent, repurchase claims may result in our being liable for a repurchase obligation. Additionally, for certain loans we sold during the second quarter of 2020 that were previously held for investment, we have a direct obligation to repurchase these loans in the event of any early payment defaults (or "EPDs") by the underlying mortgage borrowers within certain specified periods following the sales.

At both June 30, 2021 and December 31, 2020, our repurchase reserve associated with our residential loans and MSRs was \$9 million and was recorded in Accrued expenses and other liabilities on our consolidated balance sheets.

We received one and five repurchase requests during the six months ended June 30, 2021 and 2020, respectively, and repurchased one and zero loans, respectively. During the six months ended June 30, 2021 and 2020, we recorded repurchase provisions of \$0.3 million and \$4 million, respectively, that were recorded in Mortgage banking activities, net; Investment fair value changes, net; and Other income on our consolidated statements of income (loss).

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**Note 16. Commitments and Contingencies - (continued)**

**Loss Contingencies — Litigation, Claims and Demands**

There is no significant update regarding the litigation matters described in Note 16 within the financial statements included in Redwood's Annual Report on Form 10-K for the year ended December 31, 2020 under the heading "Loss Contingencies - Litigation." At June 30, 2021, the aggregate amount of loss contingency reserves established in respect of the FHLB-Seattle and Schwab litigation matters described in our Annual Report on Form 10-K for the year ended December 31, 2020 was \$2 million. At June 30, 2021, the aggregate amount of our accrual for estimated costs associated with the "Residential Loan Seller Demands" described in our Annual Report on Form 10-K for the year ended December 31, 2020 was \$2 million, a portion of which is contingent on the successful completion of future residential loan purchase and sale transactions with certain counterparties. We believe we have either resolved or adequately accrued for any unresolved Residential Loan Seller Demands and that there are no other Residential Loan Seller Demands that are reasonably possible to result in a material loss.

**Note 17. Equity**

The following table provides a summary of changes to accumulated other comprehensive income by component for the three and six months ended June 30, 2021 and 2020.

**Table 17.1 – Changes in Accumulated Other Comprehensive Income (Loss) by Component**

(In Thousands)	Three Months Ended June 30, 2021		Three Months Ended June 30, 2020	
	Available-for-Sale Securities	Interest Rate Agreements Accounted for as Cash Flow Hedges	Available-for-Sale Securities	Interest Rate Agreements Accounted for as Cash Flow Hedges
Balance at beginning of period	\$ 84,527	\$ (79,539)	\$ (1,865)	\$ (83,666)
Other comprehensive income before reclassifications	11,224	—	52,393	—
Amounts reclassified from other accumulated comprehensive income	(7,500)	1,028	2,718	1,029
Net current-period other comprehensive income	3,724	1,028	55,111	1,029
<b>Balance at End of Period</b>	<b>\$ 88,251</b>	<b>\$ (78,511)</b>	<b>\$ 53,246</b>	<b>\$ (82,637)</b>

  

(In Thousands)	Six Months Ended June 30, 2021		Six Months Ended June 30, 2020	
	Available-for-Sale Securities	Interest Rate Agreements Accounted for as Cash Flow Hedges	Available-for-Sale Securities	Interest Rate Agreements Accounted for as Cash Flow Hedges
Balance at beginning of period	\$ 76,336	\$ (80,557)	\$ 92,452	\$ (50,939)
Other comprehensive income (loss) before reclassifications	22,210	—	(28,126)	(32,806)
Amounts reclassified from other accumulated comprehensive income (loss)	(10,295)	2,046	(11,080)	1,108
Net current-period other comprehensive income (loss)	11,915	2,046	(39,206)	(31,698)
<b>Balance at End of Period</b>	<b>\$ 88,251</b>	<b>\$ (78,511)</b>	<b>\$ 53,246</b>	<b>\$ (82,637)</b>

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
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**ote 17. Equity - (continued)**

The following table provides a summary of reclassifications out of accumulated other comprehensive income for the three and six months ended June 30, 2021 and 2020.

**Table 17.2 – Reclassifications Out of Accumulated Other Comprehensive Income (Loss)**

(In Thousands)	Affected Line Item in the Income Statement	Amount Reclassified From Accumulated Other Comprehensive Income	
		Three Months Ended June 30,	
		2021	2020
<b>Net Realized (Gain) Loss on AFS Securities</b>			
Decrease in allowance for credit losses on AFS securities	Investment fair value changes, net	\$ (13)	\$ (54)
Gain on sale of AFS securities	Realized gains, net	(7,487)	2,772
		<u>\$ (7,500)</u>	<u>\$ 2,718</u>
<b>Net Realized Loss on Interest Rate Agreements Designated as Cash Flow Hedges</b>			
Amortization of deferred loss	Interest expense	\$ 1,028	\$ 1,029
		<u>\$ 1,028</u>	<u>\$ 1,029</u>

(In Thousands)	Affected Line Item in the Income Statement	Amount Reclassified From Accumulated Other Comprehensive Income	
		Six Months Ended June 30,	
		2021	2020
<b>Net Realized (Gain) Loss on AFS Securities</b>			
(Decrease) increase in allowance for credit losses on AFS securities	Investment fair value changes, net	\$ (388)	\$ 1,471
Gain on sale of AFS securities	Realized gains, net	(9,907)	(12,551)
		<u>\$ (10,295)</u>	<u>\$ (11,080)</u>
<b>Net Realized Loss on Interest Rate Agreements Designated as Cash Flow Hedges</b>			
Amortization of deferred loss	Interest expense	\$ 2,046	\$ 1,108
		<u>\$ 2,046</u>	<u>\$ 1,108</u>

**Issuance of Common Stock**

We have an established program to sell up to an aggregate of \$175 million of common stock from time to time in at-the-market ("ATM") offerings, with \$10 million of remaining capacity available at June 30, 2021. During the six months ended June 30, 2021, we did not issue any shares under this program.

**Direct Stock Purchase and Dividend Reinvestment Plan**

During both the six months ended June 30, 2021 and 2020, we did not issue any shares of common stock through our Direct Stock Purchase and Dividend Reinvestment Plan.

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
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**ote 17. Equity - (continued)**

**Earnings (Loss) per Common Share**

The following table provides the basic and diluted earnings (loss) per common share computations for the three and six months ended June 30, 2021 and 2020.

**Table 17.3 – Basic and Diluted Earnings (Loss) per Common Share**

(In Thousands, except Share Data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Basic Earnings (Loss) per Common Share:</b>				
Net income (loss) attributable to Redwood	\$ 90,025	\$ 165,444	\$ 187,282	\$ (777,954)
Less: Dividends and undistributed earnings allocated to participating securities	(3,149)	(4,528)	(6,458)	(1,011)
Net income (loss) allocated to common shareholders	\$ 86,876	\$ 160,916	\$ 180,824	\$ (778,965)
Basic weighted average common shares outstanding	112,921,070	114,383,289	112,337,984	114,229,928
<b>Basic Earnings (Loss) per Common Share</b>	<b>\$ 0.77</b>	<b>\$ 1.41</b>	<b>\$ 1.61</b>	<b>\$ (6.82)</b>
<b>Diluted Earnings (Loss) per Common Share:</b>				
Net income (loss) attributable to Redwood	\$ 90,025	\$ 165,444	\$ 187,282	\$ (777,954)
Less: Dividends and undistributed earnings allocated to participating securities	(2,869)	(3,116)	(5,829)	(1,011)
Adjust for interest expense and gain on extinguishment of convertible notes for the period, net of tax	6,990	(15,835)	13,971	—
Net income (loss) allocated to common shareholders	\$ 94,146	\$ 146,493	\$ 195,424	\$ (778,965)
Weighted average common shares outstanding	112,921,070	114,383,289	112,337,984	114,229,928
Net effect of dilutive equity awards	273,139	—	234,353	—
Net effect of assumed convertible notes conversion to common shares	28,566,875	32,715,790	28,566,875	—
Diluted weighted average common shares outstanding	141,761,084	147,099,079	141,139,212	114,229,928
<b>Diluted Earnings (Loss) per Common Share</b>	<b>\$ 0.66</b>	<b>\$ 1.00</b>	<b>\$ 1.38</b>	<b>\$ (6.82)</b>

We included participating securities, which are certain equity awards that have non-forfeitable dividend participation rights, in the calculations of basic and diluted earnings per common share as we determined that the two-class method was more dilutive than the alternative treasury stock method for these shares. Dividends and undistributed earnings allocated to participating securities under the basic and diluted earnings per share calculations require specific shares to be included that may differ in certain circumstances.

During the six months ended June 30, 2021, certain of our convertible notes were determined to be dilutive and were included in the calculation of diluted EPS under the "if-converted" method. Under this method, the periodic interest expense (net of applicable taxes) for dilutive notes is added back to the numerator and the weighted average number of shares that the notes are entitled to (if converted, regardless of whether they are in or out of the money) are included in the denominator.

For the six months ended June 30, 2020, 34.1 million of common shares related to the assumed conversion of our convertible notes were antidilutive and were excluded in the calculation of diluted earnings per share. For the three and six months ended June 30, 2021, the number of outstanding equity awards that were antidilutive totaled 18,645 and 17,053, respectively. For the three and six months ended June 30, 2020, the number of outstanding equity awards that were antidilutive totaled 1,561 and 16,405, respectively.

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**ote 17. Equity - (continued)**

**Stock Repurchases**

In February 2018, our Board of Directors approved an authorization for the repurchase of our common stock, increasing the total amount authorized for repurchases of common stock to \$100 million, and also authorized the repurchase of outstanding debt securities, including convertible and exchangeable debt. This authorization increased the previous share repurchase authorization approved in February 2016 and has no expiration date. This repurchase authorization does not obligate us to acquire any specific number of shares or securities. Under this authorization, shares or securities may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. During the six months ended June 30, 2021, we did not repurchase any shares. At June 30, 2021, \$78 million of the current authorization remained available for the repurchase of shares of our common stock and we also continued to be authorized to repurchase outstanding debt securities.

**Note 18. Equity Compensation Plans**

At June 30, 2021 and December 31, 2020, 7,443,250 and 7,957,891 shares of common stock, respectively, were available for grant under our Incentive Plan. The unamortized compensation cost of awards issued under the Incentive Plan, which are settled by delivery of shares of common stock and purchases under the Employee Stock Purchase Plan, totaled \$27 million at June 30, 2021, as shown in the following table.

**Table 18.1 – Activities of Equity Compensation Costs by Award Type**

(In Thousands)	Six Months Ended June 30, 2021					
	Restricted Stock Awards	Restricted Stock Units	Deferred Stock Units	Performance Stock Units	Employee Stock Purchase Plan	Total
Unrecognized compensation cost at beginning of period	\$ 564	\$ 3,540	\$ 17,766	\$ 5,794	\$ —	\$ 27,664
Equity grants	—	2,370	3,141	—	259	5,770
Performance-based valuation adjustment	—	—	—	1,072	—	1,072
Equity grant forfeitures	(2)	(610)	(550)	—	—	(1,162)
Equity compensation expense	(271)	(752)	(3,629)	(1,355)	(130)	(6,137)
<b>Unrecognized Compensation Cost at End of Period</b>	<b>\$ 291</b>	<b>\$ 4,548</b>	<b>\$ 16,728</b>	<b>\$ 5,511</b>	<b>\$ 129</b>	<b>\$ 27,207</b>

At June 30, 2021, the weighted average amortization period remaining for all of our equity awards was one year.

**Restricted Stock Awards ("RSAs")**

At June 30, 2021 and December 31, 2020, there were 29,693 and 78,998 shares, respectively, of RSAs outstanding. Restrictions on these shares lapse through 2022. During the six months ended June 30, 2021, there were no RSAs granted, restrictions on 49,305 RSAs lapsed and those shares were distributed, and no RSAs were forfeited.

**Restricted Stock Units ("RSUs")**

At June 30, 2021 and December 31, 2020, there were 453,811 and 282,424 shares, respectively, of RSUs outstanding. Restrictions on these shares lapse through 2025. During the six months ended June 30, 2021, there were 272,261 RSUs granted, 62,494 RSUs distributed, and 38,380 RSUs forfeited.

**Deferred Stock Units ("DSUs")**

At June 30, 2021 and December 31, 2020, there were 3,081,201 and 2,805,144 DSUs, respectively, outstanding of which 1,437,464 and 1,206,125, respectively, had vested. During the six months ended June 30, 2021, there were 463,213 DSUs granted, 155,995 DSUs distributed, and 31,161 DSUs forfeited. Unvested DSUs at June 30, 2021 vest through 2025.

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**Note 18. Equity Compensation Plans - (continued)**

**Performance Stock Units ("PSUs")**

At June 30, 2021 and December 31, 2020, the target number of PSUs that were unvested was 955,710 and 978,735, respectively. Vesting for all PSUs will generally occur at the end of three years from their grant date based on various Total Shareholder Return ("TSR") performance calculations, as discussed in our Annual Report on Form 10-K for the year ended December 31, 2020. With respect to PSUs granted in May 2018, the three-year performance period ended during the second quarter of 2021, resulting in the vesting of no shares of our common stock. During the second quarter of 2021, for PSUs granted in 2020, we adjusted the future amortization expense by \$1 million to reflect our current estimate of the number of shares expected to vest in relation to the performance condition for the initial one-year vesting tranche.

**Employee Stock Purchase Plan ("ESPP")**

The ESPP allows a maximum of 850,000 shares of common stock to be purchased in aggregate for all employees. As of June 30, 2021 and December 31, 2020, 523,991 and 489,886 shares had been purchased, respectively, and there remained a negligible amount of uninvested employee contributions in the ESPP at June 30, 2021.

**Note 19. Mortgage Banking Activities, Net**

The following table presents the components of Mortgage banking activities, net, recorded in our consolidated statements of income (loss) for the three and six months ended June 30, 2021 and 2020.

**Table 19.1 – Mortgage Banking Activities**

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Residential Mortgage Banking Activities, Net</b>				
Changes in fair value of:				
Residential loans, at fair value <sup>(1)</sup>	\$ 76,907	\$ (1,393)	\$ 47,634	\$ 6,562
Trading securities <sup>(2)</sup>	(1,095)	—	(374)	—
Risk management derivatives <sup>(3)</sup>	(55,740)	—	33,224	(31,294)
Other income (expense), net <sup>(4)</sup>	1,193	(6,612)	2,216	(6,354)
Total residential mortgage banking activities, net	21,265	(8,005)	82,700	(31,086)
<b>Business Purpose Mortgage Banking Activities, Net:</b>				
Changes in fair value of:				
Single-family rental loans, at fair value <sup>(1)</sup>	25,966	1,210	36,214	13,018
Risk management derivatives <sup>(3)</sup>	(2,504)	—	1,354	(21,538)
Bridge loans, at fair value	2,225	(1,260)	3,269	(5,194)
Other income, net <sup>(5)</sup>	7,467	2,073	13,489	9,916
Total business purpose mortgage banking activities, net	33,154	2,023	54,326	(3,798)
<b>Mortgage Banking Activities, Net</b>	<b>\$ 54,419</b>	<b>\$ (5,982)</b>	<b>\$ 137,026</b>	<b>\$ (34,884)</b>

(1) For residential loans, includes changes in fair value for associated loan purchase and forward sale commitments. For single-family rental loans, includes changes in fair value for associated interest rate lock commitments.

(2) Represents fair value changes on trading securities that are being used as hedges to manage the mark-to-market risks associated with our residential mortgage banking operations.

(3) Represents market valuation changes of derivatives that were used to manage risks associated with our mortgage banking operations.

(4) Amounts in this line item include other fee income from loan acquisitions and provisions for repurchase expense, presented net.

(5) Amounts in this line item include other fee income from loan originations.

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**Note 20. Other Income**

The following table presents the components of Other income recorded in our consolidated statements of income (loss) for the three and six months ended June 30, 2021 and 2020.

*Table 20.1 – Other Income*

<b>(In Thousands)</b>	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
MSR (loss) income, net	\$ (43)	\$ (1,424)	\$ 654	\$ (3,233)
Risk share income	861	1,181	1,743	1,946
FHLBC capital stock dividend	25	538	50	1,085
Bridge loan fees	911	626	1,604	1,804
Other	372	244	1,918	2,491
<b>Other Income</b>	<u>\$ 2,126</u>	<u>\$ 1,165</u>	<u>\$ 5,969</u>	<u>\$ 4,093</u>

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**Note 21. General and Administrative Expenses, Loan Acquisition Costs, and Other Expenses**

Components of our general and administrative expenses, loan acquisition costs, and other expenses for the three and six months ended June 30, 2021 and 2020 are presented in the following table.

*Table 21.1 – Components of General and Administrative Expenses, Loan Acquisition Costs, and Other Expenses*

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>General and Administrative Expenses</b>				
Fixed compensation expense	\$ 11,269	\$ 11,818	\$ 23,074	\$ 26,502
Annual variable compensation	12,508	3,278	31,177	3,289
Long-term incentive award expense <sup>(1)</sup>	5,682	3,262	9,851	5,257
Acquisition-related equity compensation expense <sup>(2)</sup>	1,212	1,212	2,424	2,424
Systems and consulting	3,272	2,395	6,249	5,607
Office costs	2,024	1,887	3,832	3,995
Accounting and legal	1,221	2,788	1,935	5,004
Corporate costs	873	626	1,564	1,297
Other	2,533	1,254	4,039	3,827
<b>Total General and Administrative Expenses</b>	<b>40,594</b>	<b>28,520</b>	<b>84,145</b>	<b>57,202</b>
<b>Loan Acquisition Costs</b>				
Commissions	1,661	360	2,924	2,148
Underwriting costs	1,836	856	3,521	2,518
Transfer and holding costs	251	356	862	892
<b>Total Loan Acquisition Costs</b>	<b>3,748</b>	<b>1,572</b>	<b>7,307</b>	<b>5,558</b>
<b>Other Expenses</b>				
Goodwill impairment expense	—	—	—	88,675
Amortization of purchase-related intangible assets	3,873	3,873	7,746	8,182
Other	112	1,210	335	(359)
<b>Total Other Expenses</b>	<b>3,985</b>	<b>5,083</b>	<b>8,081</b>	<b>96,498</b>
<b>Total General and Administrative Expenses, Loan Acquisition Costs, and Other Expenses</b>	<b>\$ 48,327</b>	<b>\$ 35,175</b>	<b>\$ 99,533</b>	<b>\$ 159,258</b>

(1) For the three months ended June 30, 2021, long-term incentive award expense includes \$4 million of expense for awards settleable in shares of our common stock and \$1 million of expense for awards settleable in cash. For the six months ended June 30, 2021, long-term incentive award expense includes \$7 million of expense for awards settleable in shares of our common stock and \$3 million of expense for awards settleable in cash.

(2) Acquisition-related equity compensation expense relates to 588,260 shares of restricted stock that were issued to members of CoreVest management as a component of the consideration paid to them for our purchase of their interests in CoreVest. The grant date fair value of these restricted stock awards was \$10 million, which is being recognized as compensation expense over the two-year vesting period on a straight-line basis in accordance with GAAP.



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**Note 22. Taxes**

For the six months ended June 30, 2021 and 2020, we recognized a provision for income taxes of \$8 million and a benefit from income taxes of \$22 million, respectively. The following is a reconciliation of the statutory federal and state tax rates to our effective tax rate at June 30, 2021 and 2020.

**Table 22.1 – Reconciliation of Statutory Tax Rate to Effective Tax Rate**

	<b>June 30, 2021</b>	<b>June 30, 2020</b>
Federal statutory rate	21.0 %	21.0 %
State statutory rate, net of Federal tax effect	8.6 %	8.6 %
Differences in taxable (loss) income from GAAP income	(14.1)%	(23.6)%
Change in valuation allowance	(3.3)%	(3.2)%
Dividends paid deduction <sup>(1)</sup>	(3.3)%	— %
<b>Effective Tax Rate</b>	<b>8.9 %</b>	<b>2.8 %</b>

(1) The dividends paid deduction in the effective tax rate reconciliation is generally representative of the amount of distributions to shareholders that reduce REIT taxable income. For the six months ended June 30, 2020, the dividends paid deduction is 0% due to our REIT incurring a taxable loss during the period; therefore, there was no REIT taxable income available to apply against the dividends paid.

We assessed our tax positions for all open tax years (i.e., Federal, 2017 to 2021, and State, 2016 to 2021) at June 30, 2021 and December 31, 2020, and concluded that we had no uncertain tax positions that resulted in material unrecognized tax benefits.

**Note 23. Segment Information**

Redwood operates in three segments: Residential Lending, Business Purpose Lending, and Third-Party Investments. For a full description of our segments, see *Part I, Item 1—Business* in our Annual Report on Form 10-K for the year ended December 31, 2020.

Segment contribution represents the measure of profit that management uses to assess the performance of our business segments and make resource allocation and operating decisions. Certain corporate expenses not directly assigned or allocated to one of our three segments, as well as activity from certain consolidated Sequoia entities, are included in the Corporate/Other column as reconciling items to our consolidated financial statements. These unallocated corporate expenses primarily include interest expense from our convertible notes and trust preferred securities, indirect general and administrative expenses and other expense.

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2021**  
**(Unaudited)**

**Note 23. Segment Information - (continued)**

The following tables present financial information by segment for the three and six months ended June 30, 2021 and 2020.

**Table 23.1 – Business Segment Financial Information**

<b>Three Months Ended June 30, 2021</b>					
<b>(In Thousands)</b>	<b>Residential Lending</b>	<b>Business Purpose Lending</b>	<b>Third-Party Investments</b>	<b>Corporate/ Other</b>	<b>Total</b>
Interest income	\$ 33,033	\$ 70,515	\$ 33,972	\$ 1,175	\$ 138,695
Interest expense	(21,056)	(54,442)	(22,334)	(10,233)	(108,065)
<b>Net interest income</b>	<b>11,977</b>	<b>16,073</b>	<b>11,638</b>	<b>(9,058)</b>	<b>30,630</b>
<b>Non-interest income</b>					
Mortgage banking activities, net	21,265	33,154	—	—	54,419
Investment fair value changes, net	3,927	3,782	42,018	(247)	49,480
Other income, net	839	1,017	5	265	2,126
Realized gains, net	6,687	390	1,307	—	8,384
<b>Total non-interest income (loss), net</b>	<b>32,718</b>	<b>38,343</b>	<b>43,330</b>	<b>18</b>	<b>114,409</b>
General and administrative expenses	(7,793)	(13,688)	(930)	(18,183)	(40,594)
Loan acquisition costs	(1,887)	(1,861)	—	—	(3,748)
Other expenses	—	(3,873)	(112)	—	(3,985)
Provision for income taxes	(4,171)	(2,182)	(334)	—	(6,687)
<b>Segment Contribution</b>	<b>\$ 30,844</b>	<b>\$ 32,812</b>	<b>\$ 53,592</b>	<b>\$ (27,223)</b>	
<b>Net Income</b>					<b>\$ 90,025</b>
Non-cash amortization (expense) income, net	\$ 1,339	\$ (5,584)	\$ 185	\$ (1,955)	\$ (6,015)

  

<b>Six Months Ended June 30, 2021</b>					
<b>(In Thousands)</b>	<b>Residential Lending</b>	<b>Business Purpose Lending</b>	<b>Third-Party Investments</b>	<b>Corporate/ Other</b>	<b>Total</b>
Interest income	\$ 60,581	\$ 134,920	\$ 68,962	\$ 2,537	\$ 267,000
Interest expense	(40,093)	(104,517)	(45,513)	(20,494)	(210,617)
<b>Net interest income</b>	<b>20,488</b>	<b>30,403</b>	<b>23,449</b>	<b>(17,957)</b>	<b>56,383</b>
<b>Non-interest income</b>					
Mortgage banking activities, net	82,700	54,326	—	—	137,026
Investment fair value changes, net	6,673	7,081	81,734	(921)	94,567
Other income, net	3,692	1,860	5	412	5,969
Realized gains, net	9,095	498	1,507	—	11,100
<b>Total non-interest income, net</b>	<b>102,160</b>	<b>63,765</b>	<b>83,246</b>	<b>(509)</b>	<b>248,662</b>
General and administrative expenses	(21,550)	(24,847)	(2,061)	(35,687)	(84,145)
Loan acquisition costs	(3,303)	(3,913)	(87)	(4)	(7,307)
Other expenses	(6)	(7,650)	(442)	17	(8,081)
Provision for income taxes	(14,150)	(3,503)	(577)	—	(18,230)
<b>Segment Contribution</b>	<b>\$ 83,639</b>	<b>\$ 54,255</b>	<b>\$ 103,528</b>	<b>\$ (54,140)</b>	
<b>Net Income</b>					<b>\$ 187,282</b>
Non-cash amortization (expense) income, net	\$ 3,005	\$ (11,441)	\$ 41	\$ (3,850)	\$ (12,245)

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
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**June 30, 2021**  
**(Unaudited)**

**Note 23. Segment Information - (continued)**

<b>Three Months Ended June 30, 2020</b>					
<b>(In Thousands)</b>	<b>Residential Lending</b>	<b>Business Purpose Lending</b>	<b>Third-Party Investments</b>	<b>Corporate/ Other</b>	<b>Total</b>
Interest income	\$ 36,653	\$ 53,742	\$ 36,811	\$ 2,740	\$ 129,946
Interest expense	(28,762)	(36,631)	(24,927)	(12,346)	(102,666)
<b>Net interest income</b>	<b>7,891</b>	<b>17,111</b>	<b>11,884</b>	<b>(9,606)</b>	<b>27,280</b>
<b>Non-interest income</b>					
Mortgage banking activities, net	(8,005)	2,023	—	—	(5,982)
Investment fair value changes, net	35,085	40,401	76,972	(230)	152,228
Other income, net	230	686	(509)	758	1,165
Realized gains, net	205	—	578	25,182	25,965
<b>Total non-interest income, net</b>	<b>27,515</b>	<b>43,110</b>	<b>77,041</b>	<b>25,710</b>	<b>173,376</b>
General and administrative expenses	(3,700)	(9,016)	(1,986)	(13,818)	(28,520)
Loan acquisition costs	(175)	(1,277)	(120)	—	(1,572)
Other expenses	—	(3,884)	(1,065)	(134)	(5,083)
Benefit from (provision for) income taxes	3,323	2,439	(5,799)	—	(37)
<b>Segment Contribution</b>	<b>\$ 34,854</b>	<b>\$ 48,483</b>	<b>\$ 79,955</b>	<b>\$ 2,152</b>	
<b>Net Income</b>					<b>\$ 165,444</b>
Non-cash amortization income (expense), net	\$ (1,265)	\$ (6,391)	\$ 312	\$ (1,619)	\$ (8,963)

  

<b>Six Months Ended June 30, 2020</b>					
<b>(In Thousands)</b>	<b>Residential Lending</b>	<b>Business Purpose Lending</b>	<b>Third-Party Investments</b>	<b>Corporate/ Other</b>	<b>Total</b>
Interest income	\$ 97,284	\$ 106,802	\$ 118,007	\$ 5,934	\$ 328,027
Interest expense	(66,324)	(68,984)	(87,428)	(26,601)	(249,337)
<b>Net interest income</b>	<b>30,960</b>	<b>37,818</b>	<b>30,579</b>	<b>(20,667)</b>	<b>78,690</b>
<b>Non-interest income</b>					
Mortgage banking activities, net	(31,086)	(3,798)	—	—	(34,884)
Investment fair value changes, net	(161,550)	(101,729)	(454,586)	(739)	(718,604)
Other income, net	(267)	2,870	732	758	4,093
Realized gains, net	2,001	—	2,634	25,182	29,817
<b>Total non-interest income, net</b>	<b>(190,902)</b>	<b>(102,657)</b>	<b>(451,220)</b>	<b>25,201</b>	<b>(719,578)</b>
General and administrative expenses	(8,299)	(20,656)	(3,521)	(24,726)	(57,202)
Loan acquisition costs	(1,208)	(3,970)	(373)	(7)	(5,558)
Other expenses	—	(96,869)	817	(446)	(96,498)
Benefit from income taxes	8,653	9,021	4,518	—	22,192
<b>Segment Contribution</b>	<b>\$ (160,796)</b>	<b>\$ (177,313)</b>	<b>\$ (419,200)</b>	<b>\$ (20,645)</b>	
<b>Net Loss</b>					<b>\$ (777,954)</b>
Non-cash amortization income (expense), net	\$ (1,053)	\$ (11,316)	\$ 1,053	\$ (1,728)	\$ (13,044)
Other significant non-cash expense: goodwill impairment	\$ —	\$ (88,675)	\$ —	\$ —	\$ (88,675)

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2021**  
**(Unaudited)**

**Note 23. Segment Information - (continued)**

The following table presents the components of Corporate/Other for the three and six months ended June 30, 2021 and 2020.

**Table 23.2 – Components of Corporate/Other**

(In Thousands)	Three Months Ended June 30,					
	2021			2020		
	Legacy Consolidated VIEs (1)	Other	Total	Legacy Consolidated VIEs (1)	Other	Total
Interest income	\$ 1,169	\$ 6	\$ 1,175	\$ 2,685	\$ 55	\$ 2,740
Interest expense	(755)	(9,478)	(10,233)	(1,518)	(10,828)	(12,346)
<b>Net interest income</b>	<b>414</b>	<b>(9,472)</b>	<b>(9,058)</b>	<b>1,167</b>	<b>(10,773)</b>	<b>(9,606)</b>
<b>Non-interest income</b>						
Investment fair value changes, net	(216)	(31)	(247)	(230)	—	(230)
Other income	—	265	265	—	758	758
Realized gains, net	—	—	—	—	25,182	25,182
<b>Total non-interest income, net</b>	<b>(216)</b>	<b>234</b>	<b>18</b>	<b>(230)</b>	<b>25,940</b>	<b>25,710</b>
General and administrative expenses	—	(18,183)	(18,183)	—	(13,818)	(13,818)
Other expenses	—	—	—	—	(134)	(134)
<b>Total</b>	<b>\$ 198</b>	<b>\$ (27,421)</b>	<b>\$ (27,223)</b>	<b>\$ 937</b>	<b>\$ 1,215</b>	<b>\$ 2,152</b>

  

(In Thousands)	Six Months Ended June 30,					
	2021			2020		
	Legacy Consolidated VIEs (1)	Other	Total	Legacy Consolidated VIEs (1)	Other	Total
Interest income	\$ 2,517	\$ 20	\$ 2,537	\$ 5,879	\$ 55	\$ 5,934
Interest expense	(1,630)	(18,864)	(20,494)	(4,040)	(22,561)	(26,601)
<b>Net interest income</b>	<b>887</b>	<b>(18,844)</b>	<b>(17,957)</b>	<b>1,839</b>	<b>(22,506)</b>	<b>(20,667)</b>
<b>Non-interest income</b>						
Investment fair value changes, net	(915)	(6)	(921)	(621)	(118)	(739)
Other income	—	412	412	—	758	758
Realized gains, net	—	—	—	—	25,182	25,182
<b>Total non-interest income, net</b>	<b>(915)</b>	<b>406</b>	<b>(509)</b>	<b>(621)</b>	<b>25,822</b>	<b>25,201</b>
General and administrative expenses	—	(35,687)	(35,687)	—	(24,726)	(24,726)
Loan acquisition costs	—	(4)	(4)	—	(7)	(7)
Other expenses	—	17	17	—	(446)	(446)
<b>Total</b>	<b>\$ (28)</b>	<b>\$ (54,112)</b>	<b>\$ (54,140)</b>	<b>\$ 1,218</b>	<b>\$ (21,863)</b>	<b>\$ (20,645)</b>

(1) Legacy consolidated VIEs represent Legacy Sequoia entities that are consolidated for GAAP financial reporting purposes. See *Note 4* for further discussion on VIEs.

**REDWOOD TRUST, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2021**  
**(Unaudited)**

**Note 23. Segment Information - (continued)**

The following table presents supplemental information by segment at June 30, 2021 and December 31, 2020.

**Table 23.3 – Supplemental Segment Information**

<b>(In Thousands)</b>	<b>Residential Lending</b>	<b>Business Purpose Lending</b>	<b>Third-Party Investments</b>	<b>Corporate/ Other</b>	<b>Total</b>
<b>June 30, 2021</b>					
Residential loans	\$ 3,383,101	\$ —	\$ 2,098,624	\$ 260,875	\$ 5,742,600
Business purpose loans	—	4,408,889	—	—	4,408,889
Multifamily loans	—	—	485,157	—	485,157
Real estate securities	163,609	—	191,277	—	354,886
Other investments	8,721	13,168	267,851	18,992	308,732
Intangible assets	—	49,119	—	—	49,119
Total assets	3,615,860	4,576,139	3,063,094	741,298	11,996,391
<b>December 31, 2020</b>					
Residential loans	\$ 1,741,963	\$ —	\$ 2,221,153	\$ 285,935	\$ 4,249,051
Business purpose loans	—	4,136,353	—	—	4,136,353
Multifamily loans	—	—	492,221	—	492,221
Real estate securities	160,780	—	183,345	—	344,125
Other investments	8,815	21,627	317,282	451	348,175
Intangible assets	—	56,865	—	—	56,865
Total assets	1,989,802	4,323,040	3,232,415	809,809	10,355,066

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### INTRODUCTION

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Our MD&A is presented in six main sections:

- [Overview](#)
- [Results of Operations](#)
  - [Consolidated Results of Operations](#)
  - [Results of Operations by Segment](#)
  - [Investments Detail](#)
  - [Taxable Income and Tax Provision](#)
- [Liquidity and Capital Resources](#)
- [Off-Balance Sheet Arrangements and Contractual Obligations](#)
- [Critical Accounting Policies and Estimates](#)
- [New Accounting Standards](#)

Our MD&A should be read in conjunction with the Consolidated Financial Statements and related Notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q and in Part II, Item 8, Financial Statements and Supplementary Data in our most recent Annual Report on Form 10-K, as well as the sections entitled "Risk Factors" in Part I, Item 1A of our most recent Annual Report on Form 10-K and Part II, Item 1A of this Quarterly Report on Form 10-Q, as well as other cautionary statements and risks described elsewhere in this report and our most recent Annual Report on Form 10-K. The discussion in this MD&A contains forward-looking statements that involve substantial risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, such as those discussed in the Cautionary Statement below.

References herein to "Redwood," the "company," "we," "us," and "our" include Redwood Trust, Inc. and its consolidated subsidiaries, unless the context otherwise requires. Financial information concerning our business is set forth in this "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and notes thereto, which are included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Our website can be found at [www.redwoodtrust.com](http://www.redwoodtrust.com). We make available, free of charge through the investor information section of our website, access to our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the U.S. Securities Exchange Act of 1934, as well as proxy statements, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the U.S. Securities and Exchange Commission ("SEC"). We also make available, free of charge, access to our charters for our Audit Committee, Compensation Committee, and Governance and Nominating Committee, our Corporate Governance Standards, and our Code of Ethics governing our directors, officers, and employees. Within the time period required by the SEC and the New York Stock Exchange, we will post on our website any amendment to the Code of Ethics and any waiver applicable to any executive officer or director of Redwood. In addition, our website includes information concerning purchases and sales of our equity securities by our executive officers and directors, and may include disclosure relating to certain non-GAAP financial measures (as defined in the SEC's Regulation G) that we may make public orally, telephonically, by webcast, by broadcast, or by similar means from time to time. The information on our website is not part of this Quarterly Report on Form 10-Q.

Our Investor Relations Department can be contacted at One Belvedere Place, Suite 300, Mill Valley, CA 94941, Attn: Investor Relations, telephone (866) 269-4976.

## Our Business

Redwood Trust, Inc., together with its subsidiaries, is a specialty finance company focused on several distinct areas of housing credit. Our operating platforms occupy a unique position in the housing finance value chain, providing liquidity to growing segments of the U.S. housing market not served by government programs. We deliver customized housing credit investments to a diverse mix of investors through our best-in-class securitization platforms, whole-loan distribution activities and our publicly-traded shares. Our consolidated investment portfolio has evolved to incorporate a diverse mix of residential, business purpose and multifamily investments. Our goal is to provide attractive returns to shareholders through a stable and growing stream of earnings and dividends, capital appreciation, and a commitment to technological innovation that facilitates risk-minded scale. We operate our business in three segments: Residential Lending, Business Purpose Lending, and Third-Party Investments. For a full description of our segments, see *Part 1, Item 1—Business* in our Annual Report on Form 10-K for the year ended December 31, 2020.

## Cautionary Statement

This Quarterly Report on Form 10-Q and the documents incorporated by reference herein contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve numerous risks and uncertainties. Our actual results may differ from our beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as “anticipate,” “estimate,” “will,” “should,” “expect,” “believe,” “intend,” “seek,” “plan” and similar expressions or their negative forms, or by references to strategy, plans, or intentions. These forward-looking statements are subject to risks and uncertainties, including, among other things, those described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, under the caption “Risk Factors.” Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected may be described from time to time in reports we file with the SEC, including reports on Forms 10-Q and 8-K. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Statements regarding the following subjects, among others, are forward-looking by their nature: (i) statements we make regarding Redwood's business strategy and strategic focus, including statements relating to our overall market position, strategy and long-term prospects (including trends driving the flow of capital in the housing finance market, our strategic initiatives designed to capitalize on those trends, our ability to attract capital to finance those initiatives, our approach to raising capital, our ability to pay dividends in the future, and the prospects for federal housing finance reform); (ii) statements related to our financial outlook and expectations for 2021; (iii) statements related to our investment portfolio, including that our portfolio continues to offer significant upside as the economy recovers, and upside from the scarcity value and optionality embedded in our portfolio, through both call rights on securitizations we have sponsored and underlying business purpose loan refinance opportunities, as well as the recurring nature of this aspect of our portfolio and the potential upside inherent in each new securitization we sponsor through our platforms; (iv) statements related to our residential and business purpose lending platforms, including that we expect our revenue mix between mortgage banking operations and our investment portfolio to continue to migrate towards mortgage banking, and the support this migration can provide for continued book value expansion over time through our ability to grow and retain earnings at our taxable REIT subsidiary; (v) statements related to regulatory changes in Washington, D.C., including expectations that regulatory changes for loans on second homes and investor properties has the potential to significantly increase volumes in our market in 2021 and beyond; (vi) statements relating to our estimate of our available capital (including that we estimate our available capital at June 30, 2021 was approximately \$175 million); (vii) statements relating to acquiring residential mortgage loans in the future that we have identified for purchase or plan to purchase, including the amount of such loans that we identified for purchase during the second quarter of 2021 and at June 30, 2021, and expected fallout and the corresponding volume of residential mortgage loans expected to be available for purchase; (viii) statements we make regarding future dividends, including with respect to our regular quarterly dividends in 2021; and (ix) statements regarding our expectations and estimates relating to the characterization for income tax purposes of our dividend distributions, our expectations and estimates relating to tax accounting, tax liabilities and tax savings, and GAAP tax provisions, and our estimates of REIT taxable income and TRS taxable income.

Many of the factors that could affect our actual results are summarized below. One of the most significant factors, however, is the ongoing impact of the pandemic on the United States economy, homeowners, renters of housing, the housing market, the mortgage finance markets and the broader financial markets. It is difficult to fully assess the impact of the pandemic at this time, including because of the uncertainty around the severity and duration of the pandemic domestically and internationally, as well as the uncertainty around the efficacy of Federal, State and local governments' efforts to contain the spread of COVID-19 and respond to its direct and indirect impacts on many aspects of Americans' lives and economic activity. Moreover, each of the factors summarized below is likely to also be impacted directly or indirectly by the ongoing impact of the pandemic and investors are cautioned to interpret substantially all of the risks identified in the Company's previously published “Risk Factors” as being heightened as a result of the ongoing impact of the pandemic.

Important factors, among others, that may affect our actual results include:

- the impact of the COVID-19 pandemic;
- general economic trends and the performance of the housing, real estate, mortgage finance, and broader financial markets;
- federal and state legislative and regulatory developments and the actions of governmental authorities and entities;
- changing benchmark interest rates, and the Federal Reserve's actions and statements regarding monetary policy;
- our ability to compete successfully;
- our ability to adapt our business model and strategies to changing circumstances;
- strategic business and capital deployment decisions we make;
- our use of financial leverage;
- our exposure to a breach of our cybersecurity or data security;
- our exposure to credit risk and the timing of credit losses within our portfolio;
- the concentration of the credit risks we are exposed to, including due to the structure of assets we hold, the geographical concentration of real estate underlying assets we own, and our exposure to environmental and climate-related risks;
- the efficacy and expense of our efforts to manage or hedge credit risk, interest rate risk, and other financial and operational risks;
- changes in credit ratings on assets we own and changes in the rating agencies' credit rating methodologies;
- changes in mortgage prepayment rates;
- changes in interest rates;
- our ability to redeploy our available capital into new investments;
- interest rate volatility, changes in credit spreads, and changes in liquidity in the market for real estate securities and loans;
- our ability to finance the acquisition of real estate-related assets with short-term debt;
- changes in the values of assets we own;
- the ability of counterparties to satisfy their obligations to us;
- our exposure to the discontinuation of LIBOR;
- our exposure to liquidity risk, risks associated with the use of leverage, and market risks;
- changes in the demand from investors for residential and business purpose mortgages and investments, and our ability to distribute residential and business purpose mortgages through our whole-loan distribution channel;
- our involvement in securitization transactions, the profitability of those transactions, and the risks we are exposed to in engaging in securitization transactions;
- exposure to claims and litigation, including litigation arising from our involvement in loan origination and securitization transactions;
- whether we have sufficient liquid assets to meet short-term needs;
- our ability to successfully retain or attract key personnel;
- changes in our investment, financing, and hedging strategies and new risks we may be exposed to if we expand our business activities;
- our exposure to a disruption of our technology infrastructure and systems;
- the impact on our reputation that could result from our actions or omissions or from those of others;
- our failure to maintain appropriate internal controls over financial reporting and disclosure controls and procedures;
- the termination of our captive insurance subsidiary's membership in the Federal Home Loan Bank and the implications for our income generating abilities;
- the impact of changes to U.S. federal income tax laws on the U.S. housing market, mortgage finance markets, and our business;
- our failure to comply with applicable laws and regulation, including our ability to obtain or maintain the governmental licenses;
- our ability to maintain our status as a REIT for tax purposes;
- limitations imposed on our business due to our REIT status and our status as exempt from registration under the Investment Company Act of 1940;
- our common stock may experience price declines, volatility, and poor liquidity, and we may reduce our dividends in a variety of circumstances;
- decisions about raising, managing, and distributing capital;
- our exposure to broad market fluctuations; and
- other factors not presently identified.

This Quarterly Report on Form 10-Q may contain statistics and other data that in some cases have been obtained from or compiled from information made available by servicers and other third-party service providers.



## OVERVIEW

### Business Update

Our second quarter results included strong GAAP earnings of \$90 million (\$0.66 per diluted share), and a 6.5% increase in book value to \$11.46 at June 30, 2021. On an annualized basis, our first half GAAP return on equity was 31%. Our total economic return to shareholders, which includes growth in book value and dividends paid, was 19% for the first half of 2021.

Crisp execution contributed to the second quarter being another successful quarter, but in many ways the past few months have represented a threshold moment for our company. The true potential of our business has come into sharper focus, particularly as our teams faced formidable challenges and responded with vigor. Indeed, our Residential team executed an improbably strong finish against the backdrop of severe declines in profitability for many other mortgage market participants. Additionally, our Business Purpose Lending ("BPL") team, facing stiff competition, originated significant volumes during the second quarter, reaching levels we have not seen since before the COVID-19 pandemic began.

For many residential mortgage originators, recent results were buoyed largely by direct Federal Reserve stimulus. However, with substantial progress in U.S. COVID-19 vaccinations, and a near-total economic reopening across the country, the Federal Reserve has begun reconsidering the size of its support to the Agency mortgage market. And, in fact, during the second quarter, the rise in mortgage rates and corresponding decline in refinancing demand by homeowners triggered an unceremonious contraction in margins across the industry. Nowhere was this more apparent than the residential wholesale mortgage channel, where lenders engaged in an all-out price war to preserve volumes, pushing their profit margins to near breakeven levels or worse in the span of only a few months. Exaggerating the effects of strong competition was a surge in pro-cyclical inflationary rhetoric, and a volatile yield curve driving significant hedging and execution costs for those managing large mortgage loan pipelines – including for us. Against this backdrop, in the second quarter we locked close to \$4 billion in jumbo residential loans at margins towards the high-end of our historical target range, underscoring the durability of our earnings power.

During the second quarter, the business purpose lending market also became more crowded, with new competitors using lower mortgage rates to expand their market share – particularly for lower-balance bridge and rental loan products that currently represent a small minority of our origination mix. The shift of households out of apartment living and towards single-family detached homes – a trend that has shown no sign of ebbing despite the "reopening" of most major metropolitan areas – has led to a shortage of high-quality homes, coupled with aggressive demand from both investors and consumers alike. In many regions, rent growth has been significantly outstripped by home price appreciation, highlighting the scarcity value of quality housing and the multiple constituencies focused on acquiring single-family homes. Leveraging a well-earned reputation as a nimble and reliable life-cycle lender, CoreVest – our business-purpose lending platform – eclipsed \$500 million of fundings during the second quarter, balanced between single-family rental and bridge loan originations.

Our sustained performance through this challenging backdrop showcased our strategic foundation and is the essence of what makes Redwood unique. Our mortgage banking businesses offer highly complementary products that drive durable earnings streams at the corporate level. And our investment portfolio continues to offer significant upside as the economy recovers, well beyond what many industry observers had modeled after such a tumultuous pandemic period. Our credit discipline and ability to create our own assets remain key differentiators. The scarcity value and optionality embedded in our portfolio - through both call rights on securitizations we have sponsored and underlying business purpose loan refinance opportunities – offer upside beyond the current discount to face value of the underlying assets. Notably, this attractive aspect of our portfolio is a potential upside inherent in each new securitization we sponsor through our platforms.

This foundation has facilitated returns that are significantly outpacing our growing dividends. Redwood's mortgage banking income significantly exceeded net interest income at our investment portfolio during the first half of 2021, and we expect this revenue mix will likely continue to migrate toward mortgage banking and by extension our taxable subsidiaries. This proportion is significantly higher than in recent years and casts a spotlight on a shift in business model that had in many ways been hiding in plain sight. It can also support continued book value expansion over time and an increased level of retained earnings, a zero-cost avenue for additional capital that reduces our marginal need for funding and stands in contrast to how others in the space manage their balance sheets.

Our team continues to relentlessly target a sector of the mortgage market that many had ignored since the COVID-19 pandemic began, in large part due to the absence of Federal Reserve stimulus for this industry sector. The non-Agency market we serve represents the full housing-related mortgage universe outside of government-backed mortgage programs. While it may be significantly smaller than the government-backed market, “small” is but a relative term, as the non-Agency sector is forecasted to increase volumes in 2021 from the \$435 billion of originations in 2020. Importantly, this estimate reflects a regulatory pullback in demand for loans on second homes and investor properties by Fannie Mae and Freddie Mac (the “GSEs”) that has the potential to significantly increase volumes in our market in 2021 and beyond, which would be a significant tailwind across our businesses going forward. By targeting a market rather than a specific borrower cohort, our fortunes aren’t tied to the direction of the homeownership rate. Instead, we’re focused on offering a comprehensive product mix that serves both consumers and housing investors. This approach allowed us to ramp quickly after the COVID-19 crisis passed, and our hands-on, solutions-based underwriting model (versus the more prescriptive approach favored by many) keeps us responsive to the customized needs of borrowers and to shifting external trends.

We’re proud of the leadership we demonstrated in the non-Agency market across both our platforms during the second quarter. For our Residential business, strong home price appreciation across the country pushed homeowner equity to the highest levels in at least a decade and naturally drove consumers to loans outside of the conforming balance limits of the GSEs. This has begun to diversify our geographic footprint, and we are now seeing a rising percentage of loan volume coming from parts of the country other than the coasts. We recently refocused our expanded credit product offerings in response to evolving homebuying trends and changes to the CFPB’s Qualified Mortgage (“QM”) regulations. We expect these changes will substantially reduce the frictional costs for a certain cohort of higher “debt-to-income” borrowers, whose financing options remain relatively limited. Volumes in Redwood Choice – our expanded-prime residential loan acquisition program – are once again building and represented close to 15% of our residential loan lock volume in the second quarter, up materially from 5% in the first quarter of 2021. As a reminder, Choice represented as much as 40% of our residential loan lock volume pre-pandemic.

In the context of a sustained supply/demand imbalance for high-quality affordable housing, our BPL business greatly benefited from the diversity and flexibility of its products in the second quarter and continued execution of the growth plan we outlined at the start of 2021. The longevity and depth of CoreVest’s borrower relationships creates a powerful multiplier effect when new borrowers become recurring customers. This intangible was clearly on display in the second quarter as the team posted over a 50% jump in mortgage banking income. We also advanced several strategic initiatives to expand CoreVest’s product reach – most notably a strategic investment in Churchill Finance, from whom we began purchasing smaller-balance single-family rental loans early in the third quarter of 2021.

By continuing to re-invest in our infrastructure, both organically and through partnerships, we see a path to realizing transformative scale. Across our enterprise, we’ve cultivated a talented and inspired workforce and have embraced technology to serve our customers more quickly than ever before. By combining enhanced systems and process improvements with the requisite amount of shoe leather, our teams have driven significant gains in output and efficiency thus far in 2021. As we enter the third quarter of 2021, the Federal Reserve has reiterated its support for the economy, supply chains have begun to adapt to a post COVID-19 world, and interest rates have once again fallen. We’re optimistic that this presents a potential tailwind for our businesses in the third quarter, to the extent the economic recovery builds and demand for housing remains robust. The uncertain outlook for interest rates and inflation underscores the balance of our business model, through which we comprehensively serve both homeowners and housing investors that would otherwise be inefficiently financed.

While we are excited about our performance during the second quarter and the growth potential ahead for shareholders, what ultimately differentiates our team is the quality of our people, and that our business provides meaningful benefits to our broader set of stakeholders. The impact our financing solutions have on local communities is palpable, and our experience and scale have enabled us to provide attractively priced debt to both owner-occupants and housing investors nationwide. But there remain cohorts of strong borrowers – particularly in underserved communities – who still don’t have access to financing at an attractive rate. Redwood’s mission is to offer solutions that can benefit all borrowers not well served by government loan programs, something our people are focused on and will hold ourselves accountable to in the months and years ahead.

## Second Quarter Overview

The following table presents key financial metrics for the three and six months ended June 30, 2021.

**Table 1 – Key Financial Metrics**

(In Thousands, except per Share Data)	Three Months Ended		Six Months Ended	
	June 30, 2021		June 30, 2021	
Net income per diluted common share	\$	0.66	\$	1.38
Annualized GAAP return on equity		28.7 %		31.2 %
Dividends per share	\$	0.18	\$	0.34
Book value per share	\$	11.46	\$	11.46
Economic return on book value <sup>(1)</sup>		8.2 %		19.0 %

(1) Economic return on book value is based on the periodic change in GAAP book value per common share plus dividends declared per common share during the period.

- Our second quarter 2021 results benefited from continued strength in our operating platforms, most notably increased business purpose mortgage banking revenues on higher volume and strong margins. These results, along with an increase in the value of our securities portfolio, contributed to a 6.5% increase in our book value per share during the quarter.
- In June 2021, we announced a 13% increase in our quarterly dividend to \$0.18 per share for the second quarter of 2021.
- Our book value increased \$0.70 per share to \$11.46 per share during the second quarter of 2021, as basic earnings per share and comprehensive income from investments significantly exceeded our second quarter dividend of \$0.18 per share.
- Our business purpose lending platform originated \$527 million of business purpose mortgage loans in the second quarter, including \$312 million of single-family rental loans and \$215 million of residential bridge loans.
- Residential jumbo loan purchase commitments were \$2.74 billion, and we purchased \$3.45 billion of residential jumbo loans during the second quarter of 2021. At June 30, 2021, our pipeline of residential jumbo loans identified for purchase was \$2.47 billion. Additionally, at June 30, 2021, we had entered into forward sale agreements for \$1.21 billion of residential jumbo loans.
- During the second quarter of 2021, we securitized \$1.81 billion of loans through four securitizations across Residential and Business Purpose Lending, and distributed \$1.82 billion of jumbo loans through whole loan sales.
- During the second quarter of 2021, we settled call options on three Sequoia securitizations and one CAFL securitization, acquiring \$83 million of seasoned residential jumbo loans at par and \$45 million of seasoned single-family rental loans at par.
- During the second quarter of 2021, we added over \$750 million of financing capacity to support growth of our operating platforms, including a refinance of \$242 million of debt financing our bridge loans, reducing our cost of funds for our overall investments by over 100 basis points.
- During the second quarter of 2021, we retained \$14 million of securities from a CoreVest securitization and \$8 million of securities from Sequoia securitizations, purchased \$2 million of other third-party securities, and sold \$10 million of securities.
- At June 30, 2021, our unrestricted cash was \$421 million, and our estimated available capital was \$175 million (which does not include approximately \$100 million of available capital generated from a non-marginable secured term financing we closed in early July 2021).

## RESULTS OF OPERATIONS

Within this *Results of Operations* section, we provide commentary that compares results year-over-year for 2021 and 2020. Most tables include a "change" column that shows the amount by which the results from 2021 are greater or less than the results from the respective period in 2020. Unless otherwise specified, references in this section to increases or decreases during the "three-month periods" refer to the change in results for the second quarter of 2021, compared to the second quarter of 2020, and increases or decreases in the "six-month periods" refer to the change in results for the six months of 2021, compared to the first six months of 2020.

### Consolidated Results of Operations

The following table presents the components of our net income for the three and six months ended June 30, 2021 and 2020.

**Table 2 – Net Income (Loss)**

(In Thousands, except per Share Data)	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
<b>Net Interest Income</b>	\$ 30,630	\$ 27,280	\$ 3,350	\$ 56,383	\$ 78,690	\$ (22,307)
<b>Non-interest Income</b>						
Mortgage banking activities, net	54,419	(5,982)	60,401	137,026	(34,884)	171,910
Investment fair value changes, net	49,480	152,228	(102,748)	94,567	(718,604)	813,171
Other income	2,126	1,165	961	5,969	4,093	1,876
Realized gains, net	8,384	25,965	(17,581)	11,100	29,817	(18,717)
Total non-interest income (loss), net	114,409	173,376	(58,967)	248,662	(719,578)	968,240
General and administrative expenses	(40,594)	(28,520)	(12,074)	(84,145)	(57,202)	(26,943)
Loan acquisition costs	(3,748)	(1,572)	(2,176)	(7,307)	(5,558)	(1,749)
Other expenses	(3,985)	(5,083)	1,098	(8,081)	(96,498)	88,417
<b>Net income (loss) before income taxes</b>	96,712	165,481	(68,769)	205,512	(800,146)	1,005,658
(Provision for) benefit from income taxes	(6,687)	(37)	(6,650)	(18,230)	22,192	(40,422)
<b>Net Income (Loss)</b>	\$ 90,025	\$ 165,444	\$ (75,419)	\$ 187,282	\$ (777,954)	\$ 965,236
Diluted earnings (loss) per common share	\$ 0.66	\$ 1.00	\$ (0.34)	\$ 1.38	\$ (6.82)	\$ 8.20

#### Net Interest Income

The increase in net interest income during the three-month periods was primarily due to higher average balances of residential loans held for sale during the second quarter of 2021, as compared to the second quarter of 2020, due to a slowdown in loan acquisitions in the first half of 2020 related to the COVID-19 pandemic. For the six-month periods, the decrease in net interest expense was primarily related to higher average asset balances during the first half of 2020, as we repositioned our portfolio during the second quarter of 2020, selling a significant amount of assets and entering into new non-marginable and non-recourse borrowing facilities with higher interest rates.

Additional detail on net interest income is provided in the "Net Interest Income" section that follows.

#### Mortgage Banking Activities, Net

The increase in income from mortgage banking activities during the three- and six-month periods was primarily due to an increase in loan acquisition and origination volumes at both our residential and business purpose mortgage banking businesses during 2021, as well as higher margins, in both cases due to pandemic-related disruptions in 2020, which adversely impacted our origination volumes in 2020.

A more detailed analysis of the changes in this line item is included in the "Results of Operations by Segment" section that follows.

#### *Investment Fair Value Changes, Net*

Investment fair value changes, net, is primarily comprised of the change in fair values of our portfolio investments accounted for under the fair value option and, prior to the second quarter of 2020, interest rate hedges associated with these investments. During the three and six months ended June 30, 2021, positive investment fair value changes reflected continuing improvement in credit performance and spread tightening across our investment portfolio, particularly in our third-party re-performing loan ("RPL") and retained Sequoia and CAFL securities. Additional detail on our investment fair value changes during 2021 is included in the "Results of Operations by Segment" section that follows. During the three months ended June 30, 2020, investment fair value changes increased significantly, as the fair value of our investment assets recovered nearly one-third of the unrealized losses recognized in the first quarter of 2020. During the six months ended June 30, 2020, the negative investment fair value changes reflected significant declines in the value of our investments in the first quarter of 2020 resulting from pandemic- and liquidity-related disruptions.

#### *Other Income*

The increase in other income for the three- and six-month periods was primarily the result of an increase in income from our MSR investments, which generally benefited from a stabilization in prepayment speeds during 2021.

#### *Realized Gains, Net*

During the three and six months ended June 30, 2021, we realized gains of \$8 million and \$11 million, respectively, primarily resulting from the call of one and four seasoned Sequoia securitizations, respectively, and the sale of \$3 million and \$5 million of AFS securities, respectively. During the three and six months ended June 30, 2020, we realized gains of \$26 million and \$30 million, respectively, primarily resulting from a \$25 million gain from the repurchase of \$125 million of convertible debt during the second quarter of 2020.

#### *General and Administrative Expenses*

The increase in general and administrative expenses for the three- and six-month periods primarily resulted from increased accruals of variable compensation expense associated with improved financial results in 2021 as compared to 2020, as well as long-term incentive award expense from awards granted in the second half of 2020. This increase was partially offset by a decrease in fixed compensation costs, legal and other costs as a result of cost savings measures implemented during 2020.

#### *Other Expenses*

The decrease in other expenses for the six-month periods was primarily due to \$89 million of goodwill impairment expense at our Business Purpose Lending segment recorded in the first quarter of 2020 that was taken as a result of the onset of pandemic- and liquidity-related disruptions.

#### *Provision for Income Taxes*

Our provision for income taxes is almost entirely related to activity at our taxable REIT subsidiaries, which primarily includes our mortgage banking activities and MSR investments, as well as certain other investment and hedging activities. For the three- and six-month periods, the increase in provision for income taxes was primarily the result of positive GAAP income earned at our TRS in 2021, as compared to a significant loss in 2020. For additional detail on income taxes, see the "Taxable Income and Tax Provision" section that follows.

### Net Interest Income

The following table presents the components of net interest income for the three and six months ended June 30, 2021 and 2020.

Table 3 – Net Interest Income

(Dollars in Thousands)	Three Months Ended June 30,					
	2021			2020		
	Interest Income/ (Expense)	Average Balance <sup>(1)</sup>	Yield	Interest Income/ (Expense)	Average Balance <sup>(1)</sup>	Yield
<b>Interest Income</b>						
Residential loans, held-for-sale	\$ 13,266	\$ 1,825,086	2.9 %	\$ 8,537	\$ 771,003	4.4 %
Residential loans - HFI at Legacy Sequoia <sup>(2)</sup>	1,169	263,735	1.8 %	2,685	305,160	3.5 %
Residential loans - HFI at Sequoia <sup>(2)</sup>	14,492	1,444,831	4.0 %	22,565	1,826,727	4.9 %
Residential loans - HFI at Freddie Mac SLST <sup>(2)</sup>	19,506	2,111,445	3.7 %	21,187	2,115,716	4.0 %
Business purpose loans	15,474	920,189	6.7 %	20,441	1,181,644	6.9 %
Single-family rental loans - HFI at CAFL	54,849	3,336,773	6.6 %	32,978	2,379,689	5.5 %
Multifamily loans - HFI at Freddie Mac K-Series	4,860	488,715	4.0 %	4,870	470,896	4.1 %
Trading securities	5,527	140,115	15.8 %	6,587	127,506	20.7 %
Available-for-sale securities	3,752	128,413	11.7 %	3,440	128,486	10.7 %
Other interest income	5,800	779,236	3.0 %	6,656	848,105	3.1 %
<b>Total interest income</b>	<b>138,695</b>	<b>11,438,538</b>	<b>4.9 %</b>	<b>129,946</b>	<b>10,154,932</b>	<b>5.1 %</b>
<b>Interest Expense</b>						
Short-term debt facilities	(10,085)	1,850,913	(2.2)%	(15,110)	1,295,973	(4.7)%
Short-term debt - servicer advance financing	(1,110)	164,154	(2.7)%	(1,797)	231,312	(3.1)%
ABS issued - Legacy Sequoia <sup>(2)</sup>	(755)	260,857	(1.2)%	(1,518)	300,773	(2.0)%
ABS issued - Sequoia <sup>(2)</sup>	(11,374)	1,220,211	(3.7)%	(19,117)	1,673,361	(4.6)%
ABS issued - Freddie Mac SLST <sup>(2)</sup>	(16,611)	1,864,842	(3.6)%	(15,845)	1,801,798	(3.5)%
ABS issued - Freddie Mac K-Series	(4,478)	459,344	(3.9)%	(4,378)	447,886	(3.9)%
ABS issued - CAFL	(43,201)	3,087,741	(5.6)%	(24,446)	2,213,900	(4.4)%
Long-term debt facilities	(10,972)	674,306	(6.5)%	(7,995)	589,893	(5.4)%
Long-term debt - FHLBC	(1)	132	(3.0)%	(1,635)	381,465	(1.7)%
Long-term debt - corporate	(9,478)	650,821	(5.8)%	(10,825)	707,611	(6.1)%
<b>Total interest expense</b>	<b>(108,065)</b>	<b>10,233,321</b>	<b>(4.2)%</b>	<b>(102,666)</b>	<b>9,643,972</b>	<b>(4.3)%</b>
<b>Net Interest Income</b>	<b>\$ 30,630</b>			<b>\$ 27,280</b>		

(Dollars in Thousands)	Six Months Ended June 30,					
	2021			2020		
	Interest Income/ (Expense)	Average Balance <sup>(1)</sup>	Yield	Interest Income/ (Expense)	Average Balance <sup>(1)</sup>	Yield
<b>Interest Income</b>						
Residential loans, held-for-sale	\$ 19,931	\$ 1,381,960	2.9 %	\$ 16,787	\$ 875,767	3.8 %
Residential loans - HFI at Redwood <sup>(2)</sup>	—	—	— %	20,925	993,623	4.2 %
Residential loans - HFI at Legacy Sequoia <sup>(2)</sup>	2,517	268,724	1.9 %	5,878	348,885	3.4 %
Residential loans - HFI at Sequoia <sup>(2)</sup>	29,975	1,414,397	4.2 %	47,647	1,981,097	4.8 %
Residential loans - HFI at Freddie Mac SLST <sup>(2)</sup>	39,665	2,143,942	3.7 %	43,173	2,229,068	3.9 %
Business purpose loans	30,789	908,543	6.8 %	43,085	1,325,798	6.5 %
Single-family rental loans - HFI at CAFL	103,722	3,296,042	6.3 %	62,988	2,283,812	5.5 %
Multifamily loans - HFI at Freddie Mac K-Series	9,646	491,282	3.9 %	45,042	2,328,527	3.9 %
Trading securities	11,423	136,336	16.8 %	20,249	434,852	9.3 %
Available-for-sale securities	7,519	132,823	11.3 %	8,087	141,279	11.4 %
Other interest income	11,813	801,270	2.9 %	14,166	715,416	4.0 %
<b>Total interest income</b>	<b>267,000</b>	<b>10,975,319</b>	<b>4.9 %</b>	<b>328,027</b>	<b>13,658,124</b>	<b>4.8 %</b>
<b>Interest Expense</b>						
Short-term debt facilities	(16,572)	1,423,017	(2.3)%	(36,600)	1,973,427	(3.7)%
Short-term debt - servicer advance financing	(2,396)	175,132	(2.7)%	(3,374)	189,726	(3.6)%
ABS issued - Legacy Sequoia <sup>(2)</sup>	(1,630)	265,430	(1.2)%	(4,040)	343,997	(2.3)%
ABS issued - Sequoia <sup>(2)</sup>	(23,480)	1,192,582	(3.9)%	(40,627)	1,782,702	(4.6)%
ABS issued - Freddie Mac SLST <sup>(2)</sup>	(33,982)	1,906,613	(3.6)%	(32,022)	1,845,307	(3.5)%
ABS issued - Freddie Mac K-Series	(8,834)	462,962	(3.8)%	(42,728)	2,195,469	(3.9)%
ABS issued - CAFL	(81,054)	3,046,141	(5.3)%	(46,385)	2,115,019	(4.4)%
Long-term debt facilities	(23,804)	723,861	(6.6)%	(10,593)	411,844	(5.1)%
Long-term debt - FHLBC	(2)	558	(0.7)%	(10,410)	1,184,002	(1.8)%
Long-term debt - corporate	(18,863)	650,508	(5.8)%	(22,558)	738,930	(6.1)%
<b>Total interest expense</b>	<b>(210,617)</b>	<b>9,846,804</b>	<b>(4.3)%</b>	<b>(249,337)</b>	<b>12,780,423</b>	<b>(3.9)%</b>
<b>Net Interest Income</b>	<b>\$ 56,383</b>			<b>\$ 78,690</b>		

(1) Average balances for residential loans held-for-sale, residential loans held-for-investment, business purpose loans, multifamily loans held-for-investment, and trading securities are calculated based upon carrying values, which represent estimated fair values. Average balances for available-for-sale securities and debt are calculated based upon amortized historical cost, except for ABS issued, which is based upon fair value.

(2) Interest income from residential loans held-for-investment ("HFI") at Redwood exclude loans HFI at consolidated Sequoia or Freddie Mac SLST entities. Interest income from residential loans - HFI at Legacy Sequoia and the interest expense from ABS issued - Legacy Sequoia represent activity from our consolidated Legacy Sequoia entities. Interest income from residential loans - HFI at Sequoia and the interest expense from ABS issued - Sequoia represent activity from our consolidated Sequoia entities. Interest income from residential loans - HFI at Freddie Mac SLST and the interest expense from ABS issued - Freddie Mac SLST represent activity from our consolidated Freddie Mac SLST entities.

## Results of Operations by Segment

We report on our business using three distinct segments: Residential Lending, Business Purpose Lending, and Third-Party Investments. For additional information on our segments, refer to *Note 23* of our *Notes to Consolidated Financial Statements* in Part I, Item 1 of this Quarterly Report on Form 10-Q. The following table presents the segment contribution from our three segments reconciled to our consolidated net income for the three and six months ended June 30, 2021 and 2020.

*Table 4 – Segment Results Summary*

(In Thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
<b>Segment Contribution from:</b>						
Residential Lending	\$ 30,844	\$ 34,854	\$ (4,010)	\$ 83,639	\$ (160,796)	\$ 244,435
Business Purpose Lending	32,812	48,483	(15,671)	54,255	(177,313)	231,568
Third-Party Investments	53,592	79,955	(26,363)	103,528	(419,200)	522,728
Corporate/Other	(27,223)	2,152	(29,375)	(54,140)	(20,645)	(33,495)
<b>Net Income (Loss)</b>	<u>\$ 90,025</u>	<u>\$ 165,444</u>	<u>\$ (75,419)</u>	<u>\$ 187,282</u>	<u>\$ (777,954)</u>	<u>\$ 965,236</u>

The following sections provide a discussion of the results of operations at each of our three business segments for the three and six months ended June 30, 2021.

The increase in net expense from Corporate/Other for the three- and six-month periods was primarily due to a \$25 million gain associated with the repurchase of \$125 million of convertible debt in the second quarter of 2020.

### Residential Lending Segment

#### *Overview*

Our Residential Lending segment generated \$31 million of net income during the second quarter of 2021, driven primarily by \$27 million of mortgage banking income and \$6 million of net interest income from investments. Mortgage banking income decreased from the first quarter of 2021, as loan purchase commitments of \$2.7 billion in the second quarter were 22% lower than the first quarter and margins normalized towards the high end of our historic target range.

Our Residential Lending segment generated \$53 million of net income during the first quarter of 2021, driven primarily by \$64 million of mortgage banking income and \$6 million of net interest income from investments. Mortgage banking income increased significantly during the quarter, as loan purchase commitments increased 41% from the fourth quarter of 2020 to \$3.51 billion, and gross margins nearly doubled.



## Mortgage Banking

The following table provides the activity of residential loans held in inventory for sale at our mortgage banking business during the three and six months ended June 30, 2021.

**Table 5 – Loan Inventory for Residential Mortgage Banking Operations — Activity**

(In Thousands)	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
Balance at beginning of period	\$ 977,457	\$ 176,641
Acquisitions	3,454,818	6,582,762
Sales	(2,183,686)	(4,531,812)
Transfers between portfolios <sup>(1)</sup>	(1,205,494)	(1,205,494)
Principal repayments	(8,761)	(10,875)
Changes in fair value, net	29,388	52,500
<b>Balance at End of Period</b>	<b>\$ 1,063,722</b>	<b>\$ 1,063,722</b>

(1) Represents the net transfers of loans from held-for-sale to held-for-investment within our Residential Lending investment portfolio, associated with securitizations we sponsored that we consolidate under GAAP.

The following table presents our mortgage banking income and loan purchase commitments during the three and six months ended June 30, 2021.

**Table 6 – Mortgage Banking Income and Residential Loan Purchase Commitments**

(In Thousands)	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
Mortgage banking income	\$ 26,893	\$ 91,160
Loan purchase commitments entered into	\$ 2,743,105	\$ 6,253,397

Mortgage banking income is comprised of net interest income from loans held-for-sale in inventory and mortgage banking activities. Income from mortgage banking activities is comprised of mark-to-market adjustments on loans from the time they are purchased to when they are sold, mark-to-market adjustments on new and outstanding loan purchase commitments, gains/losses from associated hedges, and other miscellaneous income/expenses (see *Note 19* of our *Notes to Consolidated Financial Statements* in Part I, Item 1 of this Quarterly Report on Form 10-Q for further detail).

During the three months ended June 30, 2021, our residential mortgage loan conduit locked \$3.90 billion of loans (\$2.74 billion adjusted for expected pipeline fallout - i.e., loan purchase commitments), including \$3.33 billion of Select loans and \$0.57 billion of Choice loans, and purchased \$3.45 billion of loans. Approximately 60% of loans locked in the second quarter were purchase-money loans and 40% were refinancings. During the three months ended June 30, 2021, we distributed \$1.82 billion of loans through whole loan sales, and completed three securitizations for a total of \$1.53 billion.

At June 30, 2021, we had \$1.06 billion of loans in inventory on our balance sheet, our loan pipeline included \$2.47 billion of loans identified for purchase (locked loans, unadjusted for fallout), and we had entered into forward sale agreements for \$1.21 billion of loans.

Our gross margin (mortgage banking income earned in the period divided by loan purchase commitments entered into during the period) for the three months ended June 30, 2021 was 98 basis points, down from 183 basis points in the first quarter of 2021. Gross margin in the second quarter of 2021 was near the high end of our historical range, despite a challenging macroeconomic backdrop that impacted securitization execution and increased hedging costs relative to the first quarter.

We utilize a combination of capital and our residential loan warehouse facilities to manage our inventory of residential loans held-for-sale. At June 30, 2021, we had residential warehouse facilities outstanding with six different counterparties, with \$2.35 billion of total capacity and \$1.30 billion of available capacity. These included non-marginable (i.e., not subject to margin calls based on the market value of the underlying collateral that is non-delinquent) facilities with \$800 million of total capacity and marginable facilities with \$1.55 billion of total capacity.

## Investment Portfolio

The following table presents details of our Residential Lending investment portfolio at June 30, 2021 and December 31, 2020.

**Table 7 – Residential Lending Investments**

<b>(In Thousands)</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Residential loans at Redwood <sup>(1)</sup>	\$ 96,826	\$ —
Residential securities at Redwood <sup>(2)</sup>	158,703	155,501
Residential securities at consolidated Sequoia entities <sup>(3)</sup>	232,005	217,965
Other investments	8,721	8,815
<b>Total Segment Investments</b>	<b>\$ 496,255</b>	<b>\$ 382,281</b>

(1) Balance consists of loans called from Sequoia securitizations. Excludes Sequoia loans held at VIEs that we consolidated for GAAP purposes.

(2) Excludes \$5 million of trading securities that are designated as hedges for our mortgage banking operations and are not considered part of our investment portfolio.

(3) Represents our retained economic investment in the consolidated Sequoia securitization VIEs. For GAAP purposes, we consolidated \$2.22 billion of loans and \$1.99 billion of ABS issued associated with these investments at June 30, 2021.

During the second quarter of 2021, we purchased \$83 million of loans from Sequoia securitizations we called, and we retained \$8 million of securities from three Sequoia securitizations we completed during the quarter. During the first quarter of 2021, we sold \$4 million of securities from our residential lending investment portfolio and retained \$8 million of securities from two Sequoia securitizations we completed during the quarter. See the "Investments Detail" section that follows for additional details on our investments and their associated borrowings.

During the second quarter of 2021, net interest income from our residential lending investment portfolio was \$6 million, consistent with the first quarter of 2021, and other income was \$1 million in the second quarter of 2021 and \$3 million in the first quarter of 2021.

The following table presents the components of investment fair value changes for our Residential Lending segment by investment type for the three and six months ended June 30, 2021.

**Table 8 – Investment Fair Value Changes, Net from Residential Lending**

<b>(In Thousands)</b>	<b>Three Months Ended June 30, 2021</b>	<b>Six Months Ended June 30, 2021</b>
<b>Investment Fair Value Changes, Net</b>		
Changes in fair value of:		
Residential loans at Redwood	\$ 1,290	\$ 1,607
Trading securities	(2,250)	(4,728)
Net investments in Sequoia entities <sup>(1)</sup>	4,906	9,804
Risk-sharing and other investments	(19)	(43)
Recoveries (impairments) on AFS securities	—	33
<b>Investment Fair Value Changes, Net</b>	<b>\$ 3,927</b>	<b>\$ 6,673</b>

(1) Includes changes in fair value of the loans held-for-investment and the ABS issued at the entities, which netted together represent the change in value of our investments (subordinate securities) at the consolidated VIEs.

Strengthening credit performance helped drive spreads tighter during the three-and six-month periods for most of our subordinate securities, which resulted in net positive fair value changes for our residential lending investments. Additionally, during the first half of 2021, most of our investment securities experienced elevated prepayments, which generally benefited our subordinate securities, but negatively impacted our interest-only and certificated servicing securities, causing a net negative fair value change for our trading securities.

## **Business Purpose Lending Segment**

### *Overview*

Our Business Purpose Lending segment generated \$33 million of net income during the second quarter of 2021, driven primarily by \$35 million of mortgage banking income and \$15 million of net interest income from investments. Business purpose mortgage banking income in the second quarter of 2021 benefited from a 37% increase in origination volume from the first quarter of 2021 and modest spread tightening on securitization execution during the second quarter. Our business purpose investments saw an increase in interest income in the second quarter from a higher average balance of investments compared to the first quarter of 2021 and increased positive fair value changes due to continued spread tightening.

Our Business Purpose Lending segment generated \$21 million of net income during the first quarter of 2021, driven primarily by \$22 million of mortgage banking income and \$13 million of net interest income from investments. Business purpose mortgage banking income normalized in the first quarter of 2021, relative to the third and fourth quarters of 2020, as more modest spread tightening on securitization execution during the quarter had a reduced impact to the valuation of our loans held in inventory at the beginning of the quarter. Net interest income from BPL investments increased from the fourth quarter of 2020 due to higher yield maintenance income on our SFR securities resulting from faster prepayments, and reduced debt costs on our bridge loan portfolio resulting from a decrease in leverage on these assets.

### *Mortgage Banking*

The following table provides the business purpose loans origination activity at Redwood during the three and six months ended June 30, 2021.

**Table 9 – Business Purpose Loans — Origination Activity**

(In Thousands)	Three Months Ended June 30, 2021			Six Months Ended June 30, 2021		
	Single-Family Rental	Bridge <sup>(1)</sup>	Total	Single-Family Rental	Bridge <sup>(1)</sup>	Total
Fair value at beginning of period	\$ 333,110	\$ —	\$ 333,110	\$ 245,394	\$ —	\$ 245,394
Originations	312,217	215,160	527,377	565,315	348,389	913,704
Sales	—	(354)	(354)	—	(2,231)	(2,231)
Transfers between portfolios <sup>(2)</sup>	(252,379)	(215,784)	(468,163)	(421,783)	(347,678)	(769,461)
Principal repayments	(3,056)	—	(3,056)	(10,120)	—	(10,120)
Changes in fair value, net	28,550	978	29,528	39,636	1,520	41,156
<b>Fair Value at End of Period</b>	<b>\$ 418,442</b>	<b>\$ —</b>	<b>\$ 418,442</b>	<b>\$ 418,442</b>	<b>\$ —</b>	<b>\$ 418,442</b>

(1) Our bridge loans are generally originated at our TRS and the majority are transferred to our REIT and a smaller portion sold. Origination fees and any mark-to-market changes on these loans prior to transfer are recognized as mortgage banking income. The loans held at our REIT are classified as held-for-investment, with subsequent fair value changes recorded through Investment fair value changes, net on our consolidated statements of income (loss). For the carrying value and activity of our bridge loans held-for-investment, see the *Investments* section that follows.

(2) For single-family rental loans, amounts represent transfers of loans from held-for-sale to held-for-investment, including when loans are securitized (and consolidated for GAAP purposes). For bridge loans, represents the transfer of loans from our TRS to our REIT as described in preceding footnote.

During the three months ended June 30, 2021, we funded \$312 million of single-family rental loans and \$215 million of bridge loans, representing increases of 23% and 61% from respective first quarter 2021 volumes. Approximately 34% of SFR origination volume in the second quarter of 2021 was generated from borrowers that previously had a bridge loan with CoreVest and 67% of total origination volumes were from repeat borrowers.

We utilize a combination of capital and loan warehouse facilities to manage our inventory of single-family rental loans that we hold for sale. At June 30, 2021, we had business purpose warehouse facilities outstanding with five different counterparties, with \$1.30 billion of total capacity (used for both SFR and bridge loans) and \$587 million of available capacity. All of these facilities are non-marginable (i.e., not subject to margin calls based on the market value of the underlying collateral that is non-delinquent).

## Investment Portfolio

The following table presents details of our Business Purpose Lending investment portfolio at June 30, 2021 and December 31, 2020.

**Table 10 – Business Purpose Lending Investments**

<b>(In Thousands)</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Bridge loans at Redwood	\$ 726,569	\$ 641,765
Single-family rental securities at consolidated CAFL entities <sup>(1)</sup>	268,131	238,630
Other investments	13,168	21,627
<b>Total Segment Investments</b>	<b>\$ 1,007,868</b>	<b>\$ 902,022</b>

(1) Represents our economic investment in securities issued by consolidated CAFL securitization VIEs. For GAAP purposes, we consolidated \$3.26 billion of loans and \$3.01 billion of ABS issued associated with these investments at June 30, 2021.

During the second quarter of 2021, we funded \$215 million of business purpose bridge loans and received principal payments of \$115 million. In addition, we retained \$14 million of securities from a \$276 million (principal balance) single-family rental loan securitization we completed during the second quarter. See the "Investments Detail" section that follows for additional details on our investments and their associated borrowings.

The following table presents the components of investment fair value changes for our Business Purpose Lending segment by investment type for the three and six months ended June 30, 2021.

**Table 11 – Investment Fair Value Changes, Net from Business Purpose Lending**

<b>(In Thousands)</b>	<b>Three Months Ended June 30, 2021</b>	<b>Six Months Ended June 30, 2021</b>
<b>Investment Fair Value Changes, Net</b>		
Changes in fair value of:		
Bridge loans held-for-investment	\$ (62)	\$ 3,242
REO	147	428
Net investments in CAFL entities <sup>(1)</sup>	3,697	3,411
<b>Investment Fair Value Changes, Net</b>	<b>\$ 3,782</b>	<b>\$ 7,081</b>

(1) Includes changes in fair value of the loans held-for-investment and the ABS issued at the entities, which netted together represent the change in value of our investments (subordinate securities) at the consolidated VIEs.

Spreads tightened during the second quarter of 2021 for our CAFL subordinate securities, with positive fair value changes for these assets more than offsetting the decline in the value of our CAFL interest-only securities from a reduction in their basis through the receipt of regular cash flows.

Spreads generally tightened during the first quarter of 2021 for our BPL investments overall, which resulted in positive fair value changes for bridge loans and subordinate CAFL securities. We also had positive resolutions on several previously delinquent bridge loans during the first quarter of 2021, resulting in over \$2 million of positive fair value changes for recoveries in excess of our prior quarter-end carrying values. Positive fair value changes for our CAFL subordinate securities were mostly offset by a decline in the value of our CAFL interest-only securities from a reduction in their basis through the receipt of regular cash flows.

## Third-Party Investments Segment

### Overview

Our Third-Party Investments segment generated \$54 million of net income during the second quarter of 2021, driven primarily by \$42 million of positive investment fair value changes and \$12 million of net interest income, and generated \$50 million of net income during the first quarter of 2021, driven primarily by \$40 million of positive investment fair value changes and \$12 million of net interest income. Positive investment fair value changes in 2021 reflected continuing improvement in credit performance and spread tightening, particularly for our RPL and multifamily securities.

## Investment Portfolio

The following table presents details of the investments in our Third-Party Investments segment at June 30, 2021 and December 31, 2020.

**Table 12 – Third-Party Investments**

<b>(In Thousands)</b>	<b>June 30, 2021</b>	<b>December 31, 2020</b>
Residential securities at Redwood	\$ 148,798	\$ 134,090
Residential securities at consolidated Freddie Mac SLST entities <sup>(1)</sup>	450,173	428,179
Multifamily securities at Redwood	42,479	49,255
Multifamily securities at consolidated Freddie Mac K-Series entity <sup>(2)</sup>	30,833	28,255
Other investments <sup>(3)</sup>	127,138	135,590
<b>Total Segment Investments</b>	<b>\$ 799,421</b>	<b>\$ 775,369</b>

(1) Represents our economic investment in securities issued by consolidated Freddie Mac SLST securitization entities. For GAAP purposes, we consolidated \$2.10 billion of loans and \$1.65 billion of ABS issued associated with these investments at June 30, 2021.

(2) Represents our economic investment in securities issued by a consolidated Freddie Mac K-Series securitization entity. For GAAP purposes, we consolidated \$485 million of loans and \$454 million of ABS issued associated with this investment at June 30, 2021.

(3) Other investments includes our servicer advance investments, which for purposes of this table are presented net of \$164 million of non-recourse short-term securitization debt, secured by servicing advances and other servicing-related assets at June 30, 2021.

During the second quarter, we purchased \$3 million of third-party investments and sold \$11 million of third-party investments. During the first quarter, we purchased \$16 million of third-party investments and sold \$34 million of third-party investments.

See the "Investments Detail" section that follows for additional details on these investments and their associated borrowings.

The following table presents the components of investment fair value changes for our Third-Party Investments segment by investment type for the three and six months ended June 30, 2021.

**Table 13 – Investment Fair Value Changes, Net from Third-Party Investments**

<b>(In Thousands)</b>	<b>Three Months Ended June 30, 2021</b>	<b>Six Months Ended June 30, 2021</b>
<b>Investment Fair Value Changes, Net</b>		
Changes in fair value of:		
Residential securities	\$ 5,143	\$ 28,249
Net investments in Freddie Mac SLST entities <sup>(1)</sup>	36,316	40,433
Net investment in Freddie Mac K-Series entity <sup>(1)</sup>	1,855	10,776
Servicer advance investments	(940)	(1,100)
Excess MSRs	(2,477)	(4,430)
Shared home appreciation options	2,080	7,395
Other	28	57
Recoveries (impairments) on AFS securities	13	354
<b>Investment Fair Value Changes, Net</b>	<b>\$ 42,018</b>	<b>\$ 81,734</b>

(1) Includes changes in fair value of the loans held-for-investment and the ABS issued at the entities, which netted together represent the change in value of our investments (subordinate securities) at the consolidated VIEs.

Continued strengthening of credit and elevated prepayment speeds helped drive credit spreads tighter on our third-party assets in the first and second quarters of 2021, in particular for our investments in performing loan assets (primarily represented by our net investment in Freddie Mac SLST entities in the table above).

## Investments Detail

This section presents additional details on certain of our investment assets and their activity during the three and six months ended June 30, 2021.

### Real Estate Securities Portfolio

The following table sets forth our real estate securities activity by collateral type for the three and six months ended June 30, 2021.

**Table 14 – Real Estate Securities Activity by Collateral Type**

Three Months Ended June 30, 2021	Residential			Multifamily	
(In Thousands)	Senior	Mezzanine	Subordinate	Mezzanine	Total
Beginning fair value	\$ 31,580	\$ —	\$ 284,656	\$ 48,084	\$ 364,320
Acquisitions					
Sequoia securities	1,226	—	522	—	1,748
Third-party securities	962	—	1,750	—	2,712
Sales					
Third-party securities	—	—	(10,988)	—	(10,988)
Gains on sales and calls, net	—	—	7,994	—	7,994
Effect of principal payments <sup>(1)</sup>	—	—	(12,436)	(4,827)	(17,263)
Change in fair value, net	(8,501)	—	15,642	(778)	6,363
Ending Fair Value <sup>(2)</sup>	\$ 25,267	\$ —	\$ 287,140	\$ 42,479	\$ 354,886

Six Months Ended June 30, 2021	Residential			Multifamily	
(In Thousands)	Senior	Mezzanine	Subordinate	Mezzanine	Total
Beginning fair value	\$ 28,464	\$ 5,663	\$ 260,743	\$ 49,255	\$ 344,125
Acquisitions					
Sequoia securities	7,775	—	1,600	—	9,375
Third-party securities	962	—	12,700	4,930	18,592
Sales					
Sequoia securities	—	(3,664)	—	—	(3,664)
Third-party securities	—	(2,060)	(31,010)	—	(33,070)
Gains on sales and calls, net	—	60	10,542	—	10,602
Effect of principal payments <sup>(1)</sup>	—	(26)	(17,547)	(10,803)	(28,376)
Change in fair value, net	(11,934)	27	50,112	(903)	37,302
Ending Fair Value <sup>(2)</sup>	\$ 25,267	\$ —	\$ 287,140	\$ 42,479	\$ 354,886

(1) The effect of principal payments reflects the change in fair value due to principal payments, which is calculated as the cash principal received on a given security during the period multiplied by the prior quarter ending price or acquisition price for that security.

(2) At June 30, 2021, excludes \$232 million and \$268 million of securities retained from our consolidated Sequoia and CAFL securitizations, respectively, as well as \$450 million and \$31 million of securities we owned that were issued by consolidated Freddie Mac SLST and Freddie Mac K-Series securitizations, respectively.

At June 30, 2021, our securities consisted of fixed-rate assets (86%), adjustable-rate assets (12%), and hybrid assets that reset within the next year (2%).

We directly finance our holdings of real estate securities with a combination of capital and collateralized debt in the form of repurchase (or “repo”) financing. At June 30, 2021, we had short-term debt incurred through repurchase facilities of \$81 million with three different counterparties, which was secured by \$110 million of real estate securities (including securities owned in consolidated securitization entities).

At June 30, 2021, real estate securities with a fair value of \$369 million (including securities owned in consolidated Sequoia and CAFL securitization entities), were financed with long-term, non-mark-to-market recourse debt through our subordinate securities financing facilities. Additionally, at June 30, 2021, we had \$450 million of re-performing loan securities financed with \$179 million of non-recourse securitization debt. The remaining \$407 million of our securities, including certain securities we own that were issued by consolidated securitization entities, were financed with capital.

#### **Bridge Loans Held-for-Investment at Redwood Portfolio**

The following table provides the activity of bridge loans held-for-investment at Redwood during the three and six months ended June 30, 2021.

**Table 15 – Bridge Loans Held-for-Investment at Redwood - Activity**

<b>(In Thousands)</b>	<b>Three Months Ended June 30, 2021</b>	<b>Six Months Ended June 30, 2021</b>
Fair value at beginning of period	\$ 626,484	\$ 641,765
Sales	—	(7,000)
Transfers between portfolios <sup>(1)</sup>	215,785	347,679
Transfers to REO	(806)	(2,289)
Principal repayments	(114,748)	(256,726)
Changes in fair value, net	(146)	3,140
<b>Fair Value at End of Period</b>	<b>\$ 726,569</b>	<b>\$ 726,569</b>

(1) All of our bridge loans are originated at our TRS then transferred to our REIT. Origination fees and any mark-to-market changes on these loans prior to transfer are recognized as mortgage banking income. Once the loans are transferred to our REIT, they are classified as held-for-investment, with subsequent fair value changes recorded through Investment fair value changes, net on our consolidated statements of income (loss).

Our \$727 million of bridge loans held-for-investment at June 30, 2021 were comprised of first-lien, interest-only loans with a weighted average coupon of 7.63% and original maturities of six to 24 months. At origination, the weighted average FICO score of borrowers backing these loans was 727 and the weighted average LTV ratio of these loans was 65%. At June 30, 2021, of the 2,471 loans in this portfolio, 43 of these loans with an aggregate fair value of \$29 million and an aggregate unpaid principal balance of \$33 million were in foreclosure, of which 40 loans with an aggregate fair value of \$32 million and an unpaid principal balance of \$35 million were greater than 90 days delinquent.

We finance our bridge loans with a combination of recourse, non-marginable warehouse facilities and non-recourse, non-marginable warehouse facilities. At June 30, 2021, we had \$99 million of debt incurred through short-term warehouse facilities with two different counterparties, which was secured by \$127 million of loans, and \$384 million of debt incurred through long-term facilities with four different counterparties, which was secured by \$556 million of loans.

## Taxable Income and Tax Provision

### Taxable Income

The following table summarizes our taxable income and distributions to shareholders for the three and six months ended June 30, 2021 and 2020.

**Table 16 – Taxable Income (Loss)**

(In Thousands, except per Share Data)	Three Months Ended June 30,		Six Months Ended June 30, <sup>(1)</sup>	
	2021 est. <sup>(2)</sup>	2020 est. <sup>(2)</sup>	2021 est. <sup>(2)</sup>	2020 est. <sup>(2)</sup>
REIT taxable income (loss)	\$ 12,497	\$ (57,905)	\$ 22,779	\$ (20,378)
Taxable REIT subsidiary income (loss)	30,671	(19,496)	83,732	(8,085)
<b>Total Taxable Income (Loss)</b>	<b>\$ 43,168</b>	<b>\$ (77,401)</b>	<b>\$ 106,511</b>	<b>\$ (28,463)</b>
REIT taxable income (loss) per share	\$ 0.11	\$ (0.50)	\$ 0.20	\$ (0.17)
Total taxable income (loss) per share	\$ 0.38	\$ (0.67)	\$ 0.94	\$ (0.24)
Distributions to shareholders	\$ 20,346	\$ 14,366	\$ 38,423	\$ 51,107
Distributions to shareholders per share	\$ 0.18	\$ 0.125	\$ 0.34	\$ 0.445

(1) In accordance with Internal Revenue Code rules applicable to disaster losses, TRS taxable income for the six months ended June 30, 2020, was adjusted to recognize \$59 million of losses incurred in the first quarter of 2020 into the fourth quarter of 2019.

(2) Our tax results for the three and six months ended June 30, 2021 and 2020 are estimates until we file tax returns for these years.

Net capital gains realized in 2021 are not included in REIT taxable income as they are offset by a capital loss carryforward of \$328 million which was generated in 2020. Any unused portion of the capital loss carryforward will expire at the end of 2025.

Under normal circumstances, our minimum REIT dividend requirement would be 90% of our annual REIT taxable income. However, we currently maintain a \$36 million federal net operating loss carry forward (NOL) at the REIT that affords us the option of retaining REIT taxable income up to the NOL amount, tax free, rather than distributing it as dividends. Federal income tax rules require the dividends paid deduction to be applied to reduce REIT taxable income before the applicability of NOLs is considered; therefore, REIT taxable income must exceed our dividend distribution for us to utilize a portion of our NOL and any remaining amount will carry forward into future years. If annual REIT taxable income, exclusive of the dividends paid deduction, is a taxable loss, the NOL carryforward will be increased by the taxable loss. Of the \$36 million of NOLs, \$29 million will expire after 2029, if not utilized by then, and \$7 million have an indefinite carryover period. The \$7 million of NOLs is available to offset 80% of taxable income in any given year.

We currently expect all or nearly all of our 2021 dividend distributions to be taxable as ordinary income for federal income tax purposes. Any remaining amount is currently expected to be characterized as a return of capital, which in general is nontaxable (provided it does not exceed a shareholder's tax basis in Redwood shares) and reduces a shareholder's basis in Redwood shares (but not below zero). To the extent such distributions exceed a shareholder's basis in Redwood shares, such excess amount would be taxable as capital gain. Under the federal income tax rules applicable to REITs, none of Redwood's 2021 dividend distributions are currently expected to be characterized as long-term capital gain dividends. The income or loss generated at our TRS will not directly affect the tax characterization of our 2021 dividends; however, any dividends paid from our TRS to our REIT would allow a portion of our REIT's dividends to be classified as qualified dividends.

### Tax Provision under GAAP

For the three and six months ended June 30, 2021, we recorded tax provisions of \$7 million and \$18 million, respectively. For the three and six months ended June 30, 2020, we recorded a tax provision of \$37 thousand and a tax benefit of \$22 million, respectively. Our tax provision is primarily derived from the activities at our TRS as we do not book a material tax provision associated with income generated at our REIT. The switch to a provision for income taxes from a benefit from income taxes year-over-year was primarily the result of GAAP income being recorded at our TRS in 2021 versus TRS GAAP losses in 2020. Our TRS effective tax rate in 2021 is expected to be slightly higher than the federal statutory corporate tax rate, due to a federal valuation allowance and other permanent GAAP to tax differences.



Realization of our deferred tax assets ("DTAs") is dependent on many factors, including generating sufficient taxable income prior to the expiration of NOL carryforwards and generating sufficient capital gains in future periods prior to the expiration of capital loss carryforwards. We determine the extent to which realization of our DTAs is not assured and establish a valuation allowance accordingly. At December 31, 2020, we reported net federal ordinary and capital DTAs with a full valuation allowance of \$17 million recorded against our net federal ordinary DTAs based on our determination that their realization was not assured. However, no valuation allowance was recorded against our net federal capital DTAs as we currently expect to utilize these DTAs due to our ability to recognize capital losses and carry them back to prior years.

We forecast that we will report net federal ordinary DTAs at December 31, 2021 and, consequently, a valuation allowance remains recorded against our net federal ordinary DTAs. At December 31, 2020, we reported a valuation allowance of \$134 million recorded against our net state DTAs. Consistent with prior periods, we continued to maintain a valuation allowance against our net state DTAs as realization of our state DTAs is dependent on generating sufficient taxable income in the same jurisdictions in which the DTAs exist. As GAAP income at our TRS has been strong for the past several quarters, we are continuing to monitor our estimate of the realizability of our net deferred tax assets and will reassess the need for a valuation allowance, in whole or in part, in future periods.

#### ***Potential Taxable Income Volatility***

We expect period-to-period volatility in our estimated taxable income. A description of the factors that can cause this volatility is described in the Taxable Income portion of the *Results of Operations* section in the MD&A included in Part II, Item 7, of our Annual Report on Form 10-K.

## LIQUIDITY AND CAPITAL RESOURCES

### Summary

In addition to the proceeds from equity and debt capital-raising transactions, our principal sources of cash consist of borrowings under mortgage loan warehouse facilities, securities repurchase agreements, payments of principal and interest we receive from our investment portfolios, proceeds from the sale of portfolio assets, and cash generated from our operating activities. Our most significant uses of cash are to purchase and originate mortgage loans for our mortgage banking operations, to purchase investment securities and make other investments, to repay principal and interest on our debt, to meet margin calls associated with our debt and other obligations, to make dividend payments on our capital stock, and to fund our operations.

At June 30, 2021, our total capital was \$1.95 billion and included \$1.30 billion of equity capital and \$651 million of convertible notes and long-term debt on our consolidated balance sheet, including \$199 million of convertible debt due in 2023, \$150 million of convertible debt due in 2024, \$172 million of exchangeable debt due in 2025, and \$140 million of trust-preferred securities due in 2037.

As of June 30, 2021, our unrestricted cash was \$421 million, and we estimate we had approximately \$175 million of available capital (which does not include approximately \$100 million of available capital generated from a non-marginable secured term financing we closed in early July). While we believe our available cash is sufficient to fund our operations, we may raise equity or debt capital from time to time to increase our unrestricted cash and liquidity, to repay existing debt, to make long-term portfolio investments, to fund strategic acquisitions and investments, or for other purposes. To the extent we seek to raise additional capital, our approach will continue to be based on what we believe to be in the best interests of the company.

In the discussion that follows and throughout this document, we distinguish between marginable and non-marginable debt. When we refer to non-marginable debt and marginable debt, we are referring to whether or not such debt is subject to market value-based margin calls on underlying collateral that is non-delinquent. If a mortgage loan is financed under a marginable warehouse facility, to the extent the market value of the loan declines (which market value is generally determined by the counterparty under the facility), we will be subject to a margin call, meaning we will be required to either immediately reacquire the loan or meet a margin requirement to pledge additional collateral, such as cash or additional residential loans, in an amount at least equal to the decline in value. Non-marginable debt may be subject to a margin call due to delinquency of the mortgage or security being financed, or a decline in the value of the underlying asset securing the collateral. For example, we could be subject to a margin call on non-marginable debt if an appraisal or broker price opinion indicates a decline in the value of the property securing the mortgage loan that is financed by us under a loan warehouse facility.

We also distinguish between recourse and non-recourse debt. When we refer to non-recourse debt, we mean debt that is payable solely from the assets pledged to secure such debt, and under which debt no creditor or lender has direct or indirect recourse to us, or any other entity or person (except for customary exceptions for fraud, acts of insolvency, or other "bad acts"), if such assets are inadequate or unavailable to pay off such debt.

We are subject to risks relating to our liquidity and capital resources, including risks relating to incurring debt under residential loan warehouse facilities, securities repurchase facilities, and other short- and long-term debt facilities and other risks relating to our use of derivatives. A further discussion of these risks is set forth below under the heading "*Risks Relating to Debt Incurred under Short-and Long-Term Borrowing Facilities*."

### *Cash Flows and Liquidity for the Six Months Ended June 30, 2021*

Cash flows from our mortgage banking activities and our investments can be volatile from quarter to quarter depending on many factors, including the profitability of mortgage banking activities, the timing and amount of securities acquisitions, sales and repayments, as well as changes in interest rates, prepayments, and credit losses. Therefore, cash flows generated in the current period are not necessarily reflective of the long-term cash flows we will receive from these investments or activities.

### *Cash Flows from Operating Activities*

Cash flows from operating activities were negative \$2.65 billion during the six months ended June 30, 2021. This amount includes the net cash utilized during the period from the purchase and sale of residential mortgage loans and the origination and sale of our business purpose loans associated with our mortgage banking activities. Purchases of loans are financed to a large extent with short-term and long-term debt, for which changes in cash are included as a component of financing activities. Excluding cash flows from the purchase, origination, sale, and principal payments of loans classified as held-for-sale, cash flows from operating activities were positive \$52 million and positive \$58 million during the first six months of 2021 and 2020, respectively.

### ***Cash Flows from Investing Activities***

During the six months ended June 30, 2021, our net cash provided by investing activities was \$1.07 billion and primarily resulted from proceeds from principal payments on loans held-for-investment. Although we generally intend to hold our loans and investment securities as long-term investments, we may sell certain of these assets in order to manage our liquidity needs and interest rate risk, to meet other operating objectives, and to adapt to market conditions.

Because many of our investment securities and loans are financed through various borrowing agreements, a significant portion of the proceeds from any sales or principal payments of these assets are generally used to repay balances under these financing sources. Similarly, all or a significant portion of cash flows from principal payments of loans at consolidated securitization entities would generally be used to repay ABS issued by those entities.

As presented in the "*Supplemental Noncash Information*" subsection of our consolidated statements of cash flows, during the six months ended June 30, 2021, we transferred loans between held-for-sale and held-for-investment classification and retained securities from securitizations we sponsored, which represent significant non-cash transactions that were not included in cash flows from investing activities.

### ***Cash Flows from Financing Activities***

During the six months ended June 30, 2021, our net cash provided by financing activities was \$1.51 billion. This primarily resulted from \$1.18 billion of proceeds from net short-term debt borrowings used to finance higher levels of loan inventory for our mortgage banking businesses, particularly for residential loans held-for-sale, as that business has seen a sustained increase in acquisition volumes. Additionally \$540 million of net proceeds were generated from ABS issued. These cash inflows were partially offset by \$167 million of net repayments of long-term debt.

During the six months ended June 30, 2021, we declared dividends of \$0.34 per common share. On June 10, 2021, the Board of Directors declared a regular dividend of \$0.18 per share for the second quarter of 2021, which was paid on June 30, 2021 to shareholders of record on June 23, 2021.

In accordance with the terms of our outstanding deferred stock units, cash-settled deferred stock units, and restricted stock units, which are generally long-term compensation awards, each time we declare and pay a dividend on our common stock, we are required to make a dividend equivalent cash payment in that same per share amount on each outstanding deferred stock unit, cash-settled deferred stock unit, and restricted stock unit.

### ***Repurchase Authorization***

In February 2018, our Board of Directors approved an authorization for the repurchase of our common stock, increasing the total amount authorized for repurchases of common stock to \$100 million, and also authorized the repurchase of outstanding debt securities, including convertible and exchangeable debt. This authorization increased the previous share repurchase authorization approved in February 2016 and has no expiration date. This repurchase authorization does not obligate us to acquire any specific number of shares or securities. Under this authorization, shares or securities may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. During the three months ended June 30, 2021, we did not repurchase any shares. At June 30, 2021, \$78 million of the current authorization remained available for the repurchase of shares of our common stock and we also continued to be authorized to repurchase outstanding debt securities. Like other investments we may make, any repurchases of our common stock or debt securities under this authorization would reduce our available capital and unrestricted cash described above.

### ***Loan Warehouse Facilities***

We maintain loan warehouse facilities to finance our residential jumbo loan inventory, SFR loan inventory and for our bridge loan investments. These facilities can be classified as short-term or long-term depending on their specific terms and provisions. At June 30, 2021, we had residential warehouse facilities outstanding with six different counterparties, with \$2.35 billion of total capacity and \$1.30 billion of available capacity. These included non-marginable facilities with \$800 million of total capacity and marginable facilities with \$1.55 billion of total capacity. At June 30, 2021, we had business purpose warehouse facilities outstanding with five different counterparties, with \$1.30 billion of total capacity and \$587 million of available capacity. All \$1.30 billion of these facilities are non-marginable.

### **Short-Term Debt**

In the ordinary course of our business, we use recourse debt through several different types of borrowing facilities and use cash borrowings under these facilities to, among other things, fund the acquisition of loans (including those we acquire and originate in anticipation of securitization), finance investments in securities and other investments, and otherwise fund our business and operations. At June 30, 2021, we had \$1.48 billion of short-term debt outstanding. During the first six months of 2021, the highest balance of our short-term debt outstanding was \$2.66 billion.

For further detail on our short-term debt, see *Note 13* of our *Notes to Consolidated Financial Statements* in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### **Long-Term Debt**

The following discusses significant activity related to our long-term debt during the first half of 2021. For further detail on our long-term debt, see *Note 15* of our *Notes to Consolidated Financial Statements* in Part I, Item 1 of this Quarterly Report on Form 10-Q.

#### *Non-Recourse BPL Financing Facilities*

In the second quarter of 2021, we repaid one of our non-recourse BPL financing facilities that had a balance of \$242 million at March 31, 2021, and entered into a new non-recourse facility to finance business purpose bridge loans with a total borrowing capacity of \$250 million.

#### *Recourse BPL Financing Facilities*

In the second quarter of 2021, we reclassified one of our recourse facilities with a borrowing capacity of \$450 million from short-term to long-term debt as we amended the terms of this facility, including an extension of its maturity.

### **Asset-Backed Securities Issued**

During the three and six months ended June 30, 2021, we issued \$1.48 billion and \$1.63 billion of ABS through our consolidated securitization entities, respectively. This included \$282 million and \$430 million of CAFL ABS issued during the three and six months ended June 30, 2021, respectively, and \$1.20 billion of Sequoia ABS issued during the three months ended June 30, 2021. For further detail on our Asset-backed Securities Issued, see *Note 14* of our *Notes to Consolidated Financial Statements* in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### **Other Commitments and Contingencies**

For additional information on commitments and contingencies that could impact our liquidity and capital resources, see *Note 16* of our *Notes to Consolidated Financial Statements* in Part I, Item 1 of this Quarterly Report on Form 10-Q, which supplements the disclosures included in *Note 16* to the Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2020.

## **Risks Relating to Debt Incurred Under Short- and Long-Term Borrowing Facilities**

As described above under the heading “*Results of Operations*,” in the ordinary course of our business, we use debt financing obtained through several different types of borrowing facilities to, among other things, finance the acquisition and origination of residential and business purpose mortgage loans (including those we acquire and originate in anticipation of sale or securitization), and finance investments in securities and other investments. We may also use short- and long-term borrowings to fund other aspects of our business and operations, including the repurchase of shares of our common stock. Recourse debt incurred under these facilities is generally either the direct obligation of Redwood Trust, Inc., or the direct obligation of subsidiaries of Redwood Trust, Inc. and guaranteed by Redwood Trust, Inc. Risks relating to debt incurred under these facilities are described in Part I, Item 2 of our Annual Report on Form 10-K for the year ended December 31, 2020, under the caption “*Risks Relating to Debt Incurred under Short- and Long-Term Borrowing Facilities*,” and under the caption “*Our use of financial leverage exposes us to increased risks, including liquidity risks from margin calls and potential breaches of the financial covenants under our borrowing facilities, which could result in our being required to immediately repay all outstanding amounts borrowed under these facilities and these facilities being unavailable to use for future financing needs, as well as triggering cross-defaults under other debt agreements*” in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020. Many of the risks described above materialized during the first quarter of 2020 as a result of pandemic- and liquidity-related disruptions and their impacts on the economy and financial markets, as described under the heading “*Management's Discussion and Analysis of Financial Condition and Results of Operations*” within our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

Our sources of debt financing include secured borrowings under residential and business purpose mortgage loan warehouse facilities (including recourse and non-recourse warehouse facilities), short-term securities repurchase facilities, a \$10 million committed line of short-term secured credit from a bank, short-term servicer advance financing, a secured, revolving debt facility collateralized by mortgage servicing rights, and subordinate securities financing facilities. During the second quarter of 2020, we repaid secured borrowings by our wholly-owned subsidiary, RWT Financial, LLC, under its borrowing facility with the FHLBC and during the second quarter of 2021, we repaid the remaining amount of outstanding advances under our borrowing facility. Under federal regulations applicable to the FHLBC, we can no longer borrow advances from the FHLBC.

Aggregate borrowing limits are stated under certain of these facilities, and certain other facilities have no stated borrowing limit, but many of the facilities are uncommitted, which means that any request we make to borrow funds under these uncommitted facilities may be declined for any reason, even if at the time of the borrowing request we have then-outstanding borrowings that are less than the borrowing limits under these facilities. In general, financing under these facilities is obtained by transferring or pledging mortgage loans or securities to the counterparty in exchange for cash proceeds (in an amount less than 100% of the principal amount of the transferred or pledged assets).

Under many of our mortgage loan warehouse facilities, our short-term securities repurchase facilities, and our secured, revolving debt facility collateralized by mortgage service rights, while transferred or pledged assets are financed under the facility, to the extent the value of the assets, or the collateral underlying those assets, declines, we are generally required to either immediately reacquire the assets or meet a margin requirement to transfer or pledge additional assets or cash in an amount at least equal to the decline in value. During the second quarter of 2020, we amended several of our mortgage loan warehouse facilities to revise these margin call provisions to remove obligations to make margin calls for changes in the market value of transferred or pledged assets, which determinations of market value were generally within the sole discretion of the lending counterparty. Under these revised agreements, if the estimated value of a property securing a financed mortgage loan declines, based on, for example, an appraisal or broker-price opinion, then the creditor may demand that we transfer additional collateral to the creditor (in the form of cash, U.S. Treasury obligations (in certain cases), or additional residential mortgage loans) with a value equal to the amount of the decline. Of our active financing arrangements with outstanding balances at June 30, 2021, only our short-term securities repurchase facilities (with \$81 million of borrowings outstanding at June 30, 2021), and three of our residential mortgage loan warehouse facilities (with \$664 million of borrowings outstanding at June 30, 2021) retain market-value based margin call provisions.

Margin call provisions under these facilities are further described in Part I, Item 2 of our Annual Report on Form 10-K for the year ended December 31, 2020 under the caption “*Risks Relating to Debt Incurred under Short- and Long-Term Borrowing Facilities - Margin Call Provisions Associated with Short-Term Debt and Other Debt Financing*.” Financial covenants included in these facilities are further described Part I, Item 2 of our Annual Report on Form 10-K for the year ended December 31, 2020 under the caption “*Risks Relating to Debt Incurred under Short- and Long-Term Borrowing Facilities - Financial Covenants Associated with Short-Term Debt and Other Debt Financing*.”

Because many of these borrowing facilities are uncommitted, at any given time we may not be able to obtain additional financing under them when we need it, exposing us to, among other things, liquidity risks of the types described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 under the heading “*Risk Factors*,” and in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2020 under the heading “*Market Risks*.” In addition, with respect to mortgage loans that at any given time are already being financed through these warehouse facilities, we are exposed to market, credit, liquidity, and other risks of the types described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 under the heading “*Risk Factors*,” and in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2020 under the heading “*Market Risks*,” if and when those loans or securities become ineligible to be financed, decline in value, or have been financed for the maximum term permitted under the applicable facility.

At June 30, 2021, and through the date of this Quarterly Report on Form 10-Q, we were in compliance with the financial covenants associated with our short-term debt and other debt financing facilities. In particular, with respect to: (i) financial covenants that require us to maintain a minimum dollar amount of stockholders’ equity or tangible net worth at Redwood, at June 30, 2021 our level of stockholders’ equity and tangible net worth resulted in our being in compliance with these covenants by more than \$200 million; and (ii) financial covenants that require us to maintain recourse indebtedness below a specified ratio at Redwood, at June 30, 2021 our level of recourse indebtedness resulted in our being in compliance with these covenants at a level such that we could incur at least \$600 million in additional recourse indebtedness.

## OFF-BALANCE SHEET ARRANGEMENTS AND CONTRACTUAL OBLIGATIONS

In the normal course of business, we enter into transactions that may require future cash payments. As required by GAAP, some of these obligations are recorded on the balance sheet, while others are off-balance sheet or recorded on the balance sheet in amounts different from the full contract or notional amount of the transaction.

For additional information on our contractual obligations, see the *Off-Balance Sheet Arrangements and Contractual Obligations* section in the MD&A included in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2020.

For additional information on our commitments and contingencies as of June 30, 2021, see *Note 16* of our *Notes to Consolidated Financial Statements* in Part I, Item 1 of this Quarterly Report on Form 10-Q.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates. A discussion of critical accounting policies is included in *Note 3 — Summary of Significant Accounting Policies* included in Part I, Item 1 of this Quarterly Report on Form 10-Q and in Part I, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2020. Management discusses the ongoing development and selection of these critical accounting policies with the audit committee of the board of directors.

We expect quarter-to-quarter GAAP earnings volatility from our business activities. This volatility can occur for a variety of reasons, including the timing and amount of purchases, sales, calls, and repayment of consolidated assets, changes in the fair values of consolidated assets and liabilities, increases or decreases in earnings from mortgage banking activities, and certain non-recurring events. In addition, the amount or timing of our reported earnings may be impacted by technical accounting issues and estimates. Our critical accounting policies and the possible effects of changes in estimates on our consolidated financial statements are included in the "*Critical Accounting Policies and Estimates*" section of Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2020.

In addition to the regular volatility we may experience on a quarterly basis, the ongoing impact of the pandemic on the United States economy, homeowners, renters of housing, the housing market, the mortgage finance markets and the broader financial markets, has caused additional volatility impacting many of our estimates. It is difficult to fully assess the impact of the pandemic at this time, including because of the uncertainty around the severity and duration of the pandemic domestically and internationally, as well as the uncertainty around the efficacy of Federal, State and local governments' efforts to contain the spread of the pandemic and respond to its direct and indirect impacts on many aspects of Americans' lives and economic activity. Continued volatility resulting from the pandemic could impact our critical estimates and lead to significant period-to-period earnings volatility.

### Market Risks

We seek to manage risks inherent in our business — including but not limited to credit risk, interest rate risk, prepayment risk, liquidity risk, and fair value risk — in a prudent manner designed to enhance our earnings and dividends and preserve our capital. In general, we seek to assume risks that can be quantified from historical experience, to actively manage such risks, and to maintain capital levels consistent with these risks. Information concerning the risks we are managing, how these risks are changing over time, and potential GAAP earnings and taxable income volatility we may experience as a result of these risks is discussed in Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

### Other Risks

In addition to the market and other risks described above, our business and results of operations are subject to a variety of types of risks and uncertainties, including, among other things, those described under the caption "*Risk Factors*" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

## NEW ACCOUNTING STANDARDS

A discussion of new accounting standards and the possible effects of these standards on our consolidated financial statements is included in *Note 3 — Summary of Significant Accounting Policies* included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Information concerning market risk is incorporated herein by reference to Part II, Item 7A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, as supplemented by the information under “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Market Risks*” within Item 2 above. Other than the developments described thereunder, including changes in the fair values of our assets, there have been no other material changes in our quantitative or qualitative exposure to market risk since December 31, 2020.

### **Item 4. Controls and Procedures**

We have adopted and maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed on our reports under the Securities Exchange Act of 1934, as amended (the Exchange Act), is recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission’s rules and forms and that the information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by Rule 13a-15(b) of the Exchange Act, we have carried out an evaluation, under the supervision and with the participation of management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the quarter covered by this report. Based on the foregoing, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level.

There have been no changes in our internal control over financial reporting during the second quarter of 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.



## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

For information on our legal proceedings, see *Note 16* to the Financial Statements within this Quarterly Report on Form 10-Q under the heading "Loss Contingencies - Litigation, Claims and Demands," which supplements the disclosures included in *Note 16* to the Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2020 under the heading "Loss Contingencies - Litigation, Claims and Demands."

### Item 1A. Risk Factors

Our risk factors are discussed under Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended June 30, 2021, we did not sell any equity securities that were not registered under the Securities Act of 1933, as amended.

In February 2018, our Board of Directors approved an authorization for the repurchase of our common stock, increasing the total amount authorized for repurchases of common stock to \$100 million, and also authorized the repurchase of outstanding debt securities, including convertible and exchangeable debt. This authorization increased the previous share repurchase authorization approved in February 2016 and has no expiration date. This repurchase authorization does not obligate us to acquire any specific number of shares or securities. Under this authorization, shares or securities may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. During the three months ended June 30, 2021, we did not repurchase any shares. At June 30, 2021, \$78 million of this current authorization remained available for the repurchase of shares of our common stock and we also continued to be authorized to repurchase outstanding debt securities.

The following table contains information on the shares of our common stock that we purchased or otherwise acquired during the three months ended June 30, 2021.

(In Thousands, except per Share Data)	Total Number of Shares Purchased or Acquired	Average Price per Share Paid	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or approximate dollar value) of Shares that May Yet be Purchased under the Plans or Programs
April 1, 2021 - April 30, 2021	— <sup>(1)</sup>	\$ 10.70	—	\$ —
May 1, 2021 - May 31, 2021	—	\$ —	—	\$ —
June 1, 2021 - June 30, 2021	—	\$ —	—	\$ 78,369
Total	—	\$ 10.70	—	\$ 78,369

(1) Represents fewer than 1,000 shares reacquired to satisfy tax withholding requirements related to the vesting of restricted shares.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Not Applicable

**Item 5. Other Information**

On August 4, 2021, we issued a Participation Notice under the Company’s Change in Control Severance Plan (the “CIC Plan”) to Mr. Collin Cochrane, Chief Accounting Officer, and Mr. Shoshone (“Bo”) Stern, Managing Director - Portfolio Strategy and Risk, to designate them as participants in the CIC Plan. Mr. Stern’s Participation Notice was effective on August 4, 2021 and Mr. Cochrane’s Participation Notice is effective on March 2, 2022, subject to his continued employment by the Company through March 2, 2022. As participants in the CIC Plan, Mr. Cochrane and Mr. Stern will be eligible to receive certain severance benefits, including a cash payment of 150% of their “Base Compensation” (as defined in the CIC Plan), if their employment with the Company is terminated without “cause” or for “good reason” and such termination is a “Qualifying Termination” related to a “Change-in-Control”, as each of those terms is defined in the CIC Plan. The foregoing description of the terms of the CIC Plan does not purport to be complete and is qualified in its entirety by the full text of the CIC Plan included as Exhibit 10.6 hereto.

## Item 6. Exhibits

Exhibit Number	Exhibit
3.1	<a href="#"><u>Articles of Amendment and Restatement of the Registrant, effective July 6, 1994 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.1, filed on August 6, 2008)</u></a>
3.1.1	<a href="#"><u>Articles Supplementary of the Registrant, effective August 10, 1994 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.1.1, filed on August 6, 2008)</u></a>
3.1.2	<a href="#"><u>Articles Supplementary of the Registrant, effective August 11, 1995 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.1.2, filed on August 6, 2008)</u></a>
3.1.3	<a href="#"><u>Articles Supplementary of the Registrant, effective August 9, 1996 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.1.3, filed on August 6, 2008)</u></a>
3.1.4	<a href="#"><u>Certificate of Amendment of the Registrant, effective June 30, 1998 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.1.4, filed on August 6, 2008)</u></a>
3.1.5	<a href="#"><u>Articles Supplementary of the Registrant, effective April 7, 2003 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.1.5, filed on August 6, 2008)</u></a>
3.1.6	<a href="#"><u>Articles of Amendment of the Registrant, effective June 12, 2008 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.1.6, filed on August 6, 2008)</u></a>
3.1.7	<a href="#"><u>Articles of Amendment of the Registrant, effective May 19, 2009 (incorporated by reference to the Registrant's Current Report on Form 8-K, Exhibit 3.1, filed on May 21, 2009)</u></a>
3.1.8	<a href="#"><u>Articles of Amendment of the Registrant, effective May 24, 2011 (incorporated by reference to the Registrant's Current Report on Form 8-K, Exhibit 3.1, filed on May 20, 2011)</u></a>
3.1.9	<a href="#"><u>Articles of Amendment of the Registrant, effective May 18, 2012 (incorporated by reference to the Registrant's Current Report on Form 8-K, Exhibit 3.1, filed on May 21, 2012)</u></a>
3.1.10	<a href="#"><u>Articles of Amendment of the Registrant, effective May 16, 2013 (incorporated by reference to the Registrant's Current Report on Form 8-K, Exhibit 3.1, filed on May 21, 2013)</u></a>
3.1.11	<a href="#"><u>Articles of Amendment of the Registrant, effective May 16, 2019 (incorporated by reference to the Registrant's Current Report on Form 8-K, Exhibit 3.1, filed on May 17, 2019)</u></a>
3.1.12	<a href="#"><u>Articles of Amendment of the Registrant, effective June 15, 2020 (incorporated by reference to the Registrant's Current Report on Form 8-K, Exhibit 3.1, filed on June 15, 2020)</u></a>
3.2.1	<a href="#"><u>Amended and Restated Bylaws of the Registrant, as adopted on March 5, 2008 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.2.1, filed on August 8, 2018)</u></a>
3.2.2	<a href="#"><u>First Amendment to Amended and Restated Bylaws of the Registrant, as adopted on May 17, 2012 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.2.2, filed on August 8, 2018)</u></a>
3.2.3	<a href="#"><u>Second Amendment to Amended and Restated Bylaws of the Registrant, as adopted on May 22, 2018 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.2.3, filed on August 8, 2018)</u></a>
10.1*	<a href="#"><u>Sixth Amended and Restated Employment Agreement, dated as of June 10, 2021, by and between Christopher J. Abate and the Registrant (filed herewith)</u></a>
10.2*	<a href="#"><u>Fourth Amended and Restated Employment Agreement, dated as of June 10, 2021, by and between Dashiell I. Robinson and the Registrant (filed herewith)</u></a>
10.3*	<a href="#"><u>Sixth Amended and Restated Employment Agreement, dated as of June 10, 2021, by and between Andrew P. Stone and the Registrant (filed herewith)</u></a>
10.4*	<a href="#"><u>Amended and Restated Employment Agreement, dated as of June 10, 2021, by and between Brooke E. Carillo and the Registrant (filed herewith)</u></a>
10.5*	<a href="#"><u>Amended and Restated Employment Agreement, dated as of June 10, 2021, by and between Sasha G. Macomber and the Registrant (filed herewith)</u></a>
10.6*	<a href="#"><u>Redwood Trust, Inc. Change in Control Severance Plan, dated November 3, 2020 (filed herewith)</u></a>
10.7	<a href="#"><u>Sixth Amendment to Lease Agreement, dated as of December 4, 2020, between ARTIS HRA Inverness Point, LP, as Landlord, and the Registrant, as Tenant (filed herewith)</u></a>
10.8	<a href="#"><u>Seventh Amendment to Lease Agreement, dated as of May 21, 2021, between ARTIS HRA Inverness Point, LP, as Landlord, and the Registrant, as Tenant (filed herewith)</u></a>
31.1	<a href="#"><u>Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
31.2	<a href="#"><u>Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u></a>
32.1	<a href="#"><u>Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>
32.2	<a href="#"><u>Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u></a>

Exhibit Number	Exhibit
101	Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2021, is filed in inline XBRL-formatted interactive data files:  (i) Consolidated Balance Sheets at June 30, 2021 and December 31, 2020; (ii) Consolidated Statements of Income (Loss) for the three and six months ended June 30, 2021 and 2020; (iii) Statements of Consolidated Comprehensive Income (Loss) for the three and six months ended June 30, 2021 and 2020; (iv) Consolidated Statements of Changes in Stockholders' Equity for the three and six months ended June 30, 2021 and 2020; (v) Consolidated Statements of Cash Flows for the six months ended June 30, 2021 and 2020; and (vi) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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\* Indicates exhibits that include management contracts or compensatory plan arrangements.

## 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.

### REDWOOD TRUST, INC.

Date: August 4, 2021

By: /s/ Christopher J. Abate

Christopher J. Abate  
Chief Executive Officer  
(Principal Executive Officer)

Date: August 4, 2021

By: /s/ Brooke E. Carillo

Brooke E. Carillo  
Chief Financial Officer  
(Principal Financial Officer)

Date: August 4, 2021

By: /s/ Collin L. Cochrane

Collin L. Cochrane  
Chief Accounting Officer  
(Principal Accounting Officer)

## SIXTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Sixth Amended and Restated Employment Agreement (“Agreement”), effective as of June 10, 2021 (the “Effective Date”), is entered into by and between **Christopher J. Abate** (the “Executive”) and **Redwood Trust, Inc.**, a Maryland corporation (the “Company”), and amends and restates in its entirety that certain Fifth Amended and Restated Employment Agreement by and between the Executive and the Company dated November 6, 2020 (the “Prior Agreement”).

The Company desires to establish its right to the continued services of the Executive, in the capacity, on the terms and conditions, and subject to the rights of termination hereinafter set forth, and the Executive is willing to accept such continued employment in such capacity, on such terms and conditions, and subject to such rights of termination.

In consideration of the mutual agreements hereinafter set forth, the Executive and the Company have agreed and do hereby agree as follows:

**1. Employment and Responsibilities.** During the Term, the Executive shall serve as Chief Executive Officer of the Company, reporting to the Board of Directors of the Company (the “Board”). The Executive’s duties shall be such executive and managerial duties as the Board shall from time to time prescribe and as provided in the By-Laws of the Company. The Executive does hereby accept and agree to such continued employment. The Board of Directors may, from time to time, in its sole discretion, modify, reassign and/or augment the Executive’s responsibilities, and any such modification, reassignment and/or augmentation shall be deemed a waiver by the Executive of his rights under Section 6(e)(i) hereof only with his express prior written consent. Any such modification, reassignment or augmentation of responsibilities shall be in writing. The Executive shall devote such time, energy and skill to the performance of his duties for the Company and for the benefit of the Company as may be necessary or required for the effective conduct and operation of the Company’s business. Furthermore, the Executive shall act only in good faith and exercise due diligence and care in the performance of his duties to the Company under this Agreement.

**2. Term of Agreement.** The term of this Agreement (the “Term”) shall commence on the Effective Date and shall continue through December 31, 2021; provided, however, that (i) on January 1, 2022 and each succeeding January 1, the Term shall automatically be extended for one additional year unless, not later than three months prior to any such January 1, either party shall have given written notice to the other that it does not wish to extend the Term and (ii) such one year extensions of the Term shall not occur on and after the January 1 of the year in which the Executive will attain age sixty-five (65) but instead the Term shall be extended only until the date of the Executive’s sixty-fifth (65th) birthday.

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### 3. Compensation.

(a) **Base Salary.** The Company shall pay the Executive, and the Executive agrees to accept from the Company, in payment for his services to the Company a base salary (the “Base Salary”) at the rate of not less than \$800,000 per year, paid in accordance with the customary payroll practices of the Company subject to annual review and increase by the Board in its sole discretion (or by the Board’s separately designated Compensation Committee in its sole discretion). For the avoidance of doubt, references to the Board in this Section 3 shall include the Board’s separately designated Compensation Committee.

(b) **Performance Bonus.** The Executive shall be eligible to receive an annual bonus. The Board in its discretion will determine whether such annual bonus will be paid, the amount of such bonus and its form of payment. The Executive’s target annual bonus amount is 185% of his Base Salary (the “Target Bonus”). If the Board determines in its discretion that the Executive’s performance meets or exceeds the criteria established by the Board for the award of a Target Bonus, the Board may award the Executive the Target Bonus or a higher amount. Likewise, if the Executive’s performance does not meet said criteria, the Board may award a lesser amount, or no bonus may be awarded. Unless otherwise provided in this Agreement, the Executive’s eligibility to receive any bonus under this paragraph shall be expressly conditioned on, among other things, the Executive remaining employed with the Company up through any designated distribution date set by the Board.

Notwithstanding the foregoing paragraph, in the event of a “Change of Control” (as defined in Exhibit D attached hereto), immediately prior to such Change of Control the Company shall be obligated to pay the Executive: (A) when such Change of Control occurs during a calendar year in respect of which no annual bonus has yet been paid, a pro-rated annual bonus for such calendar year, based on the number of days in such calendar year prior to the Change of Control; and (B) when such Change of Control occurs after the conclusion of a calendar year in respect of which no annual bonus has yet been paid (i.e., such Change of Control occurs after December 31st, but before the designated payment date for the annual bonus in respect of such completed calendar year), an annual bonus for such completed calendar year. In the case of both of the preceding clauses (A) and (B), such amounts shall each be separately subject to any cap on Executive’s annual bonus previously established by the Board (or any committee thereof) and shall each be determined in accordance with the criteria most recently designated by the Board (or any committee thereof) for the determination of such amounts, as follows: (I) any portion of the annual bonus amounts that had been previously designated by the Board (or any committee thereof) to be determined relative to the achievement of criteria measuring the financial performance of the Company with respect to a calendar year, shall be paid in amounts based on the attainment of such criteria (on an annualized basis, if in respect of less than a full calendar year), through the date immediately prior to such Change of Control (or, as applicable, through the end of any such completed calendar year) and in accordance with the methodology previously approved by the Board (or any committee thereof) for payment of such amounts of annual bonus (i.e., an amount at, higher, or lower than the target amounts for such portions of annual bonus); and (II) any portion of the annual bonus amounts that had been previously designated by the Board (or any committee thereof) to be determined relative to the

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achievement of criteria measuring the individual performance of the Executive, shall be paid in amounts equal to the target amount of such portion of the Executive's annual bonus.

**(c) Equity Incentive Awards.** Executive shall be eligible to receive grants of equity-based long-term incentive awards, which may include options to purchase Company stock, performance or restricted stock units and Company restricted stock contributions to Company's deferred compensation plan, or other equity-based awards. Such awards shall be determined in the discretion of the Board and the Executive shall be eligible for consideration for such awards in the same manner as other senior executive officers of the Company. In the event of a Change of Control in which the surviving or acquiring corporation does not assume the Executive's outstanding equity-related awards (including options and equity-based awards granted both before and after the Effective Date) or substitute similar equity-related awards of substantially equivalent value, such equity-related awards shall immediately vest and become exercisable if the Executive's service with the Company has not terminated before the effective date of the Change of Control; provided, however, that the foregoing provision shall only apply if the Company is not the surviving corporation or if shares of the Company's common stock are converted into or exchanged for other securities or cash.

**(d) Annual Review.** The Executive's performance shall be reviewed at least annually. The performance evaluations shall consider and assess the Executive's performance of his duties and responsibilities, the timely accomplishment of existing performance objectives, his level of efficiency and overall effectiveness and/or other factors or criteria that the Company, in its sole discretion, may deem relevant. The frequency of performance evaluations may vary depending upon, among other things, length of service, past performance, changes in job duties or performance levels. The Board shall, at least annually, review the Executive's entire compensation package to determine whether it continues to meet the Company's compensation objectives. Such annual review will include a determination of (i) whether to increase the Base Salary in accordance with Section 3(a); (ii) the incentive performance bonus to be awarded in accordance with Section 3(b); and (iii) the amount and type of any equity awards granted in accordance with Section 3(c). Positive performance evaluations do not guarantee salary increases or incentive bonuses. Salary increases and incentive bonus awards are solely within the discretion of the Board and may depend upon many factors other than the Executive's performance.

**4. Fringe Benefits.** The Executive shall be entitled to participate in any benefit programs adopted from time to time by the Company for the benefit of its senior executive officers, and the Executive shall be entitled to receive such other fringe benefits as may be granted to him from time to time by the Board.

**(a) Benefit Plans.** The Executive shall be entitled to participate in any benefit plans relating to equity-based compensation awards, pension, thrift, profit sharing, life insurance, medical coverage, education, deferred compensation, or other retirement or employee benefits available to senior executive officers of the Company, subject to any restrictions (including waiting periods) specified in such plans and/or related individual agreements. The Company

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shall make commercially reasonable efforts to obtain medical and disability insurance, and such other forms of insurance as the Board shall from time to time determine, for its senior executive officers.

**(b) Paid Time Off.** The Executive shall be entitled to paid time off ("PTO") each calendar year pursuant to the Company's policies applicable to senior executive officers of the Company, as in effect from time to time and consistent with the Executive's satisfactory performance of the duties set forth in Section 1.

**5. Business Expenses.** The Company shall reimburse the Executive for any and all necessary, customary and usual expenses, properly receipted in accordance with Company policies, incurred by Executive on behalf of the Company.

**6. Termination of Executive's Employment.**

**(a) Death.** If the Executive dies while employed by the Company, his employment shall immediately terminate. The Company's obligation to pay the Executive's Base Salary shall cease as of the date of the Executive's death, and any unpaid Base Salary shall be paid to the Executive's estate. In addition, within fifteen (15) days of the Executive's death, the Company shall pay to the Executive's estate an incentive performance bonus based on Executive's Target Bonus then in effect, prorated for the number of days of employment completed by the Executive during the year of his death. Executive's beneficiaries or his estate shall receive benefits in accordance with the Company's retirement, insurance and other applicable programs and plans then in effect. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). All stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable based on the number of target shares and the performance goals set forth in the applicable award agreement by which such awards are evidenced, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). In addition, in the event the Company grants to the Executive a cash-settled equity award or a long-term incentive compensation award payable in cash, this Section 6(a) shall apply, mutatis mutandis, to any such award(s).

**(b) Disability.** If, as a result of the Executive's incapacity due to physical or mental illness ("Disability"), Executive shall have been absent from the full-time performance of his duties with the Company for six (6) consecutive months, and, within thirty (30) days after written notice is provided to him by the Company, he shall not have returned to the full-time performance of his duties, the Executive's employment under this Agreement may be terminated by the Company for Disability. During any period prior to such termination during which the

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Executive is absent from the full-time performance of his duties with the Company due to Disability, the Company shall continue to pay the Executive his Base Salary at the rate in effect at the commencement of such period of Disability and any earned but unpaid annual bonus from a prior service year. Subsequent to such termination, the Executive's benefits shall be determined under the Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs. In addition, within fifteen (15) days of such termination, the Company shall pay to the Executive an incentive performance bonus based on Executive's Target Bonus then in effect, prorated for the number of days of employment completed by the Executive during the year in which his employment terminated. The Executive, the Executive's beneficiaries or his estate shall receive benefits in accordance with the Company's retirement, insurance and other applicable programs and plans then in effect. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). All stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable based on the number of target shares and the performance goals set forth in the applicable award agreement by which such awards are evidenced, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). In addition, in the event the Company grants to the Executive a cash-settled equity award or a long-term incentive compensation award payable in cash, this Section 6(b) shall apply, mutatis mutandis, to any such award(s).

**(c) Termination By The Company For Cause.** The Company may terminate the Executive's employment under this Agreement for Cause, at any time prior to expiration of the Term of the Agreement; provided, however, that prior to any termination of employment for Cause pursuant to subsection (i), (ii), or (iii) below, the Company must first provide written notice describing the reason for such termination of employment (and, with respect to subsections (ii) and (iii) below, such notice may be provided on the same date as the termination date). For purposes of this Agreement, "Cause" shall mean (i) the Executive's material failure to substantially perform the reasonable and lawful duties of his position for the Company, which failure shall continue for thirty (30) days after written notice thereof by the Company to the Executive; (ii) acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of the Executive in respect of the performance of his duties hereunder, his fiduciary obligations or otherwise relating to the business of the Company; (iii) the habitual or repeated neglect of his duties by Executive; (iv) the Executive's conviction of a felony; (v) 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 Executive injurious to the interest, property, operations, business or reputation of the Company; or (vii) unauthorized use or disclosure of trade secrets or confidential or proprietary information pertaining to Company business.

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In the event of a termination under this Section 6(c), the Company will pay only the portion of Base Salary or previously awarded bonus unpaid as of the termination date. Fringe benefits which have accrued and/or vested on the termination date will continue in effect according to their terms.

**(d) Termination By The Company Without Cause.** The Company may terminate Executive's employment hereunder at any time without Cause upon 30 days written notice to Executive or pay in lieu thereof. In the event of a termination under this Section 6(d), the Executive shall be entitled to the benefits set forth in Section 7.

**(e) Termination By The Executive For Good Reason.** The Executive shall have the right to terminate the Officer's employment under this Agreement for Good Reason, at any time prior to expiration of the Term of the Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence, without the Executive's express written consent, of any one or more of the following events:

**(i)** A material reduction in Executive's responsibilities, title, duties or authority, including, without limitation, (A) Executive ceasing to serve as the chief executive officer of a publicly traded company or (B) on or after a Change of Control, if as a result of such Change of Control, the Company becomes a subsidiary of another entity and Executive is not appointed (or after appointment, ceases) to be the chief executive officer of the top-tier parent entity of the Company (or its successor); provided that, for the avoidance of doubt, the appointment of Executive to a top-tier parent entity that is not publicly traded does not eliminate Executive's rights under sub-clause (A) above;

**(ii)** A material reduction in the Executive's Base Salary or a material reduction by the Company in the value of the Executive's total compensation package (salary, 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 senior executives of the Company;

**(iii)** The relocation of the Executive's principal Company office to a location more than twenty-five (25) miles from its location as of the Effective Date (which location is the Company's headquarters in Mill Valley, California), except for required travel on the Company's business to the extent necessary to fulfill the Executive's obligations under Section 1;

**(iv)** A failure by the Company at any time to renew this Agreement for successive one-year periods pursuant to Section 2;

**(v)** The complete liquidation of the Company; or

**(vi)** In the event of a merger, consolidation, transfer, or closing of a sale of all or substantially all the assets of the Company with or to any other individual or entity, the

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failure of the Company's successor to affirmatively adopt this Agreement or to otherwise comply with its obligations pursuant to Section 13 below.

Notwithstanding the foregoing, the Executive will not be deemed to have resigned for Good Reason for purposes of subclause (i) unless (1) the Executive provides the Company with written notice setting forth in reasonable detail the facts and circumstances claimed by the Executive to constitute Good Reason within ninety (90) days after the date of the occurrence of any event that the Executive 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 Executive's termination for Good Reason occurs no later than thirty (30) days after the expiration of the Company's cure period. In the event of a termination under this Section 6(e), the Executive shall be entitled to the benefits set forth in Section 7.

**(f) Termination By The Executive Without Good Reason.** The Executive may at any time during the Term terminate his employment hereunder for any reason or no reason by giving the Company notice in writing not less than sixty (60) days in advance of such termination. The Executive shall have no further obligations to the Company after the effective date of termination, as set forth in the notice. In the event of a termination by the Executive under this Section 6(f), the Company will pay only the portion of Base Salary or previously awarded bonus unpaid as of the termination date. Fringe benefits which have accrued and/or vested on the termination date will continue in effect according to their terms.

#### **7. Compensation Upon Termination By the Company without Cause or By The Executive for Good Reason.**

**(a)** If the Executive's employment shall be terminated by the Company without Cause or by the Executive for Good Reason, the Executive shall be entitled to the following benefits:

**(i) Payment of Unpaid Base Salary.** The Company shall immediately pay the Executive any portion of the Executive's Base Salary through the date of termination or previously awarded bonus not paid prior to the termination date.

**(ii) Severance Payment.**

(A) In the event such termination is not a CIC Termination (as defined below), then the Company shall provide the Executive (x) an amount equal to one and one-half (1.5) times the sum of (i) Executive's Annual Base Salary as in effect immediately prior to his termination and (ii) Executive's Target Bonus in effect immediately prior to his termination and (y) an amount equal to the Executive's Target Bonus in effect immediately prior to his termination, pro-rated for the number of days of employment completed by the Executive during the year in which his employment is terminated.

(B) In the event such termination of employment occurs within three months prior to, on, or within 24 months following a Change of Control (a "CIC

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Termination”), then instead of providing the payments in Section 7(a)(ii)(A), the Company shall provide the Executive an amount equal to the sum of (x) the Executive’s Target Bonus in effect immediately prior to his termination, prorated for the number of days of employment completed by the Executive during the year in which his employment terminated; (y) two (2) times the Executive’s Annual Base Salary as in effect immediately prior to his termination; and (z) two (2) times the Executive’s Target Bonus in effect immediately prior to his termination. Notwithstanding the foregoing, the maximum aggregate amount that the Company shall pay to the Executive pursuant to this Section 7(a)(ii)(B) is \$6,500,000.

**(iii) Equity Awards.** All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). If the Executive’s employment shall be terminated by the Company without Cause, all stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable or exercisable based on (x) the performance goals set forth in the applicable award agreement by which such awards are evidenced and (y) a reduced number of target shares adjusted on a pro-rata basis to reflect the number of days of employment completed during the applicable vesting period in which termination occurs, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). If the Executive’s employment shall be terminated by the Executive for Good Reason, all stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable based on the number of target shares and the performance goals set forth in the applicable award agreement by which such awards are evidenced, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). In addition, in the event the Company grants to the Executive a cash-settled equity award or a long-term incentive compensation award payable in cash, this Section 7(a)(iii) shall apply, mutatis mutandis, to any such award(s).

**(iv) Continuation of Fringe Benefits.** For a period of up to eighteen (18) months (or, in the event of a CIC Termination, twenty-four (24) months) following the date of Executive’s termination of employment with Company, subject to the Executive’s valid election to continue healthcare coverage under Section 4980B of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations thereunder, the Company shall continue to provide the Executive and the Executive’s eligible dependents with coverage under its group health plans at the same levels and the same cost to the Executive as would have applied if the Executive’s employment had not been terminated based on the Employee’s elections in effect on the date of termination (the “Continued Coverage”), provided that (1) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation

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coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (2) the Company is otherwise unable to continue to cover the Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act or the Patient Protection and Affordable Care Act), the Company may in its sole discretion provide that (i) the Executive shall pay to the Company, on an after-tax basis, a monthly amount equal to the full premium cost of the Continued Coverage for such month and (ii) within 30 days of such premium payment, the Company shall reimburse the Executive in cash (less required withholding) an amount equal to the sum of (A) the excess of (x) the full premium cost of the Continued Coverage for such month over (y) any premium amount that would have been payable by the Executive if the Executive had been actively employed by the Company for such month and (B) an additional tax "gross up" payment to cover all estimated applicable local, state and federal income and payroll taxes imposed on the Executive with respect to the Continued Coverage. For the eighteen (18) month (or, in the event of a CIC Termination, twenty-four (24) month) period following the termination of the Executive's employment, the Company shall also continue to provide the Executive with all life insurance, disability insurance and other fringe benefits set forth in Section 4 as if the Executive's employment under the Agreement had not been terminated; provided, however, that such life insurance, disability insurance and other fringe benefits shall cease as of the date the Executive receives such coverage from a subsequent employer.

**(v) Payment/Benefit Limitation.** If any payment or benefit due under this Agreement, together with all other payments and benefits that the Executive receives or is entitled to receive from the Company or any of its subsidiaries, affiliates or related entities, would (if paid or provided) constitute an "excess parachute payment" for purposes of Section 280G of the Code, the amounts otherwise payable and benefits otherwise due under this Agreement will either (i) be delivered in full, or (ii) be limited to the minimum extent necessary to ensure that no portion thereof will fail to be tax-deductible to the Company by reason of Section 280G of the Code (and therefore, no portion thereof will be subject to the excise tax imposed under Section 4999 of the Code), whichever of the foregoing amounts, taking into account applicable federal, state and local income and employment taxes and the excise tax imposed under Section 4999 of the Code, results in the receipt by the Executive, on an after-tax basis, of the greatest amount of payments and benefits, notwithstanding that all or some portion of such payments and/or benefits may be subject to the excise tax imposed under Section 4999 of the Code. Unless otherwise specified in writing by the Executive, in the event that the payments and/or benefits are to be reduced pursuant to this Section 7(a)(v), such payments and benefits shall be reduced such that the reduction of cash compensation to be provided to the Executive as a result of this Section 7 is minimized. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. All determinations required to be made under this Section 7(a)(v) shall be made by the Company's independent public accounting firm (or such other nationally recognized public accounting firm as may be selected by the Company and to which selection the Executive consents (such consent not to be unreasonably withheld)) which shall provide detailed supporting calculations both to the

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Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a payment or benefit subject to this Section 7(a)(v), or such earlier time as is requested by the Company.

**(b) No Mitigation Required; No Other Entitlement To Benefits Under Agreement.** The Executive shall not be required in any way to mitigate the amount of any payment provided for in this Section 7, including, without limitation, by seeking other employment, nor shall the amount of any payment provided for in this Section 7 be reduced by any compensation earned by the Executive as the result of employment with another employer after the termination date of employment, or otherwise. Except as set forth in this Section 7, following a termination governed by this Section 7, the Executive shall not be entitled to any other compensation or benefits set forth in this Agreement, except as may be separately negotiated by the parties and approved the Board in writing in conjunction with the termination of Executive's employment under this Section 7.

**(c) Release Agreement.** As a condition of receiving any of the payments, vesting and benefits set forth in this Section 7 (other than the payment provided for in sub-section 7(a)(i)), the Executive shall be required to execute a mutual release agreement in the form attached hereto as Exhibit A or Exhibit B, as appropriate, and such release agreement must have become effective in accordance with its terms within 60 days following the termination date. The Company, in its sole discretion, may modify the term of the required release agreement to comply with applicable law and may incorporate the required release agreement into a termination agreement or other agreement with the Executive.

**(d) Timing of Severance Payments.** Notwithstanding any other provision of this Agreement, all severance payments provided under this 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.

**(e) Timing of Bonus Payments.** Notwithstanding any other provision of this Agreement, all bonus payments provided under this 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.

**8. Disputes Relating To Executive's Termination of Employment For Good Reason .** If the Executive resigns his employment with the Company alleging in good faith as the basis for such resignation "Good Reason" as defined in Section 6(e), and if the Company then disputes the Executive's right to the payment of benefits under Section 7, the Company shall continue to pay the Executive the full compensation (including, without limitation, his Base Salary) in effect at the date the Executive provided written notice of such resignation, and the Company shall continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was then a participant, until the earlier of the expiration of the Term or the date the dispute is finally resolved, either by mutual written agreement of the parties or by application of

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the provisions of Section 11. For the purposes of this Section 8, the Company shall bear the burden of proving that the grounds for the Executive's resignation do not fall within the scope of Section 6(e), and there shall be a rebuttable presumption that the Executive alleged such grounds in good faith.

#### **9. Restrictive Covenant Provisions.**

**(a) Noncompetition.** The Executive agrees that during the Term prior to any termination of his employment hereunder, he will not, directly or indirectly, without the prior written consent of a majority of the non-employee members of the Board, manage, operate, join, control, participate in, or be connected as a stockholder (other than as a holder of shares publicly traded on a stock exchange or the NASDAQ National Market System), partner, or other equity holder with, or as an officer, director or employee of, any real estate or mortgage investment organization whose business strategy is competitive with that of the Company, as determined by a majority of the non-employee members of the Board. It is further expressly agreed that the Company will or would suffer irreparable injury if the Executive were to compete with the Company or any subsidiary or affiliate of the Company in violation of this Agreement and that the Company would by reason of such competition be entitled to injunctive relief in a court of appropriate jurisdiction, and the Executive further consents and stipulates to the entry of such injunctive relief in such a court prohibiting the Executive from competing with the Company or any subsidiary or affiliate of the Company, in the areas of business set forth above, in violation of this Agreement.

**(b) Duty To Avoid Conflict Of Interest.** During his employment by the Company, Executive agrees not to engage or participate in, directly or indirectly, any activities in conflict with the best interests of the Company. The Company shall be the final decision-maker with regard to any conflict of interest issue.

**(c) Right To Company Materials.** The Executive agrees that all styles, designs, lists, materials, books, files, reports, correspondence, records, and other documents ("Company Materials") used, prepared, or made available to the Executive shall be and shall remain the property of the Company. Upon the termination of employment or the expiration of this Agreement, the Executive shall immediately return to the Company all Company Materials, and the Executive shall not make or retain any copies thereof.

**(d) Nonsolicitation.** The Executive promises and agrees that he will not directly or indirectly solicit any of the Company's employees to work for any competing real estate or mortgage investment organization as determined under Section 9(a) for a period of one (1) year following the occurrence of any event entitling the Executive to payments and benefits, provided the Company makes all such payments when due according to the provisions herein.

#### **(e) Confidential And Proprietary Information.**

**(1)** It is hereby acknowledged that Executive has and shall gain knowledge of trade secrets and confidential information owned by or related to the Company and/or its affiliates including but not limited to the following: (i) the names, lists, buying habits and practices of customers, clients or vendors, (ii) marketing and related information, (iii)

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relationships with the persons or entities with whom or with which the Company has contracted, (iv) their products, designs, software, developments, improvements and methods of operation, (v) financial condition, profit performance and financial requirements, (vi) the compensation paid to employees, (vii) business plans and the information contained therein, and (viii) all other confidential information of, about or concerning the Company, the manner of operation of the Company and other confidential data of any kind, nature or description relating to the Company (collectively, the "Confidential Information"). Confidential Information does not include information which (A) is or becomes generally available to the public other than as a result of a disclosure by Executive; or (B) becomes available to Executive on a non-confidential basis after the termination or expiration of Executive's obligations under this Agreement from a source other than the Company, provided that such source is not bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Company or any other party with respect to such information; or (C) is independently developed after the termination or expiration of Executive's obligations under this agreement without reference to the Confidential Information, provided such independent development can reasonably be proven by Executive by written records.

(2) The parties hereby acknowledge that the Confidential Information constitutes important, unique, material and confidential trade secrets which affect the successful activities of the Company, and constitute a substantial part of the assets and goodwill of the Company. In view of the foregoing, Executive agrees that he will not at any time whether during or after the term of this Agreement, except as required in the course of Executive's employment by Company and at its direction and for its sole benefit, in any fashion, form or manner, directly or indirectly (i) use or divulge, disclose, communicate or provide or permit access to any person, firm, partnership, corporation or other entity, any Confidential Information of any kind, nature or description, or (ii) remove from Company's premises any notes or records relating thereto, or copies or facsimiles thereof (whether made by electronic, electrical, magnetic, optical, laser, acoustic or other means).

(3) Promptly upon the request of Company, and immediately upon the termination of Executive's employment, Executive shall not transfer to any third person and shall deliver to Company all Confidential Information, and other property belonging to the Company, including all copies thereof, in the possession or under the control of the Executive.

(4) Executive represents that the performance of all the terms of this Agreement will not conflict with, and will not breach, any other invention assignment agreement, confidentiality agreement, employment agreement or non-competition agreement to which Executive is or has been a party. To the extent that Executive has confidential information or materials of any former employer, Executive acknowledges that the Company has directed Executive to not disclose such confidential information or materials to the Company or any of its employees, and that the Company prohibits Executive from using said confidential information or materials in any work that Executive may perform for the Company. Executive agrees that Executive will not bring with Executive to the Company, and will not use or disclose any confidential, proprietary information, or trade secrets acquired by Executive prior to his

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employment with the Company. Executive will not disclose to the Company or any of its employees, or induce the Company or any of its employees to use, any confidential or proprietary information or material belonging to any previous employers or others, nor will Executive bring to the Company or use in connection with Executive's work for the Company copies of any software, computer files, or any other copyrighted or trademarked materials except those owned by or licensed to the Company. Executive represents that he is not a party to any other agreement that will interfere with his full compliance with this Agreement. Executive further agrees not to enter into any agreement, whether written or oral, in conflict with the provisions of this Agreement.

**(5)** Notwithstanding the generality of the foregoing, nothing in this Agreement is intended to prohibit the Executive from 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, including in relation to any whistleblower, anti-discrimination, or anti-retaliation provisions of federal, state or local law or regulation. Pursuant to 18 U.S.C. Section 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (x) 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 (y) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

**(f) Inventions.** Any and all inventions, discoveries or improvements that Executive has conceived or made or may conceive or make during the period of employment relating to or in any way pertaining to or connected with the systems, products, computer programs, software, apparatus or methods employed, manufactured or constructed by the Company or to systems, products, apparatus or methods with respect to which the Company engages in, requests or anticipates research or development, shall be promptly and fully disclosed and described by Executive to the Company and shall be the sole and exclusive property of the Company, and Executive shall assign, and hereby does assign to the Company Executive's entire right, title and interest in and to all such inventions, discoveries or improvements as well as any modifications or improvements thereto that may be made.

The obligations outlined in this Section 9(f) do not apply to any invention that qualifies fully under California Labor Code Section 2870 (a copy of which is attached hereto as Exhibit C) or to any rights Executive may have acquired in connection with an invention, discovery or improvement that was developed entirely on Executive's own time for which no equipment, supplies, facilities or trade secret information of the Company was used and (a) that does not relate directly or indirectly to the business of the Company or to the Company's actual or demonstrable anticipated research or development, or (b) that does not result from any work performed by Executive for the Company.

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**(g) Maryland Law.** The Executive agrees, in accordance with Maryland law, to first offer to the Company corporate opportunities learned of solely as a result of his service as an officer of the Company.

**(h) Breach.** It is expressly agreed that each breach of this Section 9 is a distinct and material breach of this Agreement and that solely a monetary remedy would be inadequate, impracticable and extremely difficult to prove, and that each such breach would cause the Company irreparable harm. It is further agreed that, in addition to any and all remedies available at law or equity (including money damages), either party shall be entitled to temporary and permanent injunctive relief to enforce the provisions of this Section, without the necessity of proving actual damages. It is further agreed that either party shall be entitled to seek such equitable relief in any forum, including a court of law, notwithstanding the provisions of Section 11. Either party may pursue any of the remedies described herein concurrently or consecutively in any order as to any such breach or violation, and the pursuit of one of such remedies at any time will not be deemed an election of remedies or waiver of the right to pursue any of the other such remedies. Any breach of this Section 9 shall immediately terminate any obligations by the Company to provide Executive with severance and continued benefits pursuant to Section 6 or 7 of this Agreement.

**(i) Unenforceability.** Should any portion of this Section 9 be deemed unenforceable because of its scope, duration or effect, and only in such event, then the parties expressly consent and agree to such limitation on scope, duration or effect as may be finally adjudicated as enforceable, to give this Section 9 its maximum permissible scope, duration and effect.

**10. Notices.** All notices and other communications under this Agreement shall be in writing and shall be given by fax or first class mail, certified or registered with return receipt requested, and shall be deemed to have been duly given three (3) days after mailing or twenty-four (24) hours after transmission of a fax to the respective persons named below:

If to the Company: Redwood Trust, Inc.  
Attn: Chief Legal Officer  
One Belvedere Place, Suite 300  
Mill Valley, CA 94941  
Phone: (415) 389-7373  
Fax: (415) 381-1773

If to the Executive: Christopher J. Abate  
c/o Redwood Trust, Inc.  
One Belvedere Place, Suite 300  
Mill Valley, CA 94941  
Phone: (415) 389-7373

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Fax: (415) 381-1773

Either party may change such party's address for notices by notice duly given pursuant hereto.

**11. Resolution of Disputes.** To ensure the rapid and economical resolution of disputes that may arise in connection with the Executive's employment with the Company, the Executive and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to the enforcement, breach, performance, or interpretation of this Agreement, the Executive's employment, or the termination of the Executive's employment ("Arbitrable Claims") shall be submitted to confidential mediation in San Francisco, California conducted by a mutually agreeable mediator from Judicial Arbitration and Mediation Services ("JAMS") or its successor under the JAMS Rules of Practice and Procedure then in effect, which can be found at [www.jamsadr.com/adr-rules-procedures](http://www.jamsadr.com/adr-rules-procedures). The cost of JAMS' mediation fees shall be paid by the Company. In the event that mediation is unsuccessful in resolving the Arbitrable Claims, the Arbitrable Claims shall be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration in San Francisco, California conducted by JAMS or its successor, under the then applicable rules of JAMS.

**The Executive acknowledges that by agreeing to this arbitration procedure, both the Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.**

The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that the Executive or the Company would be entitled to seek in a court of law, including, without limitation, the award of attorneys' fees based on a determination of the extent to which each party has prevailed as to the material issues raised in determination of the dispute. The Company shall pay all JAMS' arbitration fees in excess of those which would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either the Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such mediation or arbitration.

**12. [Reserved]**

**13. Assignment; Successors.** This Agreement is personal in its nature, and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that, in the event of the merger, consolidation, transfer, or sale of all or substantially all of the assets of the Company with or to any other individual or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder.

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**14. Governing Law.** This Agreement and the legal relations thus created between the parties hereto shall be governed by and construed under and in accordance with the laws of the State of California.

**15. Entire Agreement; Headings.** This Agreement embodies the entire agreement of the parties with respect to the subject matter hereof and supersedes in their entirety all other or prior agreements, whether oral or written, with respect thereto, including but not limited to the Prior Agreement, but excluding the plans, programs and equity award agreements under which compensation and benefits are provided pursuant to Sections 3 and 4 hereof to the extent such plans and programs and equity award agreements are not inconsistent with this Agreement. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

**16. Waiver; Modification.** Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. This Agreement shall not be modified in any respect except by a writing executed by each party hereto.

**17. Severability.** In the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any statute or public policy, only the portions of this Agreement that violate such statute or public policy shall be stricken. All portions of this Agreement that do not violate any statute or public policy shall continue in full force and effect. Further, any court order striking any portion of this Agreement shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties under this Agreement.

**18. Indemnification.** The Company shall indemnify and hold Executive harmless to the maximum extent permitted by Section 2-418 of the Maryland General Corporations Law or its successor statute, or if greater, by the Company's Bylaws, by any applicable resolution of the Board or by the terms providing the most extensive indemnification contained in any written agreement between the Company and any director or officer of the Company. The Company shall make Executive a named beneficiary under all director and officer liability policies maintained by the Company from time to time for the benefit of its directors and officers, entitled to all benefits provided thereunder to persons serving in a comparable role as an officer of the Company. During the Term and for a term of six years thereafter, the Company shall purchase and maintain, at its own expense, directors and officers liability insurance providing coverage for Executive in respect of acts and omissions of the Executive in his capacity as such and occurring during Executive's employment.

**19. Section 409A.** Any payments under this Agreement subject to Section 409A of the Code that are subject to execution of a waiver and release which may be executed and/or revoked in a calendar year following the calendar year in which the payment event (such as a termination

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of employment) occurs shall commence payment only in the calendar year in which the consideration period or, if applicable, release revocation period ends, as necessary to comply with Section 409A of the Code. Notwithstanding anything to the contrary in this Agreement, no compensation or benefits shall be paid to the Executive during the six (6)-month period following the Executive's "separation from service" from the Company (within the meaning of Section 409A of the Code, a "Separation from Service") if the Company determines that paying such amounts at the time or times indicated in this 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 day of the seventh month following the date of Separation from Service (or such earlier date upon which such amount can be paid under Section 409A without resulting in a prohibited distribution, including as a result of the Executive's death), the Company shall pay the Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Executive during such period. Any right to a series of installment payments pursuant to this Agreement is to be treated as a right to a series of separate payments. To the extent permitted under Section 409A of the Code, any separate payment or benefit under this Agreement or otherwise shall not be deemed "nonqualified deferred compensation" subject to Section 409A of the Code to the extent provided in the exceptions in Treasury Regulation Section 1.409A-1(b)(4), Section 1.409A-1(b)(9) or any other applicable exception or provision of Section 409A. All payments of nonqualified deferred compensation subject to Section 409A to be made upon a termination of employment under this Agreement may only be made upon the Executive's "separation from service" from the Company.

**20. Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

**21. Successor Sections.** References herein to sections or rules of the Code shall be deemed to include any successor sections or rules.

*[Signature Page Follows]*

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**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunto signed this Agreement, as of the Effective Date.

**REDWOOD TRUST, INC.**

By: /s/ Andrew P. Stone  
Andrew P. Stone  
Executive Vice President & Chief Legal Officer

**EXECUTIVE**

/s/ Christopher J. Abate  
Christopher J. Abate

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**EXHIBIT A**  
**RELEASE AGREEMENT**

Except as otherwise set forth in this Release Agreement or in Sections 7 and 18 of the Employment Agreement between Christopher J. Abate and Redwood Trust, Inc., Christopher J. Abate (“Executive”) hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date Executive signs this Release Agreement. The Company, its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns, hereby releases Executive and his heirs, executors, successors and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date the Company signs this Release Agreement. This general mutual release includes, but is not limited to: (A) all claims arising out of or in any way related to Executive’s employment with the Company or the termination of that employment; (B) all claims related to Executive’s compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (C) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (D) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; (E) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys’ fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) (“ADEA”), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended); and (F) all claims and rights with respect to Executive’s right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator; provided, however, that nothing in this paragraph shall be construed in any way to release (i) the Company from (x) its obligation to indemnify Executive pursuant to agreement, the Company’s bylaws or binding resolutions, or applicable law or (y) the Company’s payment obligations under Section (7) of the Employment Agreement, (ii) coverage under any applicable D&O policies,

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(iii) claims to vested benefits that Executive is entitled to receive under any other plan or agreement covering Executive) or (iv) Executive's vested equity awards.

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Executive acknowledges that he is knowingly and voluntarily waiving and releasing any rights he may have under the ADEA, and that the consideration given under his Employment Agreement with the Company for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which he was already entitled. Executive further acknowledges that he has been advised by this writing, as required by the ADEA, that: (A) this waiver and release does not apply to any rights or claims that may arise after the date Executive signs this Release Agreement; (B) Executive should consult with an attorney prior to signing this Release Agreement (although Executive may choose voluntarily not to do so); (C) Executive has twenty-one (21) days to consider this Release Agreement (although Executive may choose voluntarily to sign this Release Agreement earlier); (D) Executive has seven (7) days following the date that he signs this Release Agreement to revoke the Release Agreement by providing written notice to an officer of the Company; and (E) this Release Agreement shall not be effective until the date upon which the revocation period has expired, which shall be the eighth day after Executive signs this Release Agreement. Both Executive and the Company acknowledge that each has read and understands Section 1542 of the California Civil Code which reads as follows:

**A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.**

Both Executive and the Company hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to each party's release of any claims hereunder.

Notwithstanding anything herein, the Executive acknowledges and agrees that, pursuant to 18 USC Section 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) 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 (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

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Mutual Nondisparagement.

(a) Nondisparagement by Executive. At all times following the cessation of the Executive's employment with the Company, the Executive 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.

(b) Nondisparagement by Designated Company Representatives. At all times following the cessation of the Executive's employment with the Company, the Company agrees not to publish, and agrees to cause the Designated Company Representatives not to make, negative comments or statements about, or otherwise criticize or disparage, in any format or through any medium, the Executive. 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 business reputation or personal reputation. For purposes of this sub-section (b), the "Designated Company Representatives" are (i) all executive officers of the Company while serving in such capacity and (ii) all members of the Board of Directors while serving in such capacity.

(c) The foregoing sub-sections (a) and (b) shall not be violated by truthful comments or statements (i) made in response to legal process, in required governmental testimony or filings, in judicial, administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings), in compliance with law, administrative rule, or regulation, or made pursuant to a court or administrative order, or in connection with reporting possible violations of federal law or regulation to any governmental agency or entity, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, (ii) made by members of the Board of Directors in the course of meetings or discussions of the Board of Directors (or any committee thereof) or in communications between members of the Board of Directors and the Executive, and not disclosed to the public, (iii) made by a member of the Board of Directors in the good faith belief that the statements are required for the proper discharge of his or her fiduciary duties, or (iv) made by the Board of Directors in connection with a termination of the Executive for Cause.

*[Signature Page Follows]*

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**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunto signed this Agreement, as of the date set forth below.

**EXECUTIVE**

Name: \_\_\_\_\_  
Christopher J. Abate

Date: \_\_\_\_\_

**COMPANY**

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

Date: \_\_\_\_\_

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**EXHIBIT B**  
**RELEASE AGREEMENT**

Except as otherwise set forth in this Release Agreement or in Sections 7 and 18 of the Employment Agreement between Christopher J. Abate and Redwood Trust, Inc., Christopher J. Abate (“Executive”) hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date Executive signs this Release Agreement. The Company, its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns, hereby releases Executive and his heirs, executors, successors and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date the Company signs this Release Agreement. This general mutual release includes, but is not limited to: (A) all claims arising out of or in any way related to Executive’s employment with the Company or the termination of that employment; (B) all claims related to Executive’s compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (C) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (D) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; (E) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys’ fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) (“ADEA”), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended); and (F) all claims and rights with respect to Executive’s right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator; provided, however, that nothing in this paragraph shall be construed in any way to release (i) the Company from (x) its obligation to indemnify Executive pursuant to agreement, the Company’s bylaws or binding resolutions, or applicable law or (y) the Company’s payment obligations under Section (7) of the Employment Agreement, (ii) coverage under any applicable D&O policies, (iii) claims to vested benefits that Executive is entitled to receive under any other plan or agreement covering Executive) or (iv) Executive’s vested equity awards.

Executive acknowledges that he is knowingly and voluntarily waiving and releasing any rights he may have under the ADEA, and that the consideration given under his Employment Agreement with the Company for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which he was already entitled. Executive further acknowledges that he has been advised by this writing, as required by the ADEA, that: (A) this waiver and release does not apply to any rights or claims that may arise after the date Executive signs this Release Agreement; (B) Executive should consult with an attorney prior to signing this Release Agreement (although Executive may choose voluntarily not to do so); (C) Executive has forty-five (45) days to consider this Release Agreement (although he may choose voluntarily to sign this Release Agreement earlier); (D) Executive has seven (7) days following the date that he signs this Release Agreement to revoke the Release Agreement by providing written notice to an officer of the Company; (E) this Release Agreement shall not be effective until the date upon which the revocation period has expired, which shall be the eighth day after Executive signs this Release Agreement; and (F) Executive has received with this Release Agreement a detailed list of the job titles and ages of all employees who were terminated in this group termination and the ages of all employees of the Company in the same job classification or organizational unit who were not terminated.

Both the Executive and the Company acknowledge that each has read and understands Section 1542 of the California Civil Code which reads as follows:

**A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.**

Both the Executive and the Company hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to each party's release of any claims hereunder.

Notwithstanding anything herein, the Executive acknowledges and agrees that, pursuant to 18 USC Section 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) 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 (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

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Mutual Nondisparagement.

(a) Nondisparagement by Executive. At all times following the cessation of the Executive's employment with the Company, the Executive 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.

(b) Nondisparagement by Designated Company Representatives. At all times following the cessation of the Executive's employment with the Company, the Company agrees not to publish, and agrees to cause the Designated Company Representatives not to make, negative comments or statements about, or otherwise criticize or disparage, in any format or through any medium, the Executive. 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 business reputation or personal reputation. For purposes of this sub-section (b), the "Designated Company Representatives" are (i) all executive officers of the Company while serving in such capacity and (ii) all members of the Board of Directors while serving in such capacity.

(c) The foregoing sub-sections (a) and (b) shall not be violated by truthful comments or statements (i) made in response to legal process, in required governmental testimony or filings, in judicial, administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings), in compliance with law, administrative rule, or regulation, or made pursuant to a court or administrative order, or in connection with reporting possible violations of federal law or regulation to any governmental agency or entity, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, (ii) made by members of the Board of Directors in the course of meetings or discussions of the Board of Directors (or any committee thereof) or in communications between members of the Board of Directors and the Executive, and not disclosed to the public, (iii) made by a member of the Board of Directors in the good faith belief that the statements are required for the proper discharge of his or her fiduciary duties, or (iv) made by the Board of Directors in connection with a termination of the Executive for Cause.

*[Signature Page Follows]*

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**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunto signed this Agreement, as of the date set forth below.

**EXECUTIVE**

Name: \_\_\_\_\_  
Christopher J. Abate

Date: \_\_\_\_\_

**COMPANY**

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

Date: \_\_\_\_\_

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**EXHIBIT C**  
**Section 2870 of California Labor Code**

Section 2870 of California Labor Code: Application of provision providing that employee shall assign or offer to assign rights in invention to employer.

a. Any provision and employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information except for those inventions that either:

1. Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
2. Result from any work performed by the employee for the employer.

b. To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

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## EXHIBIT D

### DEFINITION OF “CHANGE OF CONTROL”

*With respect to (i) equity-based or equity-related awards granted prior to November 6, 2020 and (ii) long-term incentive and/or retention compensation awards that are payable in cash granted prior to November 6, 2020, the following definition of Change of Control shall apply:*

“Change of Control” refers to the occurrence of any of the following:

(1) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires ownership of stock of the Company that, together with other stock held by such person or group constitutes more than 50 percent of the total fair market value or total voting power of all stock of the Company; or

(2) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30 percent or more of the total voting power of the stock of the Company; or

(3) during any 12-month period, a majority of the members of the Company’s board of directors is replaced by directors whose appointment or election is not endorsed by a majority of the members of the Company’s board of directors prior to such appointment or election; or

(4) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisition; provided, that that no change of control shall be deemed to occur when the assets are transferred to:

(x) a shareholder of the Company in exchange for or with respect to its stock,

(y) a person, or more than one person acting as a group (within the meaning of Section 409A of the Code), that owns, directly or indirectly, 50 percent or more of the total value or voting power of all of the outstanding stock of the Company, or

(z) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person that owns directly or indirectly 50 percent or more of the total value or voting power of all of the outstanding stock

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of the Company, in each case with such persons status determined immediately after the transfer of assets.”

*With respect to (i) equity-based or equity-related awards granted on or following November 6, 2020 and (ii) long-term incentive and/or retention compensation awards that are payable in cash granted on or following November 6, 2020, the following definition of Change of Control shall apply:*

“Change of Control” refers to the occurrence of any of the following:

(a) A transaction or series of transactions (other than an offering of common stock to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of transactions that meets the requirements of clauses (i) and (ii) of subsection (c) below) whereby any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a “person” that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 30% of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; or

(b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new Director(s) (other than a Director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in subsections (a) or (c) of this definition) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company’s assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) which results in the Company’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company’s assets or otherwise succeeds to the business of the Company (the Company or such person, the “Successor Entity”)) directly or indirectly, at least a majority of

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the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

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(ii) after which no person or group beneficially owns voting securities representing 30% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (ii) as beneficially owning 30% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction.”

#### FOURTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Fourth Amended and Restated Employment Agreement (“Agreement”), effective as of June 10, 2021 (the “Effective Date”), is entered into by and between **Dashiell I. Robinson** (the “Executive”) and **Redwood Trust, Inc.**, a Maryland corporation (the “Company”), and amends and restates in its entirety that certain Third Amended and Restated Employment Agreement by and between the Executive and the Company dated November 6, 2020 (the “Prior Agreement”).

The Company desires to establish its right to the continued services of the Executive, in the capacity, on the terms and conditions, and subject to the rights of termination hereinafter set forth, and the Executive is willing to accept such continued employment in such capacity, on such terms and conditions, and subject to such rights of termination.

In consideration of the mutual agreements hereinafter set forth, the Executive and the Company have agreed and do hereby agree as follows:

**1. Employment and Responsibilities.** During the Term, the Executive shall serve as President of the Company, reporting to the Chief Executive Officer of the Company, with responsibilities, duties and authority customary for such position, including, without limitation, business and strategic development and implementation, as well as direct management and oversight of, without limitation, the following officers of Company: head of portfolio strategy and risk; head of residential mortgage business division; and head of business purpose lending division. The Executive does hereby accept and agree to such continued employment. The Chief Executive Officer may, from time to time, in his sole discretion, modify, reassign and/or augment the Executive’s responsibilities, subject to prior approval by the Board of Directors of the Company (the “Board”), and any such modification, reassignment and/or augmentation shall be deemed a waiver by the Executive of his rights under Section 6(e)(i) hereof only with his express prior written consent. Any such modification, reassignment or augmentation of responsibilities shall be in writing. The Executive shall devote such time, energy and skill to the performance of his duties for the Company and for the benefit of the Company as may be necessary or required for the effective conduct and operation of the Company’s business. Furthermore, the Executive shall act only in good faith and exercise due diligence and care in the performance of his duties to the Company under this Agreement.

**2. Term of Agreement.** The term of this Agreement (the “Term”) shall commence on the Effective Date and shall continue through December 31, 2021; provided, however, that (i) on January 1, 2022 and each succeeding January 1, the Term shall automatically be extended for one additional year unless, not later than three months prior to any such January 1, either party shall have given written notice to the other that it does not wish to extend the Term and (ii) such one year extensions of the Term shall not occur on and after the January 1 of the year in which the Executive will attain age sixty-five (65) but instead the Term shall be extended only until the date of the Executive’s sixty-fifth (65th) birthday.

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### 3. Compensation.

(a) **Base Salary.** The Company shall pay the Executive, and the Executive agrees to accept from the Company, in payment for his services to the Company a base salary (the “Base Salary”) at the rate of not less than \$750,000 per year, paid in accordance with the customary payroll practices of the Company subject to annual review and increase by the Board in its sole discretion (or by the Board’s separately designated Compensation Committee in its sole discretion). For the avoidance of doubt, references to the Board in this Section 3 shall include the Board’s separately designated Compensation Committee.

(b) **Performance Bonus.** The Executive shall be eligible to receive an annual bonus. The Board in its discretion will determine whether such annual bonus will be paid, the amount of such bonus and its form of payment. The Executive’s target annual bonus amount is 175% of his Base Salary (the “Target Bonus”). If the Board determines in its discretion that the Executive’s performance meets or exceeds the criteria established by the Board for the award of a Target Bonus, the Board may award the Executive the Target Bonus or a higher amount. Likewise, if the Executive’s performance does not meet said criteria, the Board may award a lesser amount, or no bonus may be awarded. Unless otherwise provided in this Agreement, the Executive’s eligibility to receive any bonus under this paragraph shall be expressly conditioned on, among other things, the Executive remaining employed with the Company up through any designated distribution date set by the Board.

Notwithstanding the foregoing paragraph, in the event of a “Change of Control” (as defined in Exhibit D attached hereto), immediately prior to such Change of Control the Company shall be obligated to pay the Executive: (A) when such Change of Control occurs during a calendar year in respect of which no annual bonus has yet been paid, a pro-rated annual bonus for such calendar year, based on the number of days in such calendar year prior to the Change of Control; and (B) when such Change of Control occurs after the conclusion of a calendar year in respect of which no annual bonus has yet been paid (i.e., such Change of Control occurs after December 31st, but before the designated payment date for the annual bonus in respect of such completed calendar year), an annual bonus for such completed calendar year. In the case of both of the preceding clauses (A) and (B), such amounts shall each be separately subject to any cap on Executive’s annual bonus previously established by the Board (or any committee thereof) and shall each be determined in accordance with the criteria most recently designated by the Board (or any committee thereof) for the determination of such amounts, as follows: (I) any portion of the annual bonus amounts that had been previously designated by the Board (or any committee thereof) to be determined relative to the achievement of criteria measuring the financial performance of the Company with respect to a calendar year, shall be paid in amounts based on the attainment of such criteria (on an annualized basis, if in respect of less than a full calendar year), through the date immediately prior to such Change of Control (or, as applicable, through the end of any such completed calendar year) and in accordance with the methodology previously approved by the Board (or any committee thereof) for payment of such amounts of annual bonus (i.e., an amount at, higher, or lower than the target amounts for such portions of annual bonus); and (II) any portion of the annual bonus amounts that had been previously designated by the Board (or any committee thereof) to be determined relative to the

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achievement of criteria measuring the individual performance of the Executive, shall be paid in amounts equal to the target amount of such portion of the Executive's annual bonus.

**(c) Equity Incentive Awards.** Executive shall be eligible to receive grants of equity-based long-term incentive awards, which may include options to purchase Company stock, performance or restricted stock units and Company restricted stock contributions to Company's deferred compensation plan, or other equity-based awards. Such awards shall be determined in the discretion of the Board and the Executive shall be eligible for consideration for such awards in the same manner as other senior executive officers of the Company. In the event of a Change of Control in which the surviving or acquiring corporation does not assume the Executive's outstanding equity-related awards (including options and equity-based awards granted both before and after the Effective Date) or substitute similar equity-related awards of substantially equivalent value, such equity-related awards shall immediately vest and become exercisable if the Executive's service with the Company has not terminated before the effective date of the Change of Control; provided, however, that the foregoing provision shall only apply if the Company is not the surviving corporation or if shares of the Company's common stock are converted into or exchanged for other securities or cash.

**(d) Annual Review.** The Executive's performance shall be reviewed at least annually. The performance evaluations shall consider and assess the Executive's performance of his duties and responsibilities, the timely accomplishment of existing performance objectives, his level of efficiency and overall effectiveness and/or other factors or criteria that the Company, in its sole discretion, may deem relevant. The frequency of performance evaluations may vary depending upon, among other things, length of service, past performance, changes in job duties or performance levels. The Board shall, at least annually, review the Executive's entire compensation package to determine whether it continues to meet the Company's compensation objectives. Such annual review will include a determination of (i) whether to increase the Base Salary in accordance with Section 3(a); (ii) the incentive performance bonus to be awarded in accordance with Section 3(b); and (iii) the amount and type of any equity awards granted in accordance with Section 3(c). Positive performance evaluations do not guarantee salary increases or incentive bonuses. Salary increases and incentive bonus awards are solely within the discretion of the Board and may depend upon many factors other than the Executive's performance.

**4. Fringe Benefits.** The Executive shall be entitled to participate in any benefit programs adopted from time to time by the Company for the benefit of its senior executive officers, and the Executive shall be entitled to receive such other fringe benefits as may be granted to him from time to time by the Board.

**(a) Benefit Plans.** The Executive shall be entitled to participate in any benefit plans relating to equity-based compensation awards, pension, thrift, profit sharing, life insurance, medical coverage, education, deferred compensation, or other retirement or employee benefits available to senior executive officers of the Company, subject to any restrictions (including waiting periods) specified in such plans and/or related individual agreements. The Company shall make commercially reasonable efforts to obtain medical and disability insurance, and such

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other forms of insurance as the Board shall from time to time determine, for its senior executive officers.

**(b) Paid Time Off.** The Executive shall be entitled to paid time off (“PTO”) each calendar year pursuant to the Company’s policies applicable to senior executive officers of the Company, as in effect from time to time and consistent with the Executive’s satisfactory performance of the duties set forth in Section 1.

**5. Business Expenses.** The Company shall reimburse the Executive for any and all necessary, customary and usual expenses, properly receipted in accordance with Company policies, incurred by Executive on behalf of the Company.

**6. Termination of Executive’s Employment.**

**(a) Death.** If the Executive dies while employed by the Company, his employment shall immediately terminate. The Company’s obligation to pay the Executive’s Base Salary shall cease as of the date of the Executive’s death, and any unpaid Base Salary shall be paid to the Executive’s estate. In addition, within fifteen (15) days of the Executive’s death, the Company shall pay to the Executive’s estate an incentive performance bonus based on Executive’s Target Bonus then in effect, prorated for the number of days of employment completed by the Executive during the year of his death. Executive’s beneficiaries or his estate shall receive benefits in accordance with the Company’s retirement, insurance and other applicable programs and plans then in effect. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). All stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable based on the number of target shares and the performance goals set forth in the applicable award agreement by which such awards are evidenced, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). In addition, in the event the Company grants to the Executive a cash-settled equity award or a long-term incentive compensation award payable in cash, this Section 6(a) shall apply, mutatis mutandis, to any such award(s).

**(b) Disability.** If, as a result of the Executive’s incapacity due to physical or mental illness (“Disability”), Executive shall have been absent from the full-time performance of his duties with the Company for six (6) consecutive months, and, within thirty (30) days after written notice is provided to him by the Company, he shall not have returned to the full-time performance of his duties, the Executive’s employment under this Agreement may be terminated by the Company for Disability. During any period prior to such termination during which the Executive is absent from the full-time performance of his duties with the Company due to

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Disability, the Company shall continue to pay the Executive his Base Salary at the rate in effect at the commencement of such period of Disability and any earned but unpaid annual bonus from a prior service year. Subsequent to such termination, the Executive's benefits shall be determined under the Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs. In addition, within fifteen (15) days of such termination, the Company shall pay to the Executive an incentive performance bonus based on Executive's Target Bonus then in effect, prorated for the number of days of employment completed by the Executive during the year in which his employment terminated. The Executive, the Executive's beneficiaries or his estate shall receive benefits in accordance with the Company's retirement, insurance and other applicable programs and plans then in effect. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). All stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable based on the number of target shares and the performance goals set forth in the applicable award agreement by which such awards are evidenced, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). In addition, in the event the Company grants to the Executive a cash-settled equity award or a long-term incentive compensation award payable in cash, this Section 6(b) shall apply, mutatis mutandis, to any such award(s).

**(c) Termination By The Company For Cause.** The Company may terminate the Executive's employment under this Agreement for Cause, at any time prior to expiration of the Term of the Agreement; provided, however, that prior to any termination of employment for Cause pursuant to subsection (i), (ii), or (iii) below, the Company must first provide written notice describing the reason for such termination of employment (and, with respect to subsections (ii) and (iii) below, such notice may be provided on the same date as the termination date). For purposes of this Agreement, "Cause" shall mean (i) the Executive's material failure to substantially perform the reasonable and lawful duties of his position for the Company, which failure shall continue for thirty (30) days after written notice thereof by the Company to the Executive; (ii) acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of the Executive in respect of the performance of his duties hereunder, his fiduciary obligations or otherwise relating to the business of the Company; (iii) the habitual or repeated neglect of his duties by Executive; (iv) the Executive's conviction of a felony; (v) 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 Executive injurious to the interest, property, operations, business or reputation of the Company; or (vii) unauthorized use or disclosure of trade secrets or confidential or proprietary information pertaining to Company business.

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In the event of a termination under this Section 6(c), the Company will pay only the portion of Base Salary or previously awarded bonus unpaid as of the termination date. Fringe benefits which have accrued and/or vested on the termination date will continue in effect according to their terms.

**(d) Termination By The Company Without Cause.** The Company may terminate Executive's employment hereunder at any time without Cause upon 30 days written notice to Executive or pay in lieu thereof. In the event of a termination under this Section 6(d), the Executive shall be entitled to the benefits set forth in Section 7.

**(e) Termination By The Executive For Good Reason.** The Executive shall have the right to terminate the Officer's employment under this Agreement for Good Reason, at any time prior to expiration of the Term of the Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence, without the Executive's express written consent, of any one or more of the following events:

**(i)** A material reduction in Executive's responsibilities, title, duties or authority, including, without limitation, (A) Executive ceasing to serve as the president of a publicly traded company (or in a comparable senior officer role of a publicly-traded company reporting directly to the chief executive officer with responsibilities, authority, duties and compensation opportunity comparable to Executive's role as President of the Company (a "Comparable Role") determined as of the Effective Date) or (B) on or after a Change of Control, if as a result of such Change of Control, the Company becomes a subsidiary of another entity and Executive is not appointed (or after appointment, ceases) to be the president (or serve in a Comparable Role determined as of the time immediately prior to the Change of Control) of the top-tier parent entity of the Company (or its successor); provided that, for the avoidance of doubt, the appointment of Executive to a top-tier parent entity that is not publicly traded does not eliminate Executive's rights under sub-clause (A) above;

**(ii)** A material reduction in the Executive's Base Salary or a material reduction by the Company in the value of the Executive's total compensation package (salary, 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 senior executives of the Company;

**(iii)** The relocation of the Executive's principal Company office to a location more than twenty-five (25) miles from its location as of the Effective Date (which location is the Company's headquarters in Mill Valley, California), except for required travel on the Company's business to the extent necessary to fulfill the Executive's obligations under Section 1;

**(iv)** A failure by the Company at any time to renew this Agreement for successive one-year periods pursuant to Section 2;

**(v)** The complete liquidation of the Company; or

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(vi) In the event of a merger, consolidation, transfer, or closing of a sale of all or substantially all the assets of the Company with or to any other individual or entity, the failure of the Company's successor to affirmatively adopt this Agreement or to otherwise comply with its obligations pursuant to Section 13 below.

Notwithstanding the foregoing, the Executive will not be deemed to have resigned for Good Reason for purposes of subclause (i) unless (1) the Executive provides the Company with written notice setting forth in reasonable detail the facts and circumstances claimed by the Executive to constitute Good Reason within ninety (90) days after the date of the occurrence of any event that the Executive 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 Executive's termination for Good Reason occurs no later than thirty (30) days after the expiration of the Company's cure period. In the event of a termination under this Section 6(e), the Executive shall be entitled to the benefits set forth in Section 7.

(f) **Termination By The Executive Without Good Reason.** The Executive may at any time during the Term terminate his employment hereunder for any reason or no reason by giving the Company notice in writing not less than sixty (60) days in advance of such termination. The Executive shall have no further obligations to the Company after the effective date of termination, as set forth in the notice. In the event of a termination by the Executive under this Section 6(f), the Company will pay only the portion of Base Salary or previously awarded bonus unpaid as of the termination date. Fringe benefits which have accrued and/or vested on the termination date will continue in effect according to their terms.

#### **7. Compensation Upon Termination By the Company without Cause or By The Executive for Good Reason.**

(a) If the Executive's employment shall be terminated by the Company without Cause or by the Executive for Good Reason, the Executive shall be entitled to the following benefits:

(i) **Payment of Unpaid Base Salary.** The Company shall immediately pay the Executive any portion of the Executive's Base Salary through the date of termination or previously awarded bonus not paid prior to the termination date.

(ii) **Severance Payment.**

(A) In the event such termination is not a CIC Termination (as defined below), then the Company shall provide the Executive (x) an amount equal to one (1) times the sum of (i) Executive's Annual Base Salary as in effect immediately prior to his termination and (ii) Executive's Target Bonus in effect immediately prior to his termination and (y) an amount equal to the Executive's Target Bonus in effect immediately prior to his

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termination, pro-rated for the number of days of employment completed by the Executive during the year in which his employment is terminated.

(B) In the event such termination of employment occurs within three months prior to, on, or within 24 months following a Change of Control (a “CIC Termination”), then instead of providing the payments in Section 7(a)(ii)(A), the Company shall provide the Executive an amount equal to the sum of (x) the Executive’s Target Bonus in effect immediately prior to his termination, prorated for the number of days of employment completed by the Executive during the year in which his employment terminated; (y) one-and-one-half (1.5) times the Executive’s Annual Base Salary as in effect immediately prior to his termination; and (z) one-and-one-half (1.5) times the Executive’s Target Bonus in effect immediately prior to his termination. Notwithstanding the foregoing, the maximum aggregate amount that the Company shall pay to the Executive pursuant to this Section 7(a)(ii)(B) is \$4,000,000.

**(iii) Equity Awards.** All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). If the Executive’s employment shall be terminated by the Company without Cause, all stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable or exercisable based on (x) the performance goals set forth in the applicable award agreement by which such awards are evidenced and (y) a reduced number of target shares adjusted on a pro-rata basis to reflect the number of days of employment completed during the applicable vesting period in which termination occurs, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). If the Executive’s employment shall be terminated by the Executive for Good Reason, all stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable based on the number of target shares and the performance goals set forth in the applicable award agreement by which such awards are evidenced, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). In addition, in the event the Company grants to the Executive a cash-settled equity award or a long-term incentive compensation award payable in cash, this Section 7(a)(iii) shall apply, mutatis mutandis, to any such award(s).

**(iv) Continuation of Fringe Benefits.** For a period of up to twelve (12) months (or, in the event of a CIC Termination, eighteen (18) months) following the date of Executive’s termination of employment with Company, subject to the Executive’s valid election to continue healthcare coverage under Section 4980B of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations thereunder, the Company shall continue to provide the Executive and the Executive’s eligible dependents with coverage under its group health plans at

the same levels and the same cost to the Executive as would have applied if the Executive's employment had not been terminated based on the Employee's elections in effect on the date of termination (the "Continued Coverage"), provided that (1) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (2) the Company is otherwise unable to continue to cover the Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act or the Patient Protection and Affordable Care Act), the Company may in its sole discretion provide that (i) the Executive shall pay to the Company, on an after-tax basis, a monthly amount equal to the full premium cost of the Continued Coverage for such month and (ii) within 30 days of such premium payment, the Company shall reimburse the Executive in cash (less required withholding) an amount equal to the sum of (A) the excess of (x) the full premium cost of the Continued Coverage for such month over (y) any premium amount that would have been payable by the Executive if the Executive had been actively employed by the Company for such month and (B) an additional tax "gross up" payment to cover all estimated applicable local, state and federal income and payroll taxes imposed on the Executive with respect to the Continued Coverage. For the twelve (12) month (or, in the event of a CIC Termination, eighteen (18) month) period following the termination of the Executive's employment, the Company shall also continue to provide the Executive with all life insurance, disability insurance and other fringe benefits set forth in Section 4 as if the Executive's employment under the Agreement had not been terminated; provided, however, that such life insurance, disability insurance and other fringe benefits shall cease as of the date the Executive receives such coverage from a subsequent employer.

**(v) Payment/Benefit Limitation.** If any payment or benefit due under this Agreement, together with all other payments and benefits that the Executive receives or is entitled to receive from the Company or any of its subsidiaries, affiliates or related entities, would (if paid or provided) constitute an "excess parachute payment" for purposes of Section 280G of the Code, the amounts otherwise payable and benefits otherwise due under this Agreement will either (i) be delivered in full, or (ii) be limited to the minimum extent necessary to ensure that no portion thereof will fail to be tax-deductible to the Company by reason of Section 280G of the Code (and therefore, no portion thereof will be subject to the excise tax imposed under Section 4999 of the Code), whichever of the foregoing amounts, taking into account applicable federal, state and local income and employment taxes and the excise tax imposed under Section 4999 of the Code, results in the receipt by the Executive, on an after-tax basis, of the greatest amount of payments and benefits, notwithstanding that all or some portion of such payments and/or benefits may be subject to the excise tax imposed under Section 4999 of the Code. Unless otherwise specified in writing by the Executive, in the event that the payments and/or benefits are to be reduced pursuant to this Section 7(a)(v), such payments and benefits shall be reduced such that the reduction of cash compensation to be provided to the Executive as a result of this Section 7 is minimized. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. All determinations required to be made under this Section 7(a)(v) shall be made by the Company's independent public

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accounting firm (or such other nationally recognized public accounting firm as may be selected by the Company and to which selection the Executive consents (such consent not to be unreasonably withheld)) which shall provide detailed supporting calculations both to the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a payment or benefit subject to this Section 7(a)(v), or such earlier time as is requested by the Company.

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**(b) No Mitigation Required; No Other Entitlement To Benefits Under Agreement.** The Executive shall not be required in any way to mitigate the amount of any payment provided for in this Section 7, including, without limitation, by seeking other employment, nor shall the amount of any payment provided for in this Section 7 be reduced by any compensation earned by the Executive as the result of employment with another employer after the termination date of employment, or otherwise. Except as set forth in this Section 7, following a termination governed by this Section 7, the Executive shall not be entitled to any other compensation or benefits set forth in this Agreement, except as may be separately negotiated by the parties and approved the Board in writing in conjunction with the termination of Executive's employment under this Section 7.

**(c) Release Agreement.** As a condition of receiving any of the payments, vesting and benefits set forth in this Section 7 (other than the payment provided for in sub-section 7(a)(i)), the Executive shall be required to execute a mutual release agreement in the form attached hereto as Exhibit A or Exhibit B, as appropriate, and such release agreement must have become effective in accordance with its terms within 60 days following the termination date. The Company, in its sole discretion, may modify the term of the required release agreement to comply with applicable law and may incorporate the required release agreement into a termination agreement or other agreement with the Executive.

**(d) Timing of Severance Payments.** Notwithstanding any other provision of this Agreement, all severance payments provided under this 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.

**(e) Timing of Bonus Payments.** Notwithstanding any other provision of this Agreement, all bonus payments provided under this 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.

**8. Disputes Relating To Executive's Termination of Employment For Good Reason .** If the Executive resigns his employment with the Company alleging in good faith as the basis for such resignation "Good Reason" as defined in Section 6(e), and if the Company then disputes the Executive's right to the payment of benefits under Section 7, the Company shall continue to pay the Executive the full compensation (including, without limitation, his Base Salary) in effect at the date the Executive provided written notice of such resignation, and the Company shall continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was then a participant, until the earlier of the expiration of the Term or the date the dispute is finally resolved, either by mutual written agreement of the parties or by application of the provisions of Section 11. For the purposes of this Section 8, the Company shall bear the burden of proving that the grounds for the Executive's resignation do not fall within the scope of Section 6(e), and there shall be a rebuttable presumption that the Executive alleged such grounds in good faith.

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## **9. Restrictive Covenant Provisions.**

**(a) Noncompetition.** The Executive agrees that during the Term prior to any termination of his employment hereunder, he will not, directly or indirectly, without the prior written consent of a majority of the non-employee members of the Board, manage, operate, join, control, participate in, or be connected as a stockholder (other than as a holder of shares publicly traded on a stock exchange or the NASDAQ National Market System), partner, or other equity holder with, or as an officer, director or employee of, any real estate or mortgage investment organization whose business strategy is competitive with that of the Company, as determined by a majority of the non-employee members of the Board. It is further expressly agreed that the Company will or would suffer irreparable injury if the Executive were to compete with the Company or any subsidiary or affiliate of the Company in violation of this Agreement and that the Company would by reason of such competition be entitled to injunctive relief in a court of appropriate jurisdiction, and the Executive further consents and stipulates to the entry of such injunctive relief in such a court prohibiting the Executive from competing with the Company or any subsidiary or affiliate of the Company, in the areas of business set forth above, in violation of this Agreement.

**(b) Duty To Avoid Conflict Of Interest.** During his employment by the Company, Executive agrees not to engage or participate in, directly or indirectly, any activities in conflict with the best interests of the Company. The Company shall be the final decision-maker with regard to any conflict of interest issue.

**(c) Right To Company Materials.** The Executive agrees that all styles, designs, lists, materials, books, files, reports, correspondence, records, and other documents ("Company Materials") used, prepared, or made available to the Executive shall be and shall remain the property of the Company. Upon the termination of employment or the expiration of this Agreement, the Executive shall immediately return to the Company all Company Materials, and the Executive shall not make or retain any copies thereof.

**(d) Nonsolicitation.** The Executive promises and agrees that he will not directly or indirectly solicit any of the Company's employees to work for any competing real estate or mortgage investment organization as determined under Section 9(a) for a period of one (1) year following the occurrence of any event entitling the Executive to payments and benefits, provided the Company makes all such payments when due according to the provisions herein.

### **(e) Confidential And Proprietary Information.**

**(1)** It is hereby acknowledged that Executive has and shall gain knowledge of trade secrets and confidential information owned by or related to the Company and/or its affiliates including but not limited to the following: (i) the names, lists, buying habits and practices of customers, clients or vendors, (ii) marketing and related information, (iii) relationships with the persons or entities with whom or with which the Company has contracted, (iv) their products, designs, software, developments, improvements and methods of operation,

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(v) financial condition, profit performance and financial requirements, (vi) the compensation paid to employees, (vii) business plans and the information contained therein, and (viii) all other confidential information of, about or concerning the Company, the manner of operation of the Company and other confidential data of any kind, nature or description relating to the Company (collectively, the "Confidential Information"). Confidential Information does not include information which (A) is or becomes generally available to the public other than as a result of a disclosure by Executive; or (B) becomes available to Executive on a non-confidential basis after the termination or expiration of Executive's obligations under this Agreement from a source other than the Company, provided that such source is not bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Company or any other party with respect to such information; or (C) is independently developed after the termination or expiration of Executive's obligations under this agreement without reference to the Confidential Information, provided such independent development can reasonably be proven by Executive by written records.

(2) The parties hereby acknowledge that the Confidential Information constitutes important, unique, material and confidential trade secrets which affect the successful activities of the Company, and constitute a substantial part of the assets and goodwill of the Company. In view of the foregoing, Executive agrees that he will not at any time whether during or after the term of this Agreement, except as required in the course of Executive's employment by Company and at its direction and for its sole benefit, in any fashion, form or manner, directly or indirectly (i) use or divulge, disclose, communicate or provide or permit access to any person, firm, partnership, corporation or other entity, any Confidential Information of any kind, nature or description, or (ii) remove from Company's premises any notes or records relating thereto, or copies or facsimiles thereof (whether made by electronic, electrical, magnetic, optical, laser, acoustic or other means).

(3) Promptly upon the request of Company, and immediately upon the termination of Executive's employment, Executive shall not transfer to any third person and shall deliver to Company all Confidential Information, and other property belonging to the Company, including all copies thereof, in the possession or under the control of the Executive.

(4) Executive represents that the performance of all the terms of this Agreement will not conflict with, and will not breach, any other invention assignment agreement, confidentiality agreement, employment agreement or non-competition agreement to which Executive is or has been a party. To the extent that Executive has confidential information or materials of any former employer, Executive acknowledges that the Company has directed Executive to not disclose such confidential information or materials to the Company or any of its employees, and that the Company prohibits Executive from using said confidential information or materials in any work that Executive may perform for the Company. Executive agrees that Executive will not bring with Executive to the Company, and will not use or disclose any confidential, proprietary information, or trade secrets acquired by Executive prior to his employment with the Company. Executive will not disclose to the Company or any of its employees, or induce the Company or any of its employees to use, any confidential or proprietary information or material belonging to any previous employers or others, nor will

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Executive bring to the Company or use in connection with Executive's work for the Company copies of any software, computer files, or any other copyrighted or trademarked materials except those owned by or licensed to the Company. Executive represents that he is not a party to any other agreement that will interfere with his full compliance with this Agreement. Executive further agrees not to enter into any agreement, whether written or oral, in conflict with the provisions of this Agreement.

(5) Notwithstanding the generality of the foregoing, nothing in this Agreement is intended to prohibit the Executive from 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, including in relation to any whistleblower, anti-discrimination, or anti-retaliation provisions of federal, state or local law or regulation. Pursuant to 18 U.S.C. Section 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (x) 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 (y) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(f) **Inventions.** Any and all inventions, discoveries or improvements that Executive has conceived or made or may conceive or make during the period of employment relating to or in any way pertaining to or connected with the systems, products, computer programs, software, apparatus or methods employed, manufactured or constructed by the Company or to systems, products, apparatus or methods with respect to which the Company engages in, requests or anticipates research or development, shall be promptly and fully disclosed and described by Executive to the Company and shall be the sole and exclusive property of the Company, and Executive shall assign, and hereby does assign to the Company Executive's entire right, title and interest in and to all such inventions, discoveries or improvements as well as any modifications or improvements thereto that may be made.

The obligations outlined in this Section 9(f) do not apply to any invention that qualifies fully under California Labor Code Section 2870 (a copy of which is attached hereto as Exhibit C) or to any rights Executive may have acquired in connection with an invention, discovery or improvement that was developed entirely on Executive's own time for which no equipment, supplies, facilities or trade secret information of the Company was used and (a) that does not relate directly or indirectly to the business of the Company or to the Company's actual or demonstrable anticipated research or development, or (b) that does not result from any work performed by Executive for the Company.

(g) **Maryland Law.** The Executive agrees, in accordance with Maryland law, to first offer to the Company corporate opportunities learned of solely as a result of his service as an officer of the Company.

(h) **Breach.** It is expressly agreed that each breach of this Section 9 is a distinct and material breach of this Agreement and that solely a monetary remedy would be inadequate,

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impracticable and extremely difficult to prove, and that each such breach would cause the Company irreparable harm. It is further agreed that, in addition to any and all remedies available at law or equity (including money damages), either party shall be entitled to temporary and permanent injunctive relief to enforce the provisions of this Section, without the necessity of proving actual damages. It is further agreed that either party shall be entitled to seek such equitable relief in any forum, including a court of law, notwithstanding the provisions of Section 11. Either party may pursue any of the remedies described herein concurrently or consecutively in any order as to any such breach or violation, and the pursuit of one of such remedies at any time will not be deemed an election of remedies or waiver of the right to pursue any of the other such remedies. Any breach of this Section 9 shall immediately terminate any obligations by the Company to provide Executive with severance and continued benefits pursuant to Section 6 or 7 of this Agreement.

**(i) Unenforceability.** Should any portion of this Section 9 be deemed unenforceable because of its scope, duration or effect, and only in such event, then the parties expressly consent and agree to such limitation on scope, duration or effect as may be finally adjudicated as enforceable, to give this Section 9 its maximum permissible scope, duration and effect.

**10. Notices.** All notices and other communications under this Agreement shall be in writing and shall be given by fax or first class mail, certified or registered with return receipt requested, and shall be deemed to have been duly given three (3) days after mailing or twenty-four (24) hours after transmission of a fax to the respective persons named below:

If to the Company:

Redwood Trust, Inc.  
Attn: Chief Executive Officer  
One Belvedere Place, Suite 300  
Mill Valley, CA 94941  
Phone: (415) 389-7373  
Fax: (415) 381-1773

If to the Executive:

Dashiell I. Robinson  
c/o Redwood Trust, Inc.  
One Belvedere Place, Suite 300  
Mill Valley, CA 94941  
Phone: (415) 389-7373  
Fax: (415) 381-1773

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Either party may change such party's address for notices by notice duly given pursuant hereto.

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**11. Resolution of Disputes.** To ensure the rapid and economical resolution of disputes that may arise in connection with the Executive's employment with the Company, the Executive and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to the enforcement, breach, performance, or interpretation of this Agreement, the Executive's employment, or the termination of the Executive's employment ("Arbitrable Claims") shall be submitted to confidential mediation in San Francisco, California conducted by a mutually agreeable mediator from Judicial Arbitration and Mediation Services ("JAMS") or its successor under the JAMS Rules of Practice and Procedure then in effect, which can be found at [www.jamsadr.com/adr-rules-procedures](http://www.jamsadr.com/adr-rules-procedures). The cost of JAMS' mediation fees shall be paid by the Company. In the event that mediation is unsuccessful in resolving the Arbitrable Claims, the Arbitrable Claims shall be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration in San Francisco, California conducted by JAMS or its successor, under the then applicable rules of JAMS.

**The Executive acknowledges that by agreeing to this arbitration procedure, both the Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.**

The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that the Executive or the Company would be entitled to seek in a court of law, including, without limitation, the award of attorneys' fees based on a determination of the extent to which each party has prevailed as to the material issues raised in determination of the dispute. The Company shall pay all JAMS' arbitration fees in excess of those which would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either the Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such mediation or arbitration.

**12. [Reserved]**

**13. Assignment; Successors.** This Agreement is personal in its nature, and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that, in the event of the merger, consolidation, transfer, or sale of all or substantially all of the assets of the Company with or to any other individual or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder.

**14. Governing Law.** This Agreement and the legal relations thus created between the parties hereto shall be governed by and construed under and in accordance with the laws of the State of California.

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**15. Entire Agreement; Headings.** This Agreement embodies the entire agreement of the parties with respect to the subject matter hereof and supersedes in their entirety all other or prior agreements, whether oral or written, with respect thereto, including but not limited to the Prior Agreement, but excluding the plans, programs and equity award agreements under which compensation and benefits are provided pursuant to Sections 3 and 4 hereof to the extent such plans and programs and equity award agreements are not inconsistent with this Agreement. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

**16. Waiver; Modification.** Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. This Agreement shall not be modified in any respect except by a writing executed by each party hereto.

**17. Severability.** In the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any statute or public policy, only the portions of this Agreement that violate such statute or public policy shall be stricken. All portions of this Agreement that do not violate any statute or public policy shall continue in full force and effect. Further, any court order striking any portion of this Agreement shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties under this Agreement.

**18. Indemnification.** The Company shall indemnify and hold Executive harmless to the maximum extent permitted by Section 2-418 of the Maryland General Corporations Law or its successor statute, or if greater, by the Company's Bylaws, by any applicable resolution of the Board or by the terms providing the most extensive indemnification contained in any written agreement between the Company and any director or officer of the Company. The Company shall make Executive a named beneficiary under all director and officer liability policies maintained by the Company from time to time for the benefit of its directors and officers, entitled to all benefits provided thereunder to persons serving in a comparable role as an officer of the Company. During the Term and for a term of six years thereafter, the Company shall purchase and maintain, at its own expense, directors and officers liability insurance providing coverage for Executive in respect of acts and omissions of the Executive in his capacity as such and occurring during Executive's employment.

**19. Section 409A.** Any payments under this Agreement subject to Section 409A of the Code that are subject to execution of a waiver and release which may be executed and/or revoked in a calendar year following the calendar year in which the payment event (such as a termination of employment) occurs shall commence payment only in the calendar year in which the consideration period or, if applicable, release revocation period ends, as necessary to comply with Section 409A of the Code. Notwithstanding anything to the contrary in this Agreement, no compensation or benefits shall be paid to the Executive during the six (6)-month period following the Executive's "separation from service" from the Company (within the meaning of

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Section 409A of the Code, a “Separation from Service”) if the Company determines that paying such amounts at the time or times indicated in this 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 day of the seventh month following the date of Separation from Service (or such earlier date upon which such amount can be paid under Section 409A without resulting in a prohibited distribution, including as a result of the Executive’s death), the Company shall pay the Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Executive during such period. Any right to a series of installment payments pursuant to this Agreement is to be treated as a right to a series of separate payments. To the extent permitted under Section 409A of the Code, any separate payment or benefit under this Agreement or otherwise shall not be deemed “nonqualified deferred compensation” subject to Section 409A of the Code to the extent provided in the exceptions in Treasury Regulation Section 1.409A-1(b)(4), Section 1.409A-1(b)(9) or any other applicable exception or provision of Section 409A. All payments of nonqualified deferred compensation subject to Section 409A to be made upon a termination of employment under this Agreement may only be made upon the Executive’s “separation from service” from the Company.

**20. Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

**21. Successor Sections.** References herein to sections or rules of the Code shall be deemed to include any successor sections or rules.

*[Signature Page Follows]*

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**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunto signed this Agreement, as of the Effective Date.

**REDWOOD TRUST, INC.**

By: /s/ Christopher J. Abate  
Christopher J. Abate  
Chief Executive Officer

**EXECUTIVE**

/s/ Dashiell I. Robinson  
Dashiell I. Robinson

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**EXHIBIT A**

**RELEASE AGREEMENT**

Except as otherwise set forth in this Release Agreement or in Sections 7 and 18 of the Employment Agreement between Dashiell I. Robinson and Redwood Trust, Inc., Dashiell I. Robinson ("Executive") hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date Executive signs this Release Agreement. The Company, its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns, hereby releases Executive and his heirs, executors, successors and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date the Company signs this Release Agreement. This general mutual release includes, but is not limited to: (A) all claims arising out of or in any way related to Executive's employment with the Company or the termination of that employment; (B) all claims related to Executive's compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (C) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (D) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; (E) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended); and (F) all claims and rights with respect to Executive's right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator; provided, however, that nothing in this paragraph shall be construed in any way to release (i) the Company from (x) its obligation to indemnify Executive pursuant to agreement, the Company's bylaws or binding resolutions, or applicable law or (y) the Company's payment obligations under Section (7) of the Employment Agreement, (ii) coverage under any applicable D&O policies, (iii) claims to vested benefits that Executive is entitled to receive under any other plan or agreement covering Executive) or (iv) Executive's vested equity awards.

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Executive acknowledges that he is knowingly and voluntarily waiving and releasing any rights he may have under the ADEA, and that the consideration given under his Employment Agreement with the Company for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which he was already entitled. Executive further acknowledges that he has been advised by this writing, as required by the ADEA, that: (A) this waiver and release does not apply to any rights or claims that may arise after the date Executive signs this Release Agreement; (B) Executive should consult with an attorney prior to signing this Release Agreement (although Executive may choose voluntarily not to do so); (C) Executive has twenty-one (21) days to consider this Release Agreement (although Executive may choose voluntarily to sign this Release Agreement earlier); (D) Executive has seven (7) days following the date that he signs this Release Agreement to revoke the Release Agreement by providing written notice to an officer of the Company; and (E) this Release Agreement shall not be effective until the date upon which the revocation period has expired, which shall be the eighth day after Executive signs this Release Agreement. Both Executive and the Company acknowledge that each has read and understands Section 1542 of the California Civil Code which reads as follows:

**A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.**

Both Executive and the Company hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to each party's release of any claims hereunder.

Notwithstanding anything herein, the Executive acknowledges and agrees that, pursuant to 18 USC Section 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) 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 (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

Mutual Nondisparagement.

(a) Nondisparagement by Executive. At all times following the cessation of the Executive's employment with the Company, the Executive 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.

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(b) Nondisparagement by Designated Company Representatives. At all times following the cessation of the Executive's employment with the Company, the Company agrees not to publish, and agrees to cause the Designated Company Representatives not to make, negative comments or statements about, or otherwise criticize or disparage, in any format or through any medium, the Executive. 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 business reputation or personal reputation. For purposes of this sub-section (b), the "Designated Company Representatives" are (i) all executive officers of the Company while serving in such capacity and (ii) all members of the Board of Directors while serving in such capacity.

(c) The foregoing sub-sections (a) and (b) shall not be violated by truthful comments or statements (i) made in response to legal process, in required governmental testimony or filings, in judicial, administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings), in compliance with law, administrative rule, or regulation, or made pursuant to a court or administrative order, or in connection with reporting possible violations of federal law or regulation to any governmental agency or entity, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, (ii) made by members of the Board of Directors in the course of meetings or discussions of the Board of Directors (or any committee thereof) or in communications between members of the Board of Directors and the Executive, and not disclosed to the public, (iii) made by a member of the Board of Directors in the good faith belief that the statements are required for the proper discharge of his or her fiduciary duties, or (iv) made by the Board of Directors in connection with a termination of the Executive for Cause.

*[Signature Page Follows]*

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**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunto signed this Agreement, as of the date set forth below.

**EXECUTIVE**

Name: \_\_\_\_\_  
Dashiell I. Robinson

Date: \_\_\_\_\_

**COMPANY**

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

Date: \_\_\_\_\_

\_\_\_\_\_

**EXHIBIT B**

**RELEASE AGREEMENT**

Except as otherwise set forth in this Release Agreement or in Sections 7 and 18 of the Employment Agreement between Dashiell I. Robinson and Redwood Trust, Inc., Dashiell I. Robinson ("Executive") hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date Executive signs this Release Agreement. The Company, its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns, hereby releases Executive and his heirs, executors, successors and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date the Company signs this Release Agreement. This general mutual release includes, but is not limited to: (A) all claims arising out of or in any way related to Executive's employment with the Company or the termination of that employment; (B) all claims related to Executive's compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (C) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (D) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; (E) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended); and (F) all claims and rights with respect to Executive's right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator; provided, however, that nothing in this paragraph shall be construed in any way to release (i) the Company from (x) its obligation to indemnify Executive pursuant to agreement, the Company's bylaws or binding resolutions, or applicable law or (y) the Company's payment obligations under Section (7) of the Employment Agreement, (ii) coverage under any applicable D&O policies, (iii) claims to vested benefits that Executive is entitled to receive under any other plan or agreement covering Executive) or (iv) Executive's vested equity awards.

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Executive acknowledges that he is knowingly and voluntarily waiving and releasing any rights he may have under the ADEA, and that the consideration given under his Employment Agreement with the Company for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which he was already entitled. Executive further acknowledges that he has been advised by this writing, as required by the ADEA, that: (A) this waiver and release does not apply to any rights or claims that may arise after the date Executive signs this Release Agreement; (B) Executive should consult with an attorney prior to signing this Release Agreement (although Executive may choose voluntarily not to do so); (C) Executive has forty-five (45) days to consider this Release Agreement (although he may choose voluntarily to sign this Release Agreement earlier); (D) Executive has seven (7) days following the date that he signs this Release Agreement to revoke the Release Agreement by providing written notice to an officer of the Company; (E) this Release Agreement shall not be effective until the date upon which the revocation period has expired, which shall be the eighth day after Executive signs this Release Agreement; and (F) Executive has received with this Release Agreement a detailed list of the job titles and ages of all employees who were terminated in this group termination and the ages of all employees of the Company in the same job classification or organizational unit who were not terminated.

Both the Executive and the Company acknowledge that each has read and understands Section 1542 of the California Civil Code which reads as follows:

**A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.**

Both the Executive and the Company hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to each party's release of any claims hereunder.

Notwithstanding anything herein, the Executive acknowledges and agrees that, pursuant to 18 USC Section 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) 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 (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

Mutual Nondisparagement.

(a) Nondisparagement by Executive. At all times following the cessation of the Executive's employment with the Company, the Executive 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,

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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.

(b) Nondisparagement by Designated Company Representatives. At all times following the cessation of the Executive's employment with the Company, the Company agrees not to publish, and agrees to cause the Designated Company Representatives not to make, negative comments or statements about, or otherwise criticize or disparage, in any format or through any medium, the Executive. 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 business reputation or personal reputation. For purposes of this sub-section (b), the "Designated Company Representatives" are (i) all executive officers of the Company while serving in such capacity and (ii) all members of the Board of Directors while serving in such capacity.

(c) The foregoing sub-sections (a) and (b) shall not be violated by truthful comments or statements (i) made in response to legal process, in required governmental testimony or filings, in judicial, administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings), in compliance with law, administrative rule, or regulation, or made pursuant to a court or administrative order, or in connection with reporting possible violations of federal law or regulation to any governmental agency or entity, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, (ii) made by members of the Board of Directors in the course of meetings or discussions of the Board of Directors (or any committee thereof) or in communications between members of the Board of Directors and the Executive, and not disclosed to the public, (iii) made by a member of the Board of Directors in the good faith belief that the statements are required for the proper discharge of his or her fiduciary duties, or (iv) made by the Board of Directors in connection with a termination of the Executive for Cause.

*[Signature Page Follows]*

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**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunto signed this Agreement, as of the date set forth below.

**EXECUTIVE**

Name: \_\_\_\_\_  
Dashiell I. Robinson

Date: \_\_\_\_\_

**COMPANY**

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

Date: \_\_\_\_\_

\_\_\_\_\_

**EXHIBIT C**  
**Section 2870 of California Labor Code**

Section 2870 of California Labor Code: Application of provision providing that employee shall assign or offer to assign rights in invention to employer.

a. Any provision and employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information except for those inventions that either:

1. Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
2. Result from any work performed by the employee for the employer.

b. To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

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## EXHIBIT D

### DEFINITION OF “CHANGE OF CONTROL”

*With respect to (i) equity-based or equity-related awards granted prior to November 6, 2020 and (ii) long-term incentive and/or retention compensation awards that are payable in cash granted prior to November 6, 2020, the following definition of Change of Control shall apply:*

“Change of Control” refers to the occurrence of any of the following:

(1) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires ownership of stock of the Company that, together with other stock held by such person or group constitutes more than 50 percent of the total fair market value or total voting power of all stock of the Company; or

(2) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30 percent or more of the total voting power of the stock of the Company; or

(3) during any 12-month period, a majority of the members of the Company’s board of directors is replaced by directors whose appointment or election is not endorsed by a majority of the members of the Company’s board of directors prior to such appointment or election; or

(4) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisition; provided, that that no change of control shall be deemed to occur when the assets are transferred to:

(x) a shareholder of the Company in exchange for or with respect to its stock,

(y) a person, or more than one person acting as a group (within the meaning of Section 409A of the Code), that owns, directly or indirectly, 50 percent or more of the total value or voting power of all of the outstanding stock of the Company, or

(z) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person that owns directly or indirectly 50 percent or more of the total value or voting power of all of the outstanding stock

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of the Company, in each case with such persons status determined immediately after the transfer of assets.”

*With respect to (i) equity-based or equity-related awards granted on or following November 6, 2020 and (ii) long-term incentive and/or retention compensation awards that are payable in cash granted on or following November 6, 2020, the following definition of Change of Control shall apply:*

“Change of Control” refers to the occurrence of any of the following:

(a) A transaction or series of transactions (other than an offering of common stock to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of transactions that meets the requirements of clauses (i) and (ii) of subsection (c) below) whereby any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a “person” that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 30% of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; or

(b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new Director(s) (other than a Director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in subsections (a) or (c) of this definition) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company’s assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) which results in the Company’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company’s assets or otherwise succeeds to the business of the Company (the Company or such person, the “Successor Entity”)) directly or indirectly, at least a majority of

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the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

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(ii) after which no person or group beneficially owns voting securities representing 30% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (ii) as beneficially owning 30% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction.”

## SIXTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Sixth Amended and Restated Employment Agreement (“Agreement”), effective as of June 10, 2021 (the “Effective Date”), is entered into by and between **Andrew P. Stone** (the “Executive”) and **Redwood Trust, Inc.**, a Maryland corporation (the “Company”), and amends and restates in its entirety that certain Fifth Amended and Restated Employment Agreement by and between the Executive and the Company dated November 6, 2020 (the “Prior Agreement”).

The Company desires to establish its right to the continued services of the Executive, in the capacity, on the terms and conditions, and subject to the rights of termination hereinafter set forth, and the Executive is willing to accept such continued employment in such capacity, on such terms and conditions, and subject to such rights of termination.

In consideration of the mutual agreements hereinafter set forth, the Executive and the Company have agreed and do hereby agree as follows:

**1. Employment and Responsibilities.** During the Term, the Executive shall serve as Executive Vice President and Chief Legal Officer of the Company, reporting to the Chief Executive Officer of the Company, with responsibilities, duties and authority customary for such position. The Executive does hereby accept and agree to such continued employment. The Chief Executive Officer may, from time to time, in his sole discretion, modify, reassign and/or augment the Executive’s responsibilities, subject to prior approval by the Board of Directors of the Company (the “Board”), and any such modification, reassignment and/or augmentation shall be deemed a waiver by the Executive of his rights under Section 6(e)(i) hereof only with his express prior written consent. Any such modification, reassignment or augmentation of responsibilities shall be in writing. The Executive shall devote such time, energy and skill to the performance of his duties for the Company and for the benefit of the Company as may be necessary or required for the effective conduct and operation of the Company’s business. Furthermore, the Executive shall act only in good faith and exercise due diligence and care in the performance of his duties to the Company under this Agreement.

**2. Term of Agreement.** The term of this Agreement (the “Term”) shall commence on the Effective Date and shall continue through December 31, 2021; provided, however, that (i) on January 1, 2022 and each succeeding January 1, the Term shall automatically be extended for one additional year unless, not later than three months prior to any such January 1, either party shall have given written notice to the other that it does not wish to extend the Term and (ii) such one year extensions of the Term shall not occur on and after the January 1 of the year in which the Executive will attain age sixty-five (65) but instead the Term shall be extended only until the date of the Executive’s sixty-fifth (65th) birthday.

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### 3. Compensation.

**(a) Base Salary.** The Company shall pay the Executive, and the Executive agrees to accept from the Company, in payment for his services to the Company a base salary (the “Base Salary”) at the rate of not less than \$420,000 per year, paid in accordance with the customary payroll practices of the Company subject to annual review and increase by the Board in its sole discretion (or by the Board’s separately designated Compensation Committee in its sole discretion). For the avoidance of doubt, references to the Board in this Section 3 shall include the Board’s separately designated Compensation Committee.

**(b) Performance Bonus.** The Executive shall be eligible to receive an annual bonus. The Board in its discretion will determine whether such annual bonus will be paid, the amount of such bonus and its form of payment. The Executive’s target annual bonus amount is 125% of his Base Salary (the “Target Bonus”). If the Board determines in its discretion that the Executive’s performance meets or exceeds the criteria established by the Board for the award of a Target Bonus, the Board may award the Executive the Target Bonus or a higher amount. Likewise, if the Executive’s performance does not meet said criteria, the Board may award a lesser amount, or no bonus may be awarded. Unless otherwise provided in this Agreement, the Executive’s eligibility to receive any bonus under this paragraph shall be expressly conditioned on, among other things, the Executive remaining employed with the Company up through any designated distribution date set by the Board.

Notwithstanding the foregoing paragraph, in the event of a “Change of Control” (as defined in Exhibit D attached hereto), immediately prior to such Change of Control the Company shall be obligated to pay the Executive: (A) when such Change of Control occurs during a calendar year in respect of which no annual bonus has yet been paid, a pro-rated annual bonus for such calendar year, based on the number of days in such calendar year prior to the Change of Control; and (B) when such Change of Control occurs after the conclusion of a calendar year in respect of which no annual bonus has yet been paid (i.e., such Change of Control occurs after December 31st, but before the designated payment date for the annual bonus in respect of such completed calendar year), an annual bonus for such completed calendar year. In the case of both of the preceding clauses (A) and (B), such amounts shall each be separately subject to any cap on Executive’s annual bonus previously established by the Board (or any committee thereof) and shall each be determined in accordance with the criteria most recently designated by the Board (or any committee thereof) for the determination of such amounts, as follows: (I) any portion of the annual bonus amounts that had been previously designated by the Board (or any committee thereof) to be determined relative to the achievement of criteria measuring the financial performance of the Company with respect to a calendar year, shall be paid in amounts based on the attainment of such criteria (on an annualized basis, if in respect of less than a full calendar year), through the date immediately prior to such Change of Control (or, as applicable, through the end of any such completed calendar year) and in accordance with the methodology previously approved by the Board (or any committee thereof) for payment of such amounts of annual bonus (i.e., an amount at, higher, or lower than the target amounts for such portions of annual bonus); and (II) any portion of the annual bonus amounts that had been

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previously designated by the Board (or any committee thereof) to be determined relative to the achievement of criteria measuring the individual performance of the Executive, shall be paid in amounts equal to the target amount of such portion of the Executive's annual bonus.

**(c) Equity Incentive Awards.** Executive shall be eligible to receive grants of equity-based long-term incentive awards, which may include options to purchase Company stock, performance or restricted stock units and Company restricted stock contributions to Company's deferred compensation plan, or other equity-based awards. Such awards shall be determined in the discretion of the Board and the Executive shall be eligible for consideration for such awards in the same manner as other senior executive officers of the Company. In the event of a Change of Control in which the surviving or acquiring corporation does not assume the Executive's outstanding equity-related awards (including options and equity-based awards granted both before and after the Effective Date) or substitute similar equity-related awards of substantially equivalent value, such equity-related awards shall immediately vest and become exercisable if the Executive's service with the Company has not terminated before the effective date of the Change of Control; provided, however, that the foregoing provision shall only apply if the Company is not the surviving corporation or if shares of the Company's common stock are converted into or exchanged for other securities or cash.

**(d) Annual Review.** The Executive's performance shall be reviewed at least annually. The performance evaluations shall consider and assess the Executive's performance of his duties and responsibilities, the timely accomplishment of existing performance objectives, his level of efficiency and overall effectiveness and/or other factors or criteria that the Company, in its sole discretion, may deem relevant. The frequency of performance evaluations may vary depending upon, among other things, length of service, past performance, changes in job duties or performance levels. The Board shall, at least annually, review the Executive's entire compensation package to determine whether it continues to meet the Company's compensation objectives. Such annual review will include a determination of (i) whether to increase the Base Salary in accordance with Section 3(a); (ii) the incentive performance bonus to be awarded in accordance with Section 3(b); and (iii) the amount and type of any equity awards granted in accordance with Section 3(c). Positive performance evaluations do not guarantee salary increases or incentive bonuses. Salary increases and incentive bonus awards are solely within the discretion of the Board and may depend upon many factors other than the Executive's performance.

**4. Fringe Benefits.** The Executive shall be entitled to participate in any benefit programs adopted from time to time by the Company for the benefit of its senior executive officers, and the Executive shall be entitled to receive such other fringe benefits as may be granted to him from time to time by the Board.

**(a) Benefit Plans.** The Executive shall be entitled to participate in any benefit plans relating to equity-based compensation awards, pension, thrift, profit sharing, life insurance, medical coverage, education, deferred compensation, or other retirement or employee benefits available to senior executive officers of the Company, subject to any restrictions (including waiting periods) specified in such plans and/or related individual agreements. The Company shall make commercially reasonable efforts to obtain medical and disability insurance, and such

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other forms of insurance as the Board shall from time to time determine, for its senior executive officers.

**(b) Paid Time Off.** The Executive shall be entitled to paid time off ("PTO") each calendar year pursuant to the Company's policies applicable to senior executive officers of the Company, as in effect from time to time and consistent with the Executive's satisfactory performance of the duties set forth in Section 1.

**5. Business Expenses.** The Company shall reimburse the Executive for any and all necessary, customary and usual expenses, properly receipted in accordance with Company policies, incurred by Executive on behalf of the Company.

**6. Termination of Executive's Employment.**

**(a) Death.** If the Executive dies while employed by the Company, his employment shall immediately terminate. The Company's obligation to pay the Executive's Base Salary shall cease as of the date of the Executive's death, and any unpaid Base Salary shall be paid to the Executive's estate. In addition, within fifteen (15) days of the Executive's death, the Company shall pay to the Executive's estate an incentive performance bonus based on Executive's Target Bonus then in effect, prorated for the number of days of employment completed by the Executive during the year of his death. Executive's beneficiaries or his estate shall receive benefits in accordance with the Company's retirement, insurance and other applicable programs and plans then in effect. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). All stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable based on the number of target shares and the performance goals set forth in the applicable award agreement by which such awards are evidenced, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). In addition, in the event the Company grants to the Executive a cash-settled equity award or a long-term incentive compensation award payable in cash, this Section 6(a) shall apply, mutatis mutandis, to any such award(s).

**(b) Disability.** If, as a result of the Executive's incapacity due to physical or mental illness ("Disability"), Executive shall have been absent from the full-time performance of his duties with the Company for six (6) consecutive months, and, within thirty (30) days after written notice is provided to him by the Company, he shall not have returned to the full-time performance of his duties, the Executive's employment under this Agreement may be terminated by the Company for Disability. During any period prior to such termination during which the Executive is absent from the full-time performance of his duties with the Company due to Disability, the Company shall continue to pay the Executive his Base Salary at the rate in effect at the commencement of such period of Disability and any earned but unpaid annual bonus from

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a prior service year. Subsequent to such termination, the Executive's benefits shall be determined under the Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs. In addition, within fifteen (15) days of such termination, the Company shall pay to the Executive an incentive performance bonus based on Executive's Target Bonus then in effect, prorated for the number of days of employment completed by the Executive during the year in which his employment terminated. The Executive, the Executive's beneficiaries or his estate shall receive benefits in accordance with the Company's retirement, insurance and other applicable programs and plans then in effect. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). All stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable based on the number of target shares and the performance goals set forth in the applicable award agreement by which such awards are evidenced, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). In addition, in the event the Company grants to the Executive a cash-settled equity award or a long-term incentive compensation award payable in cash, this Section 6(b) shall apply, mutatis mutandis, to any such award(s).

**(c) Termination By The Company For Cause.** The Company may terminate the Executive's employment under this Agreement for Cause, at any time prior to expiration of the Term of the Agreement; provided, however, that prior to any termination of employment for Cause pursuant to subsection (i), (ii), or (iii) below, the Company must first provide written notice describing the reason for such termination of employment (and, with respect to subsections (ii) and (iii) below, such notice may be provided on the same date as the termination date). For purposes of this Agreement, "Cause" shall mean (i) the Executive's material failure to substantially perform the reasonable and lawful duties of his position for the Company, which failure shall continue for thirty (30) days after written notice thereof by the Company to the Executive; (ii) acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of the Executive in respect of the performance of his duties hereunder, his fiduciary obligations or otherwise relating to the business of the Company; (iii) the habitual or repeated neglect of his duties by Executive; (iv) the Executive's conviction of a felony; (v) 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 Executive injurious to the interest, property, operations, business or reputation of the Company; or (vii) unauthorized use or disclosure of trade secrets or confidential or proprietary information pertaining to Company business.

In the event of a termination under this Section 6(c), the Company will pay only the portion of Base Salary or previously awarded bonus unpaid as of the termination date. Fringe

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benefits which have accrued and/or vested on the termination date will continue in effect according to their terms.

**(d) Termination By The Company Without Cause.** The Company may terminate Executive's employment hereunder at any time without Cause upon 30 days written notice to Executive or pay in lieu thereof. In the event of a termination under this Section 6(d), the Executive shall be entitled to the benefits set forth in Section 7.

**(e) Termination By The Executive For Good Reason.** The Executive shall have the right to terminate the Officer's employment under this Agreement for Good Reason, at any time prior to expiration of the Term of the Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence, without the Executive's express written consent, of any one or more of the following events:

(i) A material reduction in Executive's responsibilities, title, duties or authority, including, without limitation, (A) Executive ceasing to serve as the chief legal officer of a publicly traded company or (B) on or after a Change of Control, if as a result of such Change of Control, the Company becomes a subsidiary of another entity and Executive is not appointed (or after appointment, ceases) to be the chief legal officer of the top-tier parent entity of the Company (or its successor); provided that, for the avoidance of doubt, the appointment of Executive to a top-tier parent entity that is not publicly traded does not eliminate Executive's rights under sub-clause (A) above;

(ii) A material reduction in the Executive's Base Salary or a material reduction by the Company in the value of the Executive's total compensation package (salary, 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 senior executives of the Company;

(iii) The relocation of the Executive's principal Company office to a location more than twenty-five (25) miles from its location as of the Effective Date (which location is the Company's headquarters in Mill Valley, California), except for required travel on the Company's business to the extent necessary to fulfill the Executive's obligations under Section 1;

(iv) A failure by the Company at any time to renew this Agreement for successive one-year periods pursuant to Section 2;

(v) The complete liquidation of the Company; or

(vi) In the event of a merger, consolidation, transfer, or closing of a sale of all or substantially all the assets of the Company with or to any other individual or entity, the failure of the Company's successor to affirmatively adopt this Agreement or to otherwise comply with its obligations pursuant to Section 13 below.

Notwithstanding the foregoing, the Executive will not be deemed to have resigned for Good Reason for purposes of subclause (i) unless (1) the Executive provides the Company with

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written notice setting forth in reasonable detail the facts and circumstances claimed by the Executive to constitute Good Reason within ninety (90) days after the date of the occurrence of any event that the Executive 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 Executive's termination for Good Reason occurs no later than thirty (30) days after the expiration of the Company's cure period. In the event of a termination under this Section 6(e), the Executive shall be entitled to the benefits set forth in Section 7.

**(f) Termination By The Executive Without Good Reason.** The Executive may at any time during the Term terminate his employment hereunder for any reason or no reason by giving the Company notice in writing not less than sixty (60) days in advance of such termination. The Executive shall have no further obligations to the Company after the effective date of termination, as set forth in the notice. In the event of a termination by the Executive under this Section 6(f), the Company will pay only the portion of Base Salary or previously awarded bonus unpaid as of the termination date. Fringe benefits which have accrued and/or vested on the termination date will continue in effect according to their terms.

#### **7. Compensation Upon Termination By the Company without Cause or By The Executive for Good Reason.**

**(a)** If the Executive's employment shall be terminated by the Company without Cause or by the Executive for Good Reason, the Executive shall be entitled to the following benefits:

**(i) Payment of Unpaid Base Salary.** The Company shall immediately pay the Executive any portion of the Executive's Base Salary through the date of termination or previously awarded bonus not paid prior to the termination date.

**(ii) Severance Payment.**

(A) In the event such termination is not a CIC Termination (as defined below), then the Company shall provide the Executive the greater of the amounts set forth in clauses (1) and (2) immediately below:

(1) An amount equal to the sum of (x) an amount equal to three-quarters (0.75) times the sum of (i) Executive's Annual Base Salary as in effect immediately prior to his termination and (ii) Executive's Target Bonus in effect immediately prior to his termination and (y) an amount equal to the Executive's Target Bonus in effect immediately prior to his termination pro-rated for the number of days of employment completed by the Executive during the year in which his employment is terminated.

(2) An amount equal to the sum of (x) an amount equal to two (2) times the Executive's Annual Base Salary as in effect immediately prior to his termination and (y) an amount equal to the Executive's Annual Base Salary in effect immediately prior to his termination pro-rated for the number of days of employment completed by the Executive during the year in which his employment is terminated.

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(B) In the event such termination of employment occurs within three months prior to, on, or within 24 months following a Change of Control (a “CIC Termination”), then instead of providing the payments in Section 7(a)(ii)(A), the Company shall provide the Executive an amount equal to the sum of (x) the Executive’s Target Bonus in effect immediately prior to his termination, prorated for the number of days of employment completed by the Executive during the year in which his employment terminated; (y) one (1) times the Executive’s Annual Base Salary as in effect immediately prior to his termination; and (z) one (1) times the Executive’s Target Bonus in effect immediately prior to his termination. Notwithstanding the foregoing, the maximum aggregate amount that the Company shall pay to the Executive pursuant to this Section 7(a)(ii)(B) is \$1,750,000.

**(iii) Equity Awards.** All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). If the Executive’s employment shall be terminated by the Company without Cause, all stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable or exercisable based on (x) the performance goals set forth in the applicable award agreement by which such awards are evidenced and (y) a reduced number of target shares adjusted on a pro-rata basis to reflect the number of days of employment completed during the applicable vesting period in which termination occurs, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). If the Executive’s employment shall be terminated by the Executive for Good Reason, all stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable based on the number of target shares and the performance goals set forth in the applicable award agreement by which such awards are evidenced, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). In addition, in the event the Company grants to the Executive a cash-settled equity award or a long-term incentive compensation award payable in cash, this Section 7(a)(iii) shall apply, mutatis mutandis, to any such award(s).

**(iv) Continuation of Fringe Benefits.** For a period of up to nine (9) months (or, in the event of a CIC Termination, twelve (12) months) following the date of Executive’s termination of employment with Company, subject to the Executive’s valid election to continue healthcare coverage under Section 4980B of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations thereunder, the Company shall continue to provide the Executive and the Executive’s eligible dependents with coverage under its group health plans at the same levels and the same cost to the Executive as would have applied if the Executive’s employment had not been terminated based on the Employee’s elections in effect on the date of

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termination (the “Continued Coverage”), provided that (1) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (2) the Company is otherwise unable to continue to cover the Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act or the Patient Protection and Affordable Care Act), the Company may in its sole discretion provide that (i) the Executive shall pay to the Company, on an after-tax basis, a monthly amount equal to the full premium cost of the Continued Coverage for such month and (ii) within 30 days of such premium payment, the Company shall reimburse the Executive in cash (less required withholding) an amount equal to the sum of (A) the excess of (x) the full premium cost of the Continued Coverage for such month over (y) any premium amount that would have been payable by the Executive if the Executive had been actively employed by the Company for such month and (B) an additional tax “gross up” payment to cover all estimated applicable local, state and federal income and payroll taxes imposed on the Executive with respect to the Continued Coverage. For the nine (9) month (or, in the event of a CIC Termination, twelve (12) month) period following the termination of the Executive’s employment, the Company shall also continue to provide the Executive with all life insurance, disability insurance and other fringe benefits set forth in Section 4 as if the Executive’s employment under the Agreement had not been terminated; provided, however, that such life insurance, disability insurance and other fringe benefits shall cease as of the date the Executive receives such coverage from a subsequent employer.

**(v) Payment/Benefit Limitation.** If any payment or benefit due under this Agreement, together with all other payments and benefits that the Executive receives or is entitled to receive from the Company or any of its subsidiaries, affiliates or related entities, would (if paid or provided) constitute an “excess parachute payment” for purposes of Section 280G of the Code, the amounts otherwise payable and benefits otherwise due under this Agreement will either (i) be delivered in full, or (ii) be limited to the minimum extent necessary to ensure that no portion thereof will fail to be tax-deductible to the Company by reason of Section 280G of the Code (and therefore, no portion thereof will be subject to the excise tax imposed under Section 4999 of the Code), whichever of the foregoing amounts, taking into account applicable federal, state and local income and employment taxes and the excise tax imposed under Section 4999 of the Code, results in the receipt by the Executive, on an after-tax basis, of the greatest amount of payments and benefits, notwithstanding that all or some portion of such payments and/or benefits may be subject to the excise tax imposed under Section 4999 of the Code. Unless otherwise specified in writing by the Executive, in the event that the payments and/or benefits are to be reduced pursuant to this Section 7(a)(v), such payments and benefits shall be reduced such that the reduction of cash compensation to be provided to the Executive as a result of this Section 7 is minimized. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. All determinations required to be made under this Section 7(a)(v) shall be made by the Company's independent public accounting firm (or such other nationally recognized public accounting firm as may be selected by the Company and to which selection the Executive consents (such consent not to be

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unreasonably withheld)) which shall provide detailed supporting calculations both to the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a payment or benefit subject to this Section 7(a)(v), or such earlier time as is requested by the Company.

**(b) No Mitigation Required; No Other Entitlement To Benefits Under Agreement.** The Executive shall not be required in any way to mitigate the amount of any payment provided for in this Section 7, including, without limitation, by seeking other employment, nor shall the amount of any payment provided for in this Section 7 be reduced by any compensation earned by the Executive as the result of employment with another employer after the termination date of employment, or otherwise. Except as set forth in this Section 7, following a termination governed by this Section 7, the Executive shall not be entitled to any other compensation or benefits set forth in this Agreement, except as may be separately negotiated by the parties and approved the Board in writing in conjunction with the termination of Executive's employment under this Section 7.

**(c) Release Agreement.** As a condition of receiving any of the payments, vesting and benefits set forth in this Section 7 (other than the payment provided for in sub-section 7(a)(i)), the Executive shall be required to execute a mutual release agreement in the form attached hereto as Exhibit A or Exhibit B, as appropriate, and such release agreement must have become effective in accordance with its terms within 60 days following the termination date. The Company, in its sole discretion, may modify the term of the required release agreement to comply with applicable law and may incorporate the required release agreement into a termination agreement or other agreement with the Executive.

**(d) Timing of Severance Payments.** Notwithstanding any other provision of this Agreement, all severance payments provided under this 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.

**(e) Timing of Bonus Payments.** Notwithstanding any other provision of this Agreement, all bonus payments provided under this 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.

**8. Disputes Relating To Executive's Termination of Employment For Good Reason .** If the Executive resigns his employment with the Company alleging in good faith as the basis for such resignation "Good Reason" as defined in Section 6(e), and if the Company then disputes the Executive's right to the payment of benefits under Section 7, the Company shall continue to pay the Executive the full compensation (including, without limitation, his Base Salary) in effect at the date the Executive provided written notice of such resignation, and the Company shall continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was then a participant, until the earlier of the expiration of the Term or the date the dispute is finally resolved, either by mutual written agreement of the parties or by application of the provisions of Section 11. For the purposes of this Section 8, the Company shall bear the

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burden of proving that the grounds for the Executive's resignation do not fall within the scope of Section 6(e), and there shall be a rebuttable presumption that the Executive alleged such grounds in good faith.

#### **9. Restrictive Covenant Provisions.**

**(a) Noncompetition.** The Executive agrees that during the Term prior to any termination of his employment hereunder, he will not, directly or indirectly, without the prior written consent of a majority of the non-employee members of the Board, manage, operate, join, control, participate in, or be connected as a stockholder (other than as a holder of shares publicly traded on a stock exchange or the NASDAQ National Market System), partner, or other equity holder with, or as an officer, director or employee of, any real estate or mortgage investment organization whose business strategy is competitive with that of the Company, as determined by a majority of the non-employee members of the Board. It is further expressly agreed that the Company will or would suffer irreparable injury if the Executive were to compete with the Company or any subsidiary or affiliate of the Company in violation of this Agreement and that the Company would by reason of such competition be entitled to injunctive relief in a court of appropriate jurisdiction, and the Executive further consents and stipulates to the entry of such injunctive relief in such a court prohibiting the Executive from competing with the Company or any subsidiary or affiliate of the Company, in the areas of business set forth above, in violation of this Agreement.

**(b) Duty To Avoid Conflict Of Interest.** During his employment by the Company, Executive agrees not to engage or participate in, directly or indirectly, any activities in conflict with the best interests of the Company. The Company shall be the final decision-maker with regard to any conflict of interest issue.

**(c) Right To Company Materials.** The Executive agrees that all styles, designs, lists, materials, books, files, reports, correspondence, records, and other documents ("Company Materials") used, prepared, or made available to the Executive shall be and shall remain the property of the Company. Upon the termination of employment or the expiration of this Agreement, the Executive shall immediately return to the Company all Company Materials, and the Executive shall not make or retain any copies thereof.

**(d) Nonsolicitation.** The Executive promises and agrees that he will not directly or indirectly solicit any of the Company's employees to work for any competing real estate or mortgage investment organization as determined under Section 9(a) for a period of one (1) year following the occurrence of any event entitling the Executive to payments and benefits, provided the Company makes all such payments when due according to the provisions herein.

#### **(e) Confidential And Proprietary Information.**

**(1)** It is hereby acknowledged that Executive has and shall gain knowledge of trade secrets and confidential information owned by or related to the Company and/or its affiliates including but not limited to the following: (i) the names, lists, buying habits and practices of customers, clients or vendors, (ii) marketing and related information, (iii) relationships with the persons or entities with whom or with which the Company has contracted,

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(iv) their products, designs, software, developments, improvements and methods of operation, (v) financial condition, profit performance and financial requirements, (vi) the compensation paid to employees, (vii) business plans and the information contained therein, and (viii) all other confidential information of, about or concerning the Company, the manner of operation of the Company and other confidential data of any kind, nature or description relating to the Company (collectively, the "Confidential Information"). Confidential Information does not include information which (A) is or becomes generally available to the public other than as a result of a disclosure by Executive; or (B) becomes available to Executive on a non-confidential basis after the termination or expiration of Executive's obligations under this Agreement from a source other than the Company, provided that such source is not bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Company or any other party with respect to such information; or (C) is independently developed after the termination or expiration of Executive's obligations under this agreement without reference to the Confidential Information, provided such independent development can reasonably be proven by Executive by written records.

(2) The parties hereby acknowledge that the Confidential Information constitutes important, unique, material and confidential trade secrets which affect the successful activities of the Company, and constitute a substantial part of the assets and goodwill of the Company. In view of the foregoing, Executive agrees that he will not at any time whether during or after the term of this Agreement, except as required in the course of Executive's employment by Company and at its direction and for its sole benefit, in any fashion, form or manner, directly or indirectly (i) use or divulge, disclose, communicate or provide or permit access to any person, firm, partnership, corporation or other entity, any Confidential Information of any kind, nature or description, or (ii) remove from Company's premises any notes or records relating thereto, or copies or facsimiles thereof (whether made by electronic, electrical, magnetic, optical, laser, acoustic or other means).

(3) Promptly upon the request of Company, and immediately upon the termination of Executive's employment, Executive shall not transfer to any third person and shall deliver to Company all Confidential Information, and other property belonging to the Company, including all copies thereof, in the possession or under the control of the Executive.

(4) Executive represents that the performance of all the terms of this Agreement will not conflict with, and will not breach, any other invention assignment agreement, confidentiality agreement, employment agreement or non-competition agreement to which Executive is or has been a party. To the extent that Executive has confidential information or materials of any former employer, Executive acknowledges that the Company has directed Executive to not disclose such confidential information or materials to the Company or any of its employees, and that the Company prohibits Executive from using said confidential information or materials in any work that Executive may perform for the Company. Executive agrees that Executive will not bring with Executive to the Company, and will not use or disclose any confidential, proprietary information, or trade secrets acquired by Executive prior to his employment with the Company. Executive will not disclose to the Company or any of its employees, or induce the Company or any of its employees to use, any confidential or

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proprietary information or material belonging to any previous employers or others, nor will Executive bring to the Company or use in connection with Executive's work for the Company copies of any software, computer files, or any other copyrighted or trademarked materials except those owned by or licensed to the Company. Executive represents that he is not a party to any other agreement that will interfere with his full compliance with this Agreement. Executive further agrees not to enter into any agreement, whether written or oral, in conflict with the provisions of this Agreement.

**(5)** Notwithstanding the generality of the foregoing, nothing in this Agreement is intended to prohibit the Executive from 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, including in relation to any whistleblower, anti-discrimination, or anti-retaliation provisions of federal, state or local law or regulation. Pursuant to 18 U.S.C. Section 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (x) 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 (y) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

**(f) Inventions.** Any and all inventions, discoveries or improvements that Executive has conceived or made or may conceive or make during the period of employment relating to or in any way pertaining to or connected with the systems, products, computer programs, software, apparatus or methods employed, manufactured or constructed by the Company or to systems, products, apparatus or methods with respect to which the Company engages in, requests or anticipates research or development, shall be promptly and fully disclosed and described by Executive to the Company and shall be the sole and exclusive property of the Company, and Executive shall assign, and hereby does assign to the Company Executive's entire right, title and interest in and to all such inventions, discoveries or improvements as well as any modifications or improvements thereto that may be made.

The obligations outlined in this Section 9(f) do not apply to any invention that qualifies fully under California Labor Code Section 2870 (a copy of which is attached hereto as Exhibit C) or to any rights Executive may have acquired in connection with an invention, discovery or improvement that was developed entirely on Executive's own time for which no equipment, supplies, facilities or trade secret information of the Company was used and (a) that does not relate directly or indirectly to the business of the Company or to the Company's actual or demonstrable anticipated research or development, or (b) that does not result from any work performed by Executive for the Company.

**(g) Maryland Law.** The Executive agrees, in accordance with Maryland law, to first offer to the Company corporate opportunities learned of solely as a result of his service as an officer of the Company.

**(h) Breach.** It is expressly agreed that each breach of this Section 9 is a distinct and material breach of this Agreement and that solely a monetary remedy would be inadequate, impracticable and extremely difficult to prove, and that each such breach would cause the

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Company irreparable harm. It is further agreed that, in addition to any and all remedies available at law or equity (including money damages), either party shall be entitled to temporary and permanent injunctive relief to enforce the provisions of this Section, without the necessity of proving actual damages. It is further agreed that either party shall be entitled to seek such equitable relief in any forum, including a court of law, notwithstanding the provisions of Section 11. Either party may pursue any of the remedies described herein concurrently or consecutively in any order as to any such breach or violation, and the pursuit of one of such remedies at any time will not be deemed an election of remedies or waiver of the right to pursue any of the other such remedies. Any breach of this Section 9 shall immediately terminate any obligations by the Company to provide Executive with severance and continued benefits pursuant to Section 6 or 7 of this Agreement.

**(i) Unenforceability.** Should any portion of this Section 9 be deemed unenforceable because of its scope, duration or effect, and only in such event, then the parties expressly consent and agree to such limitation on scope, duration or effect as may be finally adjudicated as enforceable, to give this Section 9 its maximum permissible scope, duration and effect.

**10. Notices.** All notices and other communications under this Agreement shall be in writing and shall be given by fax or first class mail, certified or registered with return receipt requested, and shall be deemed to have been duly given three (3) days after mailing or twenty-four (24) hours after transmission of a fax to the respective persons named below:

If to the Company:     Redwood Trust, Inc.  
                                 Attn: Chief Executive Officer  
                                 One Belvedere Place, Suite 300  
                                 Mill Valley, CA 94941  
                                 Phone: (415) 389-7373  
                                 Fax: (415) 381-1773

If to the Executive:     Andrew P. Stone  
                                 c/o Redwood Trust, Inc.  
                                 One Belvedere Place, Suite 300  
                                 Mill Valley, CA 94941  
                                 Phone: (415) 389-7373  
                                 Fax: (415) 381-1773

Either party may change such party's address for notices by notice duly given pursuant hereto.

**11. Resolution of Disputes.** To ensure the rapid and economical resolution of disputes that may arise in connection with the Executive's employment with the Company, the Executive

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and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to the enforcement, breach, performance, or interpretation of this Agreement, the Executive's employment, or the termination of the Executive's employment ("Arbitrable Claims") shall be submitted to confidential mediation in San Francisco, California conducted by a mutually agreeable mediator from Judicial Arbitration and Mediation Services ("JAMS") or its successor under the JAMS Rules of Practice and Procedure then in effect, which can be found at [www.jamsadr.com/adr-rules-procedures](http://www.jamsadr.com/adr-rules-procedures). The cost of JAMS' mediation fees shall be paid by the Company. In the event that mediation is unsuccessful in resolving the Arbitrable Claims, the Arbitrable Claims shall be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration in San Francisco, California conducted by JAMS or its successor, under the then applicable rules of JAMS.

**The Executive acknowledges that by agreeing to this arbitration procedure, both the Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.**

The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that the Executive or the Company would be entitled to seek in a court of law, including, without limitation, the award of attorneys' fees based on a determination of the extent to which each party has prevailed as to the material issues raised in determination of the dispute. The Company shall pay all JAMS' arbitration fees in excess of those which would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either the Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such mediation or arbitration.

## **12. [Reserved]**

**13. Assignment; Successors.** This Agreement is personal in its nature, and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that, in the event of the merger, consolidation, transfer, or sale of all or substantially all of the assets of the Company with or to any other individual or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder.

**14. Governing Law.** This Agreement and the legal relations thus created between the parties hereto shall be governed by and construed under and in accordance with the laws of the State of California.

**15. Entire Agreement; Headings.** This Agreement embodies the entire agreement of the parties with respect to the subject matter hereof and supersedes in their entirety all other or prior agreements, whether oral or written, with respect thereto, including but not limited to the Prior

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Agreement, but excluding the plans, programs and equity award agreements under which compensation and benefits are provided pursuant to Sections 3 and 4 hereof to the extent such plans and programs and equity award agreements are not inconsistent with this Agreement. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

**16. Waiver; Modification.** Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. This Agreement shall not be modified in any respect except by a writing executed by each party hereto.

**17. Severability.** In the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any statute or public policy, only the portions of this Agreement that violate such statute or public policy shall be stricken. All portions of this Agreement that do not violate any statute or public policy shall continue in full force and effect. Further, any court order striking any portion of this Agreement shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties under this Agreement.

**18. Indemnification.** The Company shall indemnify and hold Executive harmless to the maximum extent permitted by Section 2-418 of the Maryland General Corporations Law or its successor statute, or if greater, by the Company's Bylaws, by any applicable resolution of the Board or by the terms providing the most extensive indemnification contained in any written agreement between the Company and any director or officer of the Company. The Company shall make Executive a named beneficiary under all director and officer liability policies maintained by the Company from time to time for the benefit of its directors and officers, entitled to all benefits provided thereunder to persons serving in a comparable role as an officer of the Company. During the Term and for a term of six years thereafter, the Company shall purchase and maintain, at its own expense, directors and officers liability insurance providing coverage for Executive in respect of acts and omissions of the Executive in his capacity as such and occurring during Executive's employment.

**19. Section 409A.** Any payments under this Agreement subject to Section 409A of the Code that are subject to execution of a waiver and release which may be executed and/or revoked in a calendar year following the calendar year in which the payment event (such as a termination of employment) occurs shall commence payment only in the calendar year in which the consideration period or, if applicable, release revocation period ends, as necessary to comply with Section 409A of the Code. Notwithstanding anything to the contrary in this Agreement, no compensation or benefits shall be paid to the Executive during the six (6)-month period following the Executive's "separation from service" from the Company (within the meaning of Section 409A of the Code, a "Separation from Service") if the Company determines that paying such amounts at the time or times indicated in this 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

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result of the previous sentence, then on the first day of the seventh month following the date of Separation from Service (or such earlier date upon which such amount can be paid under Section 409A without resulting in a prohibited distribution, including as a result of the Executive's death), the Company shall pay the Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Executive during such period. Any right to a series of installment payments pursuant to this Agreement is to be treated as a right to a series of separate payments. To the extent permitted under Section 409A of the Code, any separate payment or benefit under this Agreement or otherwise shall not be deemed "nonqualified deferred compensation" subject to Section 409A of the Code to the extent provided in the exceptions in Treasury Regulation Section 1.409A-1(b)(4), Section 1.409A-1(b)(9) or any other applicable exception or provision of Section 409A. All payments of nonqualified deferred compensation subject to Section 409A to be made upon a termination of employment under this Agreement may only be made upon the Executive's "separation from service" from the Company.

**20. Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

**21. Successor Sections.** References herein to sections or rules of the Code shall be deemed to include any successor sections or rules.

*[Signature Page Follows]*

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**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunto signed this Agreement, as of the Effective Date.

**REDWOOD TRUST, INC.**

By: /s/ Christopher J. Abate  
Christopher J. Abate  
Chief Executive Officer

**EXECUTIVE**

/s/ Andrew P. Stone  
Andrew P. Stone

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**EXHIBIT A**  
**RELEASE AGREEMENT**

Except as otherwise set forth in this Release Agreement or in Sections 7 and 18 of the Employment Agreement between Andrew P. Stone and Redwood Trust, Inc., Andrew P. Stone ("Executive") hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date Executive signs this Release Agreement. The Company, its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns, hereby releases Executive and his heirs, executors, successors and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date the Company signs this Release Agreement. This general mutual release includes, but is not limited to: (A) all claims arising out of or in any way related to Executive's employment with the Company or the termination of that employment; (B) all claims related to Executive's compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (C) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (D) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; (E) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended); and (F) all claims and rights with respect to Executive's right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator; provided, however, that nothing in this paragraph shall be construed in any way to release (i) the Company from (x) its obligation to indemnify Executive pursuant to agreement, the Company's bylaws or binding resolutions, or applicable law or (y) the Company's payment obligations under Section (7) of the Employment Agreement, (ii) coverage under any applicable D&O policies, (iii) claims to vested benefits that Executive is entitled to receive under any other plan or agreement covering Executive) or (iv) Executive's vested equity awards.

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Executive acknowledges that he is knowingly and voluntarily waiving and releasing any rights he may have under the ADEA, and that the consideration given under his Employment Agreement with the Company for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which he was already entitled. Executive further acknowledges that he has been advised by this writing, as required by the ADEA, that: (A) this waiver and release does not apply to any rights or claims that may arise after the date Executive signs this Release Agreement; (B) Executive should consult with an attorney prior to signing this Release Agreement (although Executive may choose voluntarily not to do so); (C) Executive has twenty-one (21) days to consider this Release Agreement (although Executive may choose voluntarily to sign this Release Agreement earlier); (D) Executive has seven (7) days following the date that he signs this Release Agreement to revoke the Release Agreement by providing written notice to an officer of the Company; and (E) this Release Agreement shall not be effective until the date upon which the revocation period has expired, which shall be the eighth day after Executive signs this Release Agreement. Both Executive and the Company acknowledge that each has read and understands Section 1542 of the California Civil Code which reads as follows:

**A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.**

Both Executive and the Company hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to each party's release of any claims hereunder.

Notwithstanding anything herein, the Executive acknowledges and agrees that, pursuant to 18 USC Section 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) 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 (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

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Mutual Nondisparagement.

(a) Nondisparagement by Executive. At all times following the cessation of the Executive's employment with the Company, the Executive 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.

(b) Nondisparagement by Designated Company Representatives. At all times following the cessation of the Executive's employment with the Company, the Company agrees not to publish, and agrees to cause the Designated Company Representatives not to make, negative comments or statements about, or otherwise criticize or disparage, in any format or through any medium, the Executive. 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 business reputation or personal reputation. For purposes of this sub-section (b), the "Designated Company Representatives" are (i) all executive officers of the Company while serving in such capacity and (ii) all members of the Board of Directors while serving in such capacity.

(c) The foregoing sub-sections (a) and (b) shall not be violated by truthful comments or statements (i) made in response to legal process, in required governmental testimony or filings, in judicial, administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings), in compliance with law, administrative rule, or regulation, or made pursuant to a court or administrative order, or in connection with reporting possible violations of federal law or regulation to any governmental agency or entity, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, (ii) made by members of the Board of Directors in the course of meetings or discussions of the Board of Directors (or any committee thereof) or in communications between members of the Board of Directors and the Executive, and not disclosed to the public, (iii) made by a member of the Board of Directors in the good faith belief that the statements are required for the proper discharge of his or her fiduciary duties, or (iv) made by the Board of Directors in connection with a termination of the Executive for Cause.

*[Signature Page Follows]*

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**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunto signed this Agreement, as of the date set forth below.

**EXECUTIVE**

Name: \_\_\_\_\_  
Andrew P. Stone

Date: \_\_\_\_\_

**COMPANY**

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

Date: \_\_\_\_\_

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**EXHIBIT B**  
**RELEASE AGREEMENT**

Except as otherwise set forth in this Release Agreement or in Sections 7 and 18 of the Employment Agreement between Andrew P. Stone and Redwood Trust, Inc., Andrew P. Stone (“Executive”) hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date Executive signs this Release Agreement. The Company, its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns, hereby releases Executive and his heirs, executors, successors and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date the Company signs this Release Agreement. This general mutual release includes, but is not limited to: (A) all claims arising out of or in any way related to Executive’s employment with the Company or the termination of that employment; (B) all claims related to Executive’s compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (C) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (D) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; (E) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys’ fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) (“ADEA”), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended); and (F) all claims and rights with respect to Executive’s right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator; provided, however, that nothing in this paragraph shall be construed in any way to release (i) the Company from (x) its obligation to indemnify Executive pursuant to agreement, the Company’s bylaws or binding resolutions, or applicable law or (y) the Company’s payment obligations under Section (7) of the Employment Agreement, (ii) coverage under any applicable D&O policies, (iii) claims to vested benefits that Executive is entitled to receive under any other plan or agreement covering Executive) or (iv) Executive’s vested equity awards.

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Executive acknowledges that he is knowingly and voluntarily waiving and releasing any rights he may have under the ADEA, and that the consideration given under his Employment Agreement with the Company for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which he was already entitled. Executive further acknowledges that he has been advised by this writing, as required by the ADEA, that: (A) this waiver and release does not apply to any rights or claims that may arise after the date Executive signs this Release Agreement; (B) Executive should consult with an attorney prior to signing this Release Agreement (although Executive may choose voluntarily not to do so); (C) Executive has forty-five (45) days to consider this Release Agreement (although he may choose voluntarily to sign this Release Agreement earlier); (D) Executive has seven (7) days following the date that he signs this Release Agreement to revoke the Release Agreement by providing written notice to an officer of the Company; (E) this Release Agreement shall not be effective until the date upon which the revocation period has expired, which shall be the eighth day after Executive signs this Release Agreement; and (F) Executive has received with this Release Agreement a detailed list of the job titles and ages of all employees who were terminated in this group termination and the ages of all employees of the Company in the same job classification or organizational unit who were not terminated.

Both the Executive and the Company acknowledge that each has read and understands Section 1542 of the California Civil Code which reads as follows:

**A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.**

Both the Executive and the Company hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to each party's release of any claims hereunder.

Notwithstanding anything herein, the Executive acknowledges and agrees that, pursuant to 18 USC Section 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) 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 (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

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Mutual Nondisparagement.

(a) Nondisparagement by Executive. At all times following the cessation of the Executive's employment with the Company, the Executive 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.

(b) Nondisparagement by Designated Company Representatives. At all times following the cessation of the Executive's employment with the Company, the Company agrees not to publish, and agrees to cause the Designated Company Representatives not to make, negative comments or statements about, or otherwise criticize or disparage, in any format or through any medium, the Executive. 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 business reputation or personal reputation. For purposes of this sub-section (b), the "Designated Company Representatives" are (i) all executive officers of the Company while serving in such capacity and (ii) all members of the Board of Directors while serving in such capacity.

(c) The foregoing sub-sections (a) and (b) shall not be violated by truthful comments or statements (i) made in response to legal process, in required governmental testimony or filings, in judicial, administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings), in compliance with law, administrative rule, or regulation, or made pursuant to a court or administrative order, or in connection with reporting possible violations of federal law or regulation to any governmental agency or entity, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, (ii) made by members of the Board of Directors in the course of meetings or discussions of the Board of Directors (or any committee thereof) or in communications between members of the Board of Directors and the Executive, and not disclosed to the public, (iii) made by a member of the Board of Directors in the good faith belief that the statements are required for the proper discharge of his or her fiduciary duties, or (iv) made by the Board of Directors in connection with a termination of the Executive for Cause.

*[Signature Page Follows]*

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**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunto signed this Agreement, as of the date set forth below.

**EXECUTIVE**

Name: \_\_\_\_\_  
Andrew P. Stone

Date: \_\_\_\_\_

**COMPANY**

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

Date: \_\_\_\_\_

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**EXHIBIT C**  
**Section 2870 of California Labor Code**

Section 2870 of California Labor Code: Application of provision providing that employee shall assign or offer to assign rights in invention to employer.

a. Any provision and employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information except for those inventions that either:

1. Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
2. Result from any work performed by the employee for the employer.

b. To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

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## EXHIBIT D

### DEFINITION OF “CHANGE OF CONTROL”

*With respect to (i) equity-based or equity-related awards granted prior to November 6, 2020 and (ii) long-term incentive and/or retention compensation awards that are payable in cash granted prior to November 6, 2020, the following definition of Change of Control shall apply:*

“Change of Control” refers to the occurrence of any of the following:

(1) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires ownership of stock of the Company that, together with other stock held by such person or group constitutes more than 50 percent of the total fair market value or total voting power of all stock of the Company; or

(2) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30 percent or more of the total voting power of the stock of the Company; or

(3) during any 12-month period, a majority of the members of the Company’s board of directors is replaced by directors whose appointment or election is not endorsed by a majority of the members of the Company’s board of directors prior to such appointment or election; or

(4) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisition; provided, that that no change of control shall be deemed to occur when the assets are transferred to:

(x) a shareholder of the Company in exchange for or with respect to its stock,

(y) a person, or more than one person acting as a group (within the meaning of Section 409A of the Code), that owns, directly or indirectly, 50 percent or more of the total value or voting power of all of the outstanding stock of the Company, or

(z) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person that owns directly or indirectly 50 percent or more of the total value or voting power of all of the outstanding stock

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of the Company, in each case with such persons status determined immediately after the transfer of assets.”

*With respect to (i) equity-based or equity-related awards granted on or following November 6, 2020 and (ii) long-term incentive and/or retention compensation awards that are payable in cash granted on or following November 6, 2020, the following definition of Change of Control shall apply:*

“Change of Control” refers to the occurrence of any of the following:

(a) A transaction or series of transactions (other than an offering of common stock to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of transactions that meets the requirements of clauses (i) and (ii) of subsection (c) below) whereby any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a “person” that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 30% of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; or

(b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new Director(s) (other than a Director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in subsections (a) or (c) of this definition) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company’s assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) which results in the Company’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company’s assets or otherwise succeeds to the business of the Company (the Company or such person, the “Successor Entity”)) directly or indirectly, at least a majority of

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the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

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(ii) after which no person or group beneficially owns voting securities representing 30% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (ii) as beneficially owning 30% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction.”

## AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (“Agreement”), effective as of June 10, 2021 (the “Effective Date”), is entered into by and between **Brooke E. Carillo** (the “Executive”) and **Redwood Trust, Inc.**, a Maryland corporation (the “Company”), and amends and restates in its entirety that certain Employment Agreement by and between the Executive and the Company dated April 20, 2021 (the “Prior Agreement”).

The Company desires to establish its right to the continued services of the Executive, in the capacity, on the terms and conditions, and subject to the rights of termination hereinafter set forth, and the Executive is willing to accept such continued employment in such capacity, on such terms and conditions, and subject to such rights of termination.

In consideration of the mutual agreements hereinafter set forth, the Executive and the Company have agreed and do hereby agree as follows:

**1. Employment and Responsibilities.** During the Term, the Executive shall serve as Chief Financial Officer (and principal financial officer) of the Company, reporting to the Chief Executive Officer of the Company, with responsibilities, duties and authority customary for such position. The Executive does hereby accept and agree to such continued employment. The Chief Executive Officer may, from time to time, in his sole discretion, modify, reassign and/or augment the Executive’s responsibilities, subject to prior approval by the Board of Directors of the Company (the “Board”), and any such modification, reassignment and/or augmentation shall be deemed a waiver by the Executive of her rights under Section 6(e)(i) hereof only with her express prior written consent. Any such modification, reassignment or augmentation of responsibilities shall be in writing. The Executive shall devote such time, energy and skill to the performance of her duties for the Company and for the benefit of the Company as may be necessary or required for the effective conduct and operation of the Company’s business. Furthermore, the Executive shall act only in good faith and exercise due diligence and care in the performance of her duties to the Company under this Agreement.

**2. Term of Agreement.** The term of this Agreement (the “Term”) shall commence on the Effective Date and shall continue through December 31, 2021; provided, however, that (i) on January 1, 2022 and each succeeding January 1, the Term shall automatically be extended for one additional year unless, not later than three months prior to any such January 1, either party shall have given written notice to the other that it does not wish to extend the Term and (ii) such one year extensions of the Term shall not occur on and after the January 1 of the year in which the Executive will attain age sixty-five (65) but instead the Term shall be extended only until the date of the Executive’s sixty-fifth (65th) birthday.

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### 3. Compensation.

(a) **Base Salary.** The Company shall pay the Executive, and the Executive agrees to accept from the Company, in payment for her services to the Company a base salary (the “Base Salary”) at the rate of not less than \$675,000 per year, paid in accordance with the customary payroll practices of the Company subject to annual review and increase by the Board in its sole discretion (or by the Board’s separately designated Compensation Committee in its sole discretion). For the avoidance of doubt, references to the Board in this Section 3 shall include the Board’s separately designated Compensation Committee.

(b) **Performance Bonus.** The Executive shall be eligible to receive an annual bonus. The Board in its discretion will determine whether such annual bonus will be paid, the amount of such bonus and its form of payment. The Executive’s target annual bonus amount is 165% of her Base Salary (the “Target Bonus”). If the Board determines in its discretion that the Executive’s performance meets or exceeds the criteria established by the Board for the award of a Target Bonus, the Board may award the Executive the Target Bonus or a higher amount. Likewise, if the Executive’s performance does not meet said criteria, the Board may award a lesser amount, or no bonus may be awarded. Unless otherwise provided in this Agreement, the Executive’s eligibility to receive any bonus under this paragraph shall be expressly conditioned on, among other things, the Executive remaining employed with the Company up through any designated distribution date set by the Board.

Notwithstanding the foregoing paragraph, in the event of a “Change of Control” (as defined in Exhibit D attached hereto), immediately prior to such Change of Control the Company shall be obligated to pay the Executive: (A) when such Change of Control occurs during a calendar year in respect of which no annual bonus has yet been paid, a pro-rated annual bonus for such calendar year, based on the number of days in such calendar year prior to the Change of Control; and (B) when such Change of Control occurs after the conclusion of a calendar year in respect of which no annual bonus has yet been paid (i.e., such Change of Control occurs after December 31st, but before the designated payment date for the annual bonus in respect of such completed calendar year), an annual bonus for such completed calendar year. In the case of both of the preceding clauses (A) and (B), such amounts shall each be separately subject to any cap on Executive’s annual bonus previously established by the Board (or any committee thereof) and shall each be determined in accordance with the criteria most recently designated by the Board (or any committee thereof) for the determination of such amounts, as follows: (I) any portion of the annual bonus amounts that had been previously designated by the Board (or any committee thereof) to be determined relative to the achievement of criteria measuring the financial performance of the Company with respect to a calendar year, shall be paid in amounts based on the attainment of such criteria (on an annualized basis, if in respect of less than a full calendar year), through the date immediately prior to such Change of Control (or, as applicable, through the end of any such completed calendar year) and in accordance with the methodology previously approved by the Board (or any committee thereof) for payment of such amounts of annual bonus (i.e., an amount at, higher, or lower than the target amounts for such portions of annual bonus); and (II) any portion of the annual bonus amounts that had been previously designated by the Board (or any committee thereof) to be determined relative to the

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achievement of criteria measuring the individual performance of the Executive, shall be paid in amounts equal to the target amount of such portion of the Executive's annual bonus.

**(c) Equity Incentive Awards.** Executive shall be eligible to receive grants of equity-based long-term incentive awards, which may include options to purchase Company stock, performance or restricted stock units and Company restricted stock contributions to Company's deferred compensation plan, or other equity-based awards. Such awards shall be determined in the discretion of the Board and the Executive shall be eligible for consideration for such awards in the same manner as other senior executive officers of the Company. In the event of a Change of Control in which the surviving or acquiring corporation does not assume the Executive's outstanding equity-related awards (including options and equity-based awards granted both before and after the Effective Date) or substitute similar equity-related awards of substantially equivalent value, such equity-related awards shall immediately vest and become exercisable if the Executive's service with the Company has not terminated before the effective date of the Change of Control; provided, however, that the foregoing provision shall only apply if the Company is not the surviving corporation or if shares of the Company's common stock are converted into or exchanged for other securities or cash.

**(d) Annual Review.** The Executive's performance shall be reviewed at least annually. The performance evaluations shall consider and assess the Executive's performance of her duties and responsibilities, the timely accomplishment of existing performance objectives, her level of efficiency and overall effectiveness and/or other factors or criteria that the Company, in its sole discretion, may deem relevant. The frequency of performance evaluations may vary depending upon, among other things, length of service, past performance, changes in job duties or performance levels. The Board shall, at least annually, review the Executive's entire compensation package to determine whether it continues to meet the Company's compensation objectives. Such annual review will include a determination of (i) whether to increase the Base Salary in accordance with Section 3(a); (ii) the incentive performance bonus to be awarded in accordance with Section 3(b); and (iii) the amount and type of any equity awards granted in accordance with Section 3(c). Positive performance evaluations do not guarantee salary increases or incentive bonuses. Salary increases and incentive bonus awards are solely within the discretion of the Board and may depend upon many factors other than the Executive's performance.

**4. Fringe Benefits.** The Executive shall be entitled to participate in any benefit programs adopted from time to time by the Company for the benefit of its senior executive officers, and the Executive shall be entitled to receive such other fringe benefits as may be granted to her from time to time by the Board.

**(a) Benefit Plans.** The Executive shall be entitled to participate in any benefit plans relating to equity-based compensation awards, pension, thrift, profit sharing, life insurance, medical coverage, education, deferred compensation, or other retirement or employee benefits available to senior executive officers of the Company, subject to any restrictions (including waiting periods) specified in such plans and/or related individual agreements. The Company

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shall make commercially reasonable efforts to obtain medical and disability insurance, and such other forms of insurance as the Board shall from time to time determine, for its senior executive officers.

**(b) Paid Time Off.** The Executive shall be entitled to paid time off ("PTO") each calendar year pursuant to the Company's policies applicable to senior executive officers of the Company, as in effect from time to time and consistent with the Executive's satisfactory performance of the duties set forth in Section 1.

**5. Business Expenses.** The Company shall reimburse the Executive for any and all necessary, customary and usual expenses, properly receipted in accordance with Company policies, incurred by Executive on behalf of the Company.

#### **6. Termination of Executive's Employment.**

**(a) Death.** If the Executive dies while employed by the Company, her employment shall immediately terminate. The Company's obligation to pay the Executive's Base Salary shall cease as of the date of the Executive's death, and any unpaid Base Salary shall be paid to the Executive's estate. In addition, within fifteen (15) days of the Executive's death, the Company shall pay to the Executive's estate an incentive performance bonus based on Executive's Target Bonus then in effect, prorated for the number of days of employment completed by the Executive during the year of her death. Executive's beneficiaries or her estate shall receive benefits in accordance with the Company's retirement, insurance and other applicable programs and plans then in effect. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). All stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable based on the number of target shares and the performance goals set forth in the applicable award agreement by which such awards are evidenced, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). In addition, in the event the Company grants to the Executive a cash-settled equity award or a long-term incentive compensation award payable in cash, this Section 6(a) shall apply, mutatis mutandis, to any such award(s).

**(b) Disability.** If, as a result of the Executive's incapacity due to physical or mental illness ("Disability"), Executive shall have been absent from the full-time performance of her duties with the Company for six (6) consecutive months, and, within thirty (30) days after written notice is provided to her by the Company, she shall not have returned to the full-time performance of her duties, the Executive's employment under this Agreement may be terminated by the Company for Disability. During any period prior to such termination during which the

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Executive is absent from the full-time performance of her duties with the Company due to Disability, the Company shall continue to pay the Executive her Base Salary at the rate in effect at the commencement of such period of Disability and any earned but unpaid annual bonus from a prior service year. Subsequent to such termination, the Executive's benefits shall be determined under the Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs. In addition, within fifteen (15) days of such termination, the Company shall pay to the Executive an incentive performance bonus based on Executive's Target Bonus then in effect, prorated for the number of days of employment completed by the Executive during the year in which her employment terminated. The Executive, the Executive's beneficiaries or her estate shall receive benefits in accordance with the Company's retirement, insurance and other applicable programs and plans then in effect. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). All stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable based on the number of target shares and the performance goals set forth in the applicable award agreement by which such awards are evidenced, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). In addition, in the event the Company grants to the Executive a cash-settled equity award or a long-term incentive compensation award payable in cash, this Section 6(b) shall apply, mutatis mutandis, to any such award(s).

**(c) Termination By The Company For Cause.** The Company may terminate the Executive's employment under this Agreement for Cause, at any time prior to expiration of the Term of the Agreement; provided, however, that prior to any termination of employment for Cause pursuant to subsection (i), (ii), or (iii) below, the Company must first provide written notice describing the reason for such termination of employment (and, with respect to subsections (ii) and (iii) below, such notice may be provided on the same date as the termination date). For purposes of this Agreement, "Cause" shall mean (i) the Executive's material failure to substantially perform the reasonable and lawful duties of her position for the Company, which failure shall continue for thirty (30) days after written notice thereof by the Company to the Executive; (ii) acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of the Executive in respect of the performance of her duties hereunder, her fiduciary obligations or otherwise relating to the business of the Company; (iii) the habitual or repeated neglect of her duties by Executive; (iv) the Executive's conviction of a felony; (v) 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 Executive injurious to the interest, property, operations, business or reputation of the Company; or (vii) unauthorized use or disclosure of trade secrets or confidential or proprietary information pertaining to Company business.

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In the event of a termination under this Section 6(c), the Company will pay only the portion of Base Salary or previously awarded bonus unpaid as of the termination date. Fringe benefits which have accrued and/or vested on the termination date will continue in effect according to their terms.

**(d) Termination By The Company Without Cause.** The Company may terminate Executive's employment hereunder at any time without Cause upon 30 days written notice to Executive or pay in lieu thereof. In the event of a termination under this Section 6(d), the Executive shall be entitled to the benefits set forth in Section 7.

**(e) Termination By The Executive For Good Reason.** The Executive shall have the right to terminate the Officer's employment under this Agreement for Good Reason, at any time prior to expiration of the Term of the Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence, without the Executive's express written consent, of any one or more of the following events:

**(i)** A material reduction in Executive's responsibilities, title, duties or authority, including, without limitation, (A) Executive ceasing to serve as the chief financial officer of a publicly traded company or (B) on or after a Change of Control, if as a result of such Change of Control, the Company becomes a subsidiary of another entity and Executive is not appointed (or after appointment, ceases) to be the chief financial officer of the top-tier parent entity of the Company (or its successor); provided that, for the avoidance of doubt, the appointment of Executive to a top-tier parent entity that is not publicly traded does not eliminate Executive's rights under sub-clause (A) above;

**(ii)** A material reduction in the Executive's Base Salary or a material reduction by the Company in the value of the Executive's total compensation package (salary, 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 senior executives of the Company;

**(iii)** The relocation of the Executive's principal Company office to a location more than twenty-five (25) miles from its location as of the Effective Date (which location is the Company's headquarters in Mill Valley, California), except for required travel on the Company's business to the extent necessary to fulfill the Executive's obligations under Section 1;

**(iv)** A failure by the Company at any time to renew this Agreement for successive one-year periods pursuant to Section 2;

**(v)** The complete liquidation of the Company; or

**(vi)** In the event of a merger, consolidation, transfer, or closing of a sale of all or substantially all the assets of the Company with or to any other individual or entity, the

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failure of the Company's successor to affirmatively adopt this Agreement or to otherwise comply with its obligations pursuant to Section 13 below.

Notwithstanding the foregoing, the Executive will not be deemed to have resigned for Good Reason for purposes of subclause (i) unless (1) the Executive provides the Company with written notice setting forth in reasonable detail the facts and circumstances claimed by the Executive to constitute Good Reason within ninety (90) days after the date of the occurrence of any event that the Executive 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 Executive's termination for Good Reason occurs no later than thirty (30) days after the expiration of the Company's cure period. In the event of a termination under this Section 6(e), the Executive shall be entitled to the benefits set forth in Section 7.

**(f) Termination By The Executive Without Good Reason.** The Executive may at any time during the Term terminate her employment hereunder for any reason or no reason by giving the Company notice in writing not less than sixty (60) days in advance of such termination. The Executive shall have no further obligations to the Company after the effective date of termination, as set forth in the notice. In the event of a termination by the Executive under this Section 6(f), the Company will pay only the portion of Base Salary or previously awarded bonus unpaid as of the termination date. Fringe benefits which have accrued and/or vested on the termination date will continue in effect according to their terms.

#### **7. Compensation Upon Termination By the Company without Cause or By The Executive for Good Reason.**

**(a)** If the Executive's employment shall be terminated by the Company without Cause or by the Executive for Good Reason, the Executive shall be entitled to the following benefits:

**(i) Payment of Unpaid Base Salary.** The Company shall immediately pay the Executive any portion of the Executive's Base Salary through the date of termination or previously awarded bonus not paid prior to the termination date.

**(ii) Severance Payment.**

(A) In the event such termination is not a CIC Termination (as defined below), then the Company shall provide the Executive (x) an amount equal to one (1.0) times the sum of (i) Executive's Annual Base Salary as in effect immediately prior to her termination and (ii) Executive's Target Bonus in effect immediately prior to her termination and (y) an amount equal to the Executive's Target Bonus in effect immediately prior to her termination pro-rated for the number of days of employment completed by the Executive during the year in which her employment is terminated.

(B) In the event such termination of employment occurs within three months prior to, on, or within 24 months following a Change of Control (a "CIC

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Termination”), then instead of providing the payments in Section 7(a)(ii)(A), the Company shall provide the Executive an amount equal to the sum of (x) the Executive’s Target Bonus in effect immediately prior to her termination, prorated for the number of days of employment completed by the Executive during the year in which her employment terminated; (y) one-and-one-quarter (1.25) times the Executive’s Annual Base Salary as in effect immediately prior to her termination; and (z) one-and-one-quarter (1.25) times the Executive’s Target Bonus in effect immediately prior to her termination. Notwithstanding the foregoing, the maximum aggregate amount that the Company shall pay to the Executive pursuant to this Section 7(a)(ii)(B) is \$3,750,000.

**(iii) Equity Awards.** All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). If the Executive’s employment shall be terminated by the Company without Cause, all stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable or exercisable based on (x) the performance goals set forth in the applicable award agreement by which such awards are evidenced and (y) a reduced number of target shares adjusted on a pro-rata basis to reflect the number of days of employment completed during the applicable vesting period in which termination occurs, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). If the Executive’s employment shall be terminated by the Executive for Good Reason, all stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable based on the number of target shares and the performance goals set forth in the applicable award agreement by which such awards are evidenced, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). In addition, in the event the Company grants to the Executive a cash-settled equity award or a long-term incentive compensation award payable in cash, this Section 7(a)(iii) shall apply, mutatis mutandis, to any such award(s).

**(iv) Continuation of Fringe Benefits.** For a period of up to nine (9) months (or, in the event of a CIC Termination, twelve (12) months) following the date of Executive’s termination of employment with Company, subject to the Executive’s valid election to continue healthcare coverage under Section 4980B of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations thereunder, the Company shall continue to provide the Executive and the Executive’s eligible dependents with coverage under its group health plans at the same levels and the same cost to the Executive as would have applied if the Executive’s employment had not been terminated based on the Employee’s elections in effect on the date of termination (the “Continued Coverage”), provided that (1) if any plan pursuant to which such

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benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (2) the Company is otherwise unable to continue to cover the Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act or the Patient Protection and Affordable Care Act), the Company may in its sole discretion provide that (i) the Executive shall pay to the Company, on an after-tax basis, a monthly amount equal to the full premium cost of the Continued Coverage for such month and (ii) within 30 days of such premium payment, the Company shall reimburse the Executive in cash (less required withholding) an amount equal to the sum of (A) the excess of (x) the full premium cost of the Continued Coverage for such month over (y) any premium amount that would have been payable by the Executive if the Executive had been actively employed by the Company for such month and (B) an additional tax "gross up" payment to cover all estimated applicable local, state and federal income and payroll taxes imposed on the Executive with respect to the Continued Coverage. For the twelve (12) month (or, in the event of a CIC Termination, fifteen (15) month) period following the termination of the Executive's employment, the Company shall also continue to provide the Executive with all life insurance, disability insurance and other fringe benefits set forth in Section 4 as if the Executive's employment under the Agreement had not been terminated; provided, however, that such life insurance, disability insurance and other fringe benefits shall cease as of the date the Executive receives such coverage from a subsequent employer.

**(v) Payment/Benefit Limitation.** If any payment or benefit due under this Agreement, together with all other payments and benefits that the Executive receives or is entitled to receive from the Company or any of its subsidiaries, affiliates or related entities, would (if paid or provided) constitute an "excess parachute payment" for purposes of Section 280G of the Code, the amounts otherwise payable and benefits otherwise due under this Agreement will either (i) be delivered in full, or (ii) be limited to the minimum extent necessary to ensure that no portion thereof will fail to be tax-deductible to the Company by reason of Section 280G of the Code (and therefore, no portion thereof will be subject to the excise tax imposed under Section 4999 of the Code), whichever of the foregoing amounts, taking into account applicable federal, state and local income and employment taxes and the excise tax imposed under Section 4999 of the Code, results in the receipt by the Executive, on an after-tax basis, of the greatest amount of payments and benefits, notwithstanding that all or some portion of such payments and/or benefits may be subject to the excise tax imposed under Section 4999 of the Code. Unless otherwise specified in writing by the Executive, in the event that the payments and/or benefits are to be reduced pursuant to this Section 7(a)(v), such payments and benefits shall be reduced such that the reduction of cash compensation to be provided to the Executive as a result of this Section 7 is minimized. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. All determinations required to be made under this Section 7(a)(v) shall be made by the Company's independent public accounting firm (or such other nationally recognized public accounting firm as may be selected by the Company and to which selection the Executive consents (such consent not to be

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unreasonably withheld)) which shall provide detailed supporting calculations both to the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a payment or benefit subject to this Section 7(a)(v), or such earlier time as is requested by the Company.

**(b) No Mitigation Required; No Other Entitlement To Benefits Under Agreement.** The Executive shall not be required in any way to mitigate the amount of any payment provided for in this Section 7, including, without limitation, by seeking other employment, nor shall the amount of any payment provided for in this Section 7 be reduced by any compensation earned by the Executive as the result of employment with another employer after the termination date of employment, or otherwise. Except as set forth in this Section 7, following a termination governed by this Section 7, the Executive shall not be entitled to any other compensation or benefits set forth in this Agreement, except as may be separately negotiated by the parties and approved the Board in writing in conjunction with the termination of Executive's employment under this Section 7.

**(c) Release Agreement.** As a condition of receiving any of the payments, vesting and benefits set forth in this Section 7 (other than the payment provided for in sub-section 7(a)(i)), the Executive shall be required to execute a mutual release agreement in the form attached hereto as Exhibit A or Exhibit B, as appropriate, and such release agreement must have become effective in accordance with its terms within 60 days following the termination date. The Company, in its sole discretion, may modify the term of the required release agreement to comply with applicable law and may incorporate the required release agreement into a termination agreement or other agreement with the Executive.

**(d) Timing of Severance Payments.** Notwithstanding any other provision of this Agreement, all severance payments provided under this 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.

**(e) Timing of Bonus Payments.** Notwithstanding any other provision of this Agreement, all bonus payments provided under this 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.

**8. Disputes Relating To Executive's Termination of Employment For Good Reason .** If the Executive resigns her employment with the Company alleging in good faith as the basis for such resignation "Good Reason" as defined in Section 6(e), and if the Company then disputes the Executive's right to the payment of benefits under Section 7, the Company shall continue to pay the Executive the full compensation (including, without limitation, her Base Salary) in effect at the date the Executive provided written notice of such resignation, and the Company shall continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was then a participant, until the earlier of the expiration of the Term or the date the dispute is finally resolved, either by mutual written agreement of the parties or by application of

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the provisions of Section 11. For the purposes of this Section 8, the Company shall bear the burden of proving that the grounds for the Executive's resignation do not fall within the scope of Section 6(e), and there shall be a rebuttable presumption that the Executive alleged such grounds in good faith.

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## **9. Restrictive Covenant Provisions.**

**(a) Noncompetition.** The Executive agrees that during the Term prior to any termination of her employment hereunder, she will not, directly or indirectly, without the prior written consent of a majority of the non-employee members of the Board, manage, operate, join, control, participate in, or be connected as a stockholder (other than as a holder of shares publicly traded on a stock exchange or the NASDAQ National Market System), partner, or other equity holder with, or as an officer, director or employee of, any real estate or mortgage investment organization whose business strategy is competitive with that of the Company, as determined by a majority of the non-employee members of the Board. It is further expressly agreed that the Company will or would suffer irreparable injury if the Executive were to compete with the Company or any subsidiary or affiliate of the Company in violation of this Agreement and that the Company would by reason of such competition be entitled to injunctive relief in a court of appropriate jurisdiction, and the Executive further consents and stipulates to the entry of such injunctive relief in such a court prohibiting the Executive from competing with the Company or any subsidiary or affiliate of the Company, in the areas of business set forth above, in violation of this Agreement.

**(b) Duty To Avoid Conflict Of Interest.** During her employment by the Company, Executive agrees not to engage or participate in, directly or indirectly, any activities in conflict with the best interests of the Company. The Company shall be the final decision-maker with regard to any conflict of interest issue.

**(c) Right To Company Materials.** The Executive agrees that all styles, designs, lists, materials, books, files, reports, correspondence, records, and other documents ("Company Materials") used, prepared, or made available to the Executive shall be and shall remain the property of the Company. Upon the termination of employment or the expiration of this Agreement, the Executive shall immediately return to the Company all Company Materials, and the Executive shall not make or retain any copies thereof.

**(d) Nonsolicitation.** The Executive promises and agrees that she will not directly or indirectly solicit any of the Company's employees to work for any competing real estate or mortgage investment organization as determined under Section 9(a) for a period of one (1) year following the occurrence of any event entitling the Executive to payments and benefits, provided the Company makes all such payments when due according to the provisions herein.

### **(e) Confidential And Proprietary Information.**

**(1)** It is hereby acknowledged that Executive has and shall gain knowledge of trade secrets and confidential information owned by or related to the Company and/or its affiliates including but not limited to the following: (i) the names, lists, buying habits and practices of customers, clients or vendors, (ii) marketing and related information, (iii) relationships with the persons or entities with whom or with which the Company has contracted, (iv) their products, designs, software, developments, improvements and methods of operation, (v) financial condition, profit performance and financial requirements, (vi) the compensation paid to employees, (vii) business plans and the information contained therein, and (viii) all other

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confidential information of, about or concerning the Company, the manner of operation of the Company and other confidential data of any kind, nature or description relating to the Company (collectively, the "Confidential Information"). Confidential Information does not include information which (A) is or becomes generally available to the public other than as a result of a disclosure by Executive; or (B) becomes available to Executive on a non-confidential basis after the termination or expiration of Executive's obligations under this Agreement from a source other than the Company, provided that such source is not bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Company or any other party with respect to such information; or (C) is independently developed after the termination or expiration of Executive's obligations under this agreement without reference to the Confidential Information, provided such independent development can reasonably be proven by Executive by written records.

(2) The parties hereby acknowledge that the Confidential Information constitutes important, unique, material and confidential trade secrets which affect the successful activities of the Company, and constitute a substantial part of the assets and goodwill of the Company. In view of the foregoing, Executive agrees that she will not at any time whether during or after the term of this Agreement, except as required in the course of Executive's employment by Company and at its direction and for its sole benefit, in any fashion, form or manner, directly or indirectly (i) use or divulge, disclose, communicate or provide or permit access to any person, firm, partnership, corporation or other entity, any Confidential Information of any kind, nature or description, or (ii) remove from Company's premises any notes or records relating thereto, or copies or facsimiles thereof (whether made by electronic, electrical, magnetic, optical, laser, acoustic or other means).

(3) Promptly upon the request of Company, and immediately upon the termination of Executive's employment, Executive shall not transfer to any third person and shall deliver to Company all Confidential Information, and other property belonging to the Company, including all copies thereof, in the possession or under the control of the Executive.

(4) Executive represents that the performance of all the terms of this Agreement will not conflict with, and will not breach, any other invention assignment agreement, confidentiality agreement, employment agreement or non-competition agreement to which Executive is or has been a party. To the extent that Executive has confidential information or materials of any former employer, Executive acknowledges that the Company has directed Executive to not disclose such confidential information or materials to the Company or any of its employees, and that the Company prohibits Executive from using said confidential information or materials in any work that Executive may perform for the Company. Executive agrees that Executive will not bring with Executive to the Company, and will not use or disclose any confidential, proprietary information, or trade secrets acquired by Executive prior to her employment with the Company. Executive will not disclose to the Company or any of its employees, or induce the Company or any of its employees to use, any confidential or proprietary information or material belonging to any previous employers or others, nor will Executive bring to the Company or use in connection with Executive's work for the Company

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copies of any software, computer files, or any other copyrighted or trademarked materials except those owned by or licensed to the Company. Executive represents that she is not a party to any other agreement that will interfere with her full compliance with this Agreement. Executive further agrees not to enter into any agreement, whether written or oral, in conflict with the provisions of this Agreement.

**(5)** Notwithstanding the generality of the foregoing, nothing in this Agreement is intended to prohibit the Executive from 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, including in relation to any whistleblower, anti-discrimination, or anti-retaliation provisions of federal, state or local law or regulation. Pursuant to 18 U.S.C. Section 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (x) 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 (y) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

**(f) Inventions.** Any and all inventions, discoveries or improvements that Executive has conceived or made or may conceive or make during the period of employment relating to or in any way pertaining to or connected with the systems, products, computer programs, software, apparatus or methods employed, manufactured or constructed by the Company or to systems, products, apparatus or methods with respect to which the Company engages in, requests or anticipates research or development, shall be promptly and fully disclosed and described by Executive to the Company and shall be the sole and exclusive property of the Company, and Executive shall assign, and hereby does assign to the Company Executive's entire right, title and interest in and to all such inventions, discoveries or improvements as well as any modifications or improvements thereto that may be made.

The obligations outlined in this Section 9(f) do not apply to any invention that qualifies fully under California Labor Code Section 2870 (a copy of which is attached hereto as Exhibit C) or to any rights Executive may have acquired in connection with an invention, discovery or improvement that was developed entirely on Executive's own time for which no equipment, supplies, facilities or trade secret information of the Company was used and (a) that does not relate directly or indirectly to the business of the Company or to the Company's actual or demonstrable anticipated research or development, or (b) that does not result from any work performed by Executive for the Company.

**(g) Maryland Law.** The Executive agrees, in accordance with Maryland law, to first offer to the Company corporate opportunities learned of solely as a result of her service as an officer of the Company.

**(h) Breach.** It is expressly agreed that each breach of this Section 9 is a distinct and material breach of this Agreement and that solely a monetary remedy would be inadequate,

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impracticable and extremely difficult to prove, and that each such breach would cause the Company irreparable harm. It is further agreed that, in addition to any and all remedies available at law or equity (including money damages), either party shall be entitled to temporary and permanent injunctive relief to enforce the provisions of this Section, without the necessity of proving actual damages. It is further agreed that either party shall be entitled to seek such equitable relief in any forum, including a court of law, notwithstanding the provisions of Section 11. Either party may pursue any of the remedies described herein concurrently or consecutively in any order as to any such breach or violation, and the pursuit of one of such remedies at any time will not be deemed an election of remedies or waiver of the right to pursue any of the other such remedies. Any breach of this Section 9 shall immediately terminate any obligations by the Company to provide Executive with severance and continued benefits pursuant to Section 6 or 7 of this Agreement.

**(i) Unenforceability.** Should any portion of this Section 9 be deemed unenforceable because of its scope, duration or effect, and only in such event, then the parties expressly consent and agree to such limitation on scope, duration or effect as may be finally adjudicated as enforceable, to give this Section 9 its maximum permissible scope, duration and effect.

**10. Notices.** All notices and other communications under this Agreement shall be in writing and shall be given by fax or first class mail, certified or registered with return receipt requested, and shall be deemed to have been duly given three (3) days after mailing or twenty-four (24) hours after transmission of a fax to the respective persons named below:

If to the Company: Redwood Trust, Inc.  
Attn: Chief Legal Officer  
One Belvedere Place, Suite 300  
Mill Valley, CA 94941  
Phone: (415) 389-7373  
Fax: (415) 381-1773

If to the Executive: Brooke E. Carillo  
c/o Redwood Trust, Inc.  
One Belvedere Place, Suite 300  
Mill Valley, CA 94941  
Phone: (415) 389-7373  
Fax: (415) 381-1773

Either party may change such party's address for notices by notice duly given pursuant hereto.

**11. Resolution of Disputes.** To ensure the rapid and economical resolution of disputes that may arise in connection with the Executive's employment with the Company, the Executive

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and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to the enforcement, breach, performance, or interpretation of this Agreement, the Executive's employment, or the termination of the Executive's employment ("Arbitrable Claims") shall be submitted to confidential mediation in San Francisco, California conducted by a mutually agreeable mediator from Judicial Arbitration and Mediation Services ("JAMS") or its successor under the JAMS Rules of Practice and Procedure then in effect, which can be found at [www.jamsadr.com/adr-rules-procedures](http://www.jamsadr.com/adr-rules-procedures). The cost of JAMS' mediation fees shall be paid by the Company. In the event that mediation is unsuccessful in resolving the Arbitrable Claims, the Arbitrable Claims shall be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration in San Francisco, California conducted by JAMS or its successor, under the then applicable rules of JAMS.

**The Executive acknowledges that by agreeing to this arbitration procedure, both the Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.**

The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that the Executive or the Company would be entitled to seek in a court of law, including, without limitation, the award of attorneys' fees based on a determination of the extent to which each party has prevailed as to the material issues raised in determination of the dispute. The Company shall pay all JAMS' arbitration fees in excess of those which would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either the Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such mediation or arbitration.

## **12. [Reserved]**

**13. Assignment; Successors.** This Agreement is personal in its nature, and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that, in the event of the merger, consolidation, transfer, or sale of all or substantially all of the assets of the Company with or to any other individual or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder.

**14. Governing Law.** This Agreement and the legal relations thus created between the parties hereto shall be governed by and construed under and in accordance with the laws of the State of California.

**15. Entire Agreement; Headings.** This Agreement, together with the Side Letter, embodies the entire agreement of the parties with respect to the subject matter hereof and

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supersedes in their entirety all other or prior agreements, whether oral or written, with respect thereto, including but not limited to the Prior Agreement, but excluding the plans, programs and equity award agreements under which compensation and benefits are provided pursuant to Sections 3 and 4 hereof to the extent such plans and programs and equity award agreements are not inconsistent with this Agreement. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

**16. Waiver; Modification.** Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. This Agreement shall not be modified in any respect except by a writing executed by each party hereto.

**17. Severability.** In the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any statute or public policy, only the portions of this Agreement that violate such statute or public policy shall be stricken. All portions of this Agreement that do not violate any statute or public policy shall continue in full force and effect. Further, any court order striking any portion of this Agreement shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties under this Agreement.

**18. Indemnification.** The Company shall indemnify and hold Executive harmless to the maximum extent permitted by Section 2-418 of the Maryland General Corporations Law or its successor statute, or if greater, by the Company's Bylaws, by any applicable resolution of the Board or by the terms providing the most extensive indemnification contained in any written agreement between the Company and any director or officer of the Company. The Company shall make Executive a named beneficiary under all director and officer liability policies maintained by the Company from time to time for the benefit of its directors and officers, entitled to all benefits provided thereunder to persons serving in a comparable role as an officer of the Company. During the Term and for a term of six years thereafter, the Company shall purchase and maintain, at its own expense, directors and officers liability insurance providing coverage for Executive in respect of acts and omissions of the Executive in her capacity as such and occurring during Executive's employment.

**19. Section 409A.** Any payments under this Agreement subject to Section 409A of the Code that are subject to execution of a waiver and release which may be executed and/or revoked in a calendar year following the calendar year in which the payment event (such as a termination of employment) occurs shall commence payment only in the calendar year in which the consideration period or, if applicable, release revocation period ends, as necessary to comply with Section 409A of the Code. Notwithstanding anything to the contrary in this Agreement, no compensation or benefits shall be paid to the Executive during the six (6)-month period following the Executive's "separation from service" from the Company (within the meaning of

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Section 409A of the Code, a “Separation from Service”) if the Company determines that paying such amounts at the time or times indicated in this 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 day of the seventh month following the date of Separation from Service (or such earlier date upon which such amount can be paid under Section 409A without resulting in a prohibited distribution, including as a result of the Executive’s death), the Company shall pay the Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Executive during such period. Any right to a series of installment payments pursuant to this Agreement is to be treated as a right to a series of separate payments. To the extent permitted under Section 409A of the Code, any separate payment or benefit under this Agreement or otherwise shall not be deemed “nonqualified deferred compensation” subject to Section 409A of the Code to the extent provided in the exceptions in Treasury Regulation Section 1.409A-1(b)(4), Section 1.409A-1(b)(9) or any other applicable exception or provision of Section 409A. All payments of nonqualified deferred compensation subject to Section 409A to be made upon a termination of employment under this Agreement may only be made upon the Executive’s “separation from service” from the Company.

**20. Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

**21. Successor Sections.** References herein to sections or rules of the Code shall be deemed to include any successor sections or rules.

*[Signature Page Follows]*

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**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunto signed this Agreement, as of the Effective Date.

**REDWOOD TRUST, INC.**

By: /s/ Christopher J. Abate  
Christopher J. Abate  
Chief Executive Officer

**EXECUTIVE**

/s/ Brooke E. Carillo  
Brooke E. Carillo

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**EXHIBIT A**  
**RELEASE AGREEMENT**

Except as otherwise set forth in this Release Agreement or in Sections 7 and 18 of the Employment Agreement between Brooke E. Carillo and Redwood Trust, Inc., Brooke E. Carillo ("Executive") hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date Executive signs this Release Agreement. The Company, its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns, hereby releases Executive and her heirs, executors, successors and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date the Company signs this Release Agreement. This general mutual release includes, but is not limited to: (A) all claims arising out of or in any way related to Executive's employment with the Company or the termination of that employment; (B) all claims related to Executive's compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (C) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (D) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; (E) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended); and (F) all claims and rights with respect to Executive's right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator; provided, however, that nothing in this paragraph shall be construed in any way to release (i) the Company from (x) its obligation to indemnify Executive pursuant to agreement, the Company's bylaws or binding resolutions, or applicable law or (y) the Company's payment obligations under Section (7) of the Employment Agreement, (ii) coverage under any applicable D&O policies,

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(iii) claims to vested benefits that Executive is entitled to receive under any other plan or agreement covering Executive) or (iv) Executive's vested equity awards.

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Executive acknowledges that she is knowingly and voluntarily waiving and releasing any rights she may have under the ADEA, and that the consideration given under her Employment Agreement with the Company for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which she was already entitled. Executive further acknowledges that she has been advised by this writing, as required by the ADEA, that: (A) this waiver and release does not apply to any rights or claims that may arise after the date Executive signs this Release Agreement; (B) Executive should consult with an attorney prior to signing this Release Agreement (although Executive may choose voluntarily not to do so); (C) Executive has twenty-one (21) days to consider this Release Agreement (although Executive may choose voluntarily to sign this Release Agreement earlier); (D) Executive has seven (7) days following the date that she signs this Release Agreement to revoke the Release Agreement by providing written notice to an officer of the Company; and (E) this Release Agreement shall not be effective until the date upon which the revocation period has expired, which shall be the eighth day after Executive signs this Release Agreement. Both Executive and the Company acknowledge that each has read and understands Section 1542 of the California Civil Code which reads as follows:

**A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.**

Both Executive and the Company hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to each party's release of any claims hereunder.

Notwithstanding anything herein, the Executive acknowledges and agrees that, pursuant to 18 USC Section 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) 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 (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

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Mutual Nondisparagement.

(a) Nondisparagement by Executive. At all times following the cessation of the Executive's employment with the Company, the Executive 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.

(b) Nondisparagement by Designated Company Representatives. At all times following the cessation of the Executive's employment with the Company, the Company agrees not to publish, and agrees to cause the Designated Company Representatives not to make, negative comments or statements about, or otherwise criticize or disparage, in any format or through any medium, the Executive. 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 business reputation or personal reputation. For purposes of this sub-section (b), the "Designated Company Representatives" are (i) all executive officers of the Company while serving in such capacity and (ii) all members of the Board of Directors while serving in such capacity.

(c) The foregoing sub-sections (a) and (b) shall not be violated by truthful comments or statements (i) made in response to legal process, in required governmental testimony or filings, in judicial, administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings), in compliance with law, administrative rule, or regulation, or made pursuant to a court or administrative order, or in connection with reporting possible violations of federal law or regulation to any governmental agency or entity, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, (ii) made by members of the Board of Directors in the course of meetings or discussions of the Board of Directors (or any committee thereof) or in communications between members of the Board of Directors and the Executive, and not disclosed to the public, (iii) made by a member of the Board of Directors in the good faith belief that the statements are required for the proper discharge of her or her fiduciary duties, or (iv) made by the Board of Directors in connection with a termination of the Executive for Cause.

*[Signature Page Follows]*

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**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunto signed this Agreement, as of the date set forth below.

**EXECUTIVE**

Name: \_\_\_\_\_  
Brooke E. Carillo

Date: \_\_\_\_\_

**COMPANY**

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

Date: \_\_\_\_\_

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**EXHIBIT B**  
**RELEASE AGREEMENT**

Except as otherwise set forth in this Release Agreement or in Sections 7 and 18 of the Employment Agreement between Brooke E. Carillo and Redwood Trust, Inc., Brooke E. Carillo ("Executive") hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date Executive signs this Release Agreement. The Company, its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns, hereby releases Executive and her heirs, executors, successors and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date the Company signs this Release Agreement. This general mutual release includes, but is not limited to: (A) all claims arising out of or in any way related to Executive's employment with the Company or the termination of that employment; (B) all claims related to Executive's compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (C) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (D) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; (E) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended); and (F) all claims and rights with respect to Executive's right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator; provided, however, that nothing in this paragraph shall be construed in any way to release (i) the Company from (x) its obligation to indemnify Executive pursuant to agreement, the Company's bylaws or binding resolutions, or applicable law or (y) the Company's payment obligations under Section (7) of the Employment Agreement, (ii) coverage under any applicable D&O policies, (iii) claims to vested benefits that Executive is entitled to receive under any other plan or agreement covering Executive) or (iv) Executive's vested equity awards.

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Executive acknowledges that she is knowingly and voluntarily waiving and releasing any rights she may have under the ADEA, and that the consideration given under her Employment Agreement with the Company for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which she was already entitled. Executive further acknowledges that she has been advised by this writing, as required by the ADEA, that: (A) this waiver and release does not apply to any rights or claims that may arise after the date Executive signs this Release Agreement; (B) Executive should consult with an attorney prior to signing this Release Agreement (although Executive may choose voluntarily not to do so); (C) Executive has forty-five (45) days to consider this Release Agreement (although she may choose voluntarily to sign this Release Agreement earlier); (D) Executive has seven (7) days following the date that she signs this Release Agreement to revoke the Release Agreement by providing written notice to an officer of the Company; (E) this Release Agreement shall not be effective until the date upon which the revocation period has expired, which shall be the eighth day after Executive signs this Release Agreement; and (F) Executive has received with this Release Agreement a detailed list of the job titles and ages of all employees who were terminated in this group termination and the ages of all employees of the Company in the same job classification or organizational unit who were not terminated.

Both the Executive and the Company acknowledge that each has read and understands Section 1542 of the California Civil Code which reads as follows:

**A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.**

Both the Executive and the Company hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to each party's release of any claims hereunder.

Notwithstanding anything herein, the Executive acknowledges and agrees that, pursuant to 18 USC Section 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) 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 (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

Mutual Nondisparagement.

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(a) Nondisparagement by Executive. At all times following the cessation of the Executive's employment with the Company, the Executive 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.

(b) Nondisparagement by Designated Company Representatives. At all times following the cessation of the Executive's employment with the Company, the Company agrees not to publish, and agrees to cause the Designated Company Representatives not to make, negative comments or statements about, or otherwise criticize or disparage, in any format or through any medium, the Executive. 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 business reputation or personal reputation. For purposes of this sub-section (b), the "Designated Company Representatives" are (i) all executive officers of the Company while serving in such capacity and (ii) all members of the Board of Directors while serving in such capacity.

(c) The foregoing sub-sections (a) and (b) shall not be violated by truthful comments or statements (i) made in response to legal process, in required governmental testimony or filings, in judicial, administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings), in compliance with law, administrative rule, or regulation, or made pursuant to a court or administrative order, or in connection with reporting possible violations of federal law or regulation to any governmental agency or entity, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, (ii) made by members of the Board of Directors in the course of meetings or discussions of the Board of Directors (or any committee thereof) or in communications between members of the Board of Directors and the Executive, and not disclosed to the public, (iii) made by a member of the Board of Directors in the good faith belief that the statements are required for the proper discharge of her or her fiduciary duties, or (iv) made by the Board of Directors in connection with a termination of the Executive for Cause.

*[Signature Page Follows]*

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**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunto signed this Agreement, as of the date set forth below.

**EXECUTIVE**

Name: \_\_\_\_\_  
Brooke E. Carillo

Date: \_\_\_\_\_

**COMPANY**

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

Date: \_\_\_\_\_

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**EXHIBIT C**  
**Section 2870 of California Labor Code**

Section 2870 of California Labor Code: Application of provision providing that employee shall assign or offer to assign rights in invention to employer.

a. Any provision and employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information except for those inventions that either:

1. Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
2. Result from any work performed by the employee for the employer.

b. To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

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**EXHIBIT D**  
**DEFINITION OF “CHANGE OF CONTROL”**

“Change of Control” refers to the occurrence of any of the following:

(a) A transaction or series of transactions (other than an offering of common stock to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of transactions that meets the requirements of clauses (i) and (ii) of subsection (c) below) whereby any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a “person” that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 30% of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; or

(b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new Director(s) (other than a Director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in subsections (a) or (c) of this definition) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company’s assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) which results in the Company’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company’s assets or otherwise succeeds to the business of the Company (the Company or such person, the “Successor Entity”)) directly or indirectly, at least a majority of the combined voting power of the Successor Entity’s outstanding voting securities immediately after the transaction, and

(ii) after which no person or group beneficially owns voting securities representing 30% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (ii)

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as beneficially owning 30% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction.”

## AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (“Agreement”), effective as of June 10, 2021 (the “Effective Date”), is entered into by and between **Sasha G. Macomber** (the “Executive”) and **Redwood Trust, Inc.**, a Maryland corporation (the “Company”), and amends and restates in its entirety that certain Employment Agreement by and between the Executive and the Company dated November 6, 2020 (the “Prior Agreement”).

The Company desires to establish its right to the continued services of the Executive, in the capacity, on the terms and conditions, and subject to the rights of termination hereinafter set forth, and the Executive is willing to accept such continued employment in such capacity, on such terms and conditions, and subject to such rights of termination.

In consideration of the mutual agreements hereinafter set forth, the Executive and the Company have agreed and do hereby agree as follows:

**1. Employment and Responsibilities.** During the Term, the Executive shall serve as Chief Human Resource Officer of the Company, reporting to the Chief Executive Officer of the Company, with responsibilities, duties and authority customary for such position. The Executive does hereby accept and agree to such continued employment. The Chief Executive Officer may, from time to time, in his sole discretion, modify, reassign and/or augment the Executive’s responsibilities, subject to prior approval by the Board of Directors of the Company (the “Board”), and any such modification, reassignment and/or augmentation shall be deemed a waiver by the Executive of her rights under Section 6(e)(i) hereof only with her express prior written consent. Any such modification, reassignment or augmentation of responsibilities shall be in writing. The Executive shall devote such time, energy and skill to the performance of her duties for the Company and for the benefit of the Company as may be necessary or required for the effective conduct and operation of the Company’s business. Furthermore, the Executive shall act only in good faith and exercise due diligence and care in the performance of her duties to the Company under this Agreement.

**2. Term of Agreement.** The term of this Agreement (the “Term”) shall commence on the Effective Date and shall continue through December 31, 2021; provided, however, that (i) on January 1, 2022 and each succeeding January 1, the Term shall automatically be extended for one additional year unless, not later than three months prior to any such January 1, either party shall have given written notice to the other that it does not wish to extend the Term and (ii) such one year extensions of the Term shall not occur on and after the January 1 of the year in which the Executive will attain age sixty-five (65) but instead the Term shall be extended only until the date of the Executive’s sixty-fifth (65th) birthday.

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### 3. Compensation.

(a) **Base Salary.** The Company shall pay the Executive, and the Executive agrees to accept from the Company, in payment for her services to the Company a base salary (the “Base Salary”) at the rate of not less than \$400,000 per year, paid in accordance with the customary payroll practices of the Company subject to annual review and increase by the Board in its sole discretion (or by the Board’s separately designated Compensation Committee in its sole discretion). For the avoidance of doubt, references to the Board in this Section 3 shall include the Board’s separately designated Compensation Committee.

(b) **Performance Bonus.** The Executive shall be eligible to receive an annual bonus. The Board in its discretion will determine whether such annual bonus will be paid, the amount of such bonus and its form of payment. The Executive’s target annual bonus amount is 125% of her Base Salary (the “Target Bonus”). If the Board determines in its discretion that the Executive’s performance meets or exceeds the criteria established by the Board for the award of a Target Bonus, the Board may award the Executive the Target Bonus or a higher amount. Likewise, if the Executive’s performance does not meet said criteria, the Board may award a lesser amount, or no bonus may be awarded. Unless otherwise provided in this Agreement, the Executive’s eligibility to receive any bonus under this paragraph shall be expressly conditioned on, among other things, the Executive remaining employed with the Company up through any designated distribution date set by the Board.

Notwithstanding the foregoing paragraph, in the event of a “Change of Control” (as defined in Exhibit D attached hereto), immediately prior to such Change of Control the Company shall be obligated to pay the Executive: (A) when such Change of Control occurs during a calendar year in respect of which no annual bonus has yet been paid, a pro-rated annual bonus for such calendar year, based on the number of days in such calendar year prior to the Change of Control; and (B) when such Change of Control occurs after the conclusion of a calendar year in respect of which no annual bonus has yet been paid (i.e., such Change of Control occurs after December 31st, but before the designated payment date for the annual bonus in respect of such completed calendar year), an annual bonus for such completed calendar year. In the case of both of the preceding clauses (A) and (B), such amounts shall each be separately subject to any cap on Executive’s annual bonus previously established by the Board (or any committee thereof) and shall each be determined in accordance with the criteria most recently designated by the Board (or any committee thereof) for the determination of such amounts, as follows: (I) any portion of the annual bonus amounts that had been previously designated by the Board (or any committee thereof) to be determined relative to the achievement of criteria measuring the financial performance of the Company with respect to a calendar year, shall be paid in amounts based on the attainment of such criteria (on an annualized basis, if in respect of less than a full calendar year), through the date immediately prior to such Change of Control (or, as applicable, through the end of any such completed calendar year) and in accordance with the methodology previously approved by the Board (or any committee thereof) for payment of such amounts of annual bonus (i.e., an amount at, higher, or lower than the target amounts for such portions of annual bonus); and (II) any portion of the annual bonus amounts that had been previously designated by the Board (or any committee thereof) to be determined relative to the

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achievement of criteria measuring the individual performance of the Executive, shall be paid in amounts equal to the target amount of such portion of the Executive's annual bonus.

**(c) Equity Incentive Awards.** Executive shall be eligible to receive grants of equity-based long-term incentive awards, which may include options to purchase Company stock, performance or restricted stock units and Company restricted stock contributions to Company's deferred compensation plan, or other equity-based awards. Such awards shall be determined in the discretion of the Board and the Executive shall be eligible for consideration for such awards in the same manner as other senior executive officers of the Company. In the event of a Change of Control in which the surviving or acquiring corporation does not assume the Executive's outstanding equity-related awards (including options and equity-based awards granted both before and after the Effective Date) or substitute similar equity-related awards of substantially equivalent value, such equity-related awards shall immediately vest and become exercisable if the Executive's service with the Company has not terminated before the effective date of the Change of Control; provided, however, that the foregoing provision shall only apply if the Company is not the surviving corporation or if shares of the Company's common stock are converted into or exchanged for other securities or cash.

**(d) Annual Review.** The Executive's performance shall be reviewed at least annually. The performance evaluations shall consider and assess the Executive's performance of her duties and responsibilities, the timely accomplishment of existing performance objectives, her level of efficiency and overall effectiveness and/or other factors or criteria that the Company, in its sole discretion, may deem relevant. The frequency of performance evaluations may vary depending upon, among other things, length of service, past performance, changes in job duties or performance levels. The Board shall, at least annually, review the Executive's entire compensation package to determine whether it continues to meet the Company's compensation objectives. Such annual review will include a determination of (i) whether to increase the Base Salary in accordance with Section 3(a); (ii) the incentive performance bonus to be awarded in accordance with Section 3(b); and (iii) the amount and type of any equity awards granted in accordance with Section 3(c). Positive performance evaluations do not guarantee salary increases or incentive bonuses. Salary increases and incentive bonus awards are solely within the discretion of the Board and may depend upon many factors other than the Executive's performance.

**4. Fringe Benefits.** The Executive shall be entitled to participate in any benefit programs adopted from time to time by the Company for the benefit of its senior executive officers, and the Executive shall be entitled to receive such other fringe benefits as may be granted to her from time to time by the Board.

**(a) Benefit Plans.** The Executive shall be entitled to participate in any benefit plans relating to equity-based compensation awards, pension, thrift, profit sharing, life insurance, medical coverage, education, deferred compensation, or other retirement or employee benefits available to senior executive officers of the Company, subject to any restrictions (including waiting periods) specified in such plans and/or related individual agreements. The Company

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shall make commercially reasonable efforts to obtain medical and disability insurance, and such other forms of insurance as the Board shall from time to time determine, for its senior executive officers.

**(b) Paid Time Off.** The Executive shall be entitled to paid time off ("PTO") each calendar year pursuant to the Company's policies applicable to senior executive officers of the Company, as in effect from time to time and consistent with the Executive's satisfactory performance of the duties set forth in Section 1.

**5. Business Expenses.** The Company shall reimburse the Executive for any and all necessary, customary and usual expenses, properly receipted in accordance with Company policies, incurred by Executive on behalf of the Company.

**6. Termination of Executive's Employment.**

**(a) Death.** If the Executive dies while employed by the Company, her employment shall immediately terminate. The Company's obligation to pay the Executive's Base Salary shall cease as of the date of the Executive's death, and any unpaid Base Salary shall be paid to the Executive's estate. In addition, within fifteen (15) days of the Executive's death, the Company shall pay to the Executive's estate an incentive performance bonus based on Executive's Target Bonus then in effect, prorated for the number of days of employment completed by the Executive during the year of her death. Executive's beneficiaries or her estate shall receive benefits in accordance with the Company's retirement, insurance and other applicable programs and plans then in effect. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). All stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable based on the number of target shares and the performance goals set forth in the applicable award agreement by which such awards are evidenced, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). In addition, in the event the Company grants to the Executive a cash-settled equity award or a long-term incentive compensation award payable in cash, this Section 6(a) shall apply, mutatis mutandis, to any such award(s).

**(b) Disability.** If, as a result of the Executive's incapacity due to physical or mental illness ("Disability"), Executive shall have been absent from the full-time performance of her duties with the Company for six (6) consecutive months, and, within thirty (30) days after written notice is provided to her by the Company, she shall not have returned to the full-time performance of her duties, the Executive's employment under this Agreement may be terminated by the Company for Disability. During any period prior to such termination during which the

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Executive is absent from the full-time performance of her duties with the Company due to Disability, the Company shall continue to pay the Executive her Base Salary at the rate in effect at the commencement of such period of Disability and any earned but unpaid annual bonus from a prior service year. Subsequent to such termination, the Executive's benefits shall be determined under the Company's retirement, insurance and other compensation programs then in effect in accordance with the terms of such programs. In addition, within fifteen (15) days of such termination, the Company shall pay to the Executive an incentive performance bonus based on Executive's Target Bonus then in effect, prorated for the number of days of employment completed by the Executive during the year in which her employment terminated. The Executive, the Executive's beneficiaries or her estate shall receive benefits in accordance with the Company's retirement, insurance and other applicable programs and plans then in effect. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). All stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable based on the number of target shares and the performance goals set forth in the applicable award agreement by which such awards are evidenced, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than one year or through the expiration date of the stock option, whichever is earlier). In addition, in the event the Company grants to the Executive a cash-settled equity award or a long-term incentive compensation award payable in cash, this Section 6(b) shall apply, mutatis mutandis, to any such award(s).

**(c) Termination By The Company For Cause.** The Company may terminate the Executive's employment under this Agreement for Cause, at any time prior to expiration of the Term of the Agreement; provided, however, that prior to any termination of employment for Cause pursuant to subsection (i), (ii), or (iii) below, the Company must first provide written notice describing the reason for such termination of employment (and, with respect to subsections (ii) and (iii) below, such notice may be provided on the same date as the termination date). For purposes of this Agreement, "Cause" shall mean (i) the Executive's material failure to substantially perform the reasonable and lawful duties of her position for the Company, which failure shall continue for thirty (30) days after written notice thereof by the Company to the Executive; (ii) acts or omissions constituting gross negligence, recklessness or willful misconduct on the part of the Executive in respect of the performance of her duties hereunder, her fiduciary obligations or otherwise relating to the business of the Company; (iii) the habitual or repeated neglect of her duties by Executive; (iv) the Executive's conviction of a felony; (v) 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 Executive injurious to the interest, property, operations, business or reputation of the Company; or (vii) unauthorized use or disclosure of trade secrets or confidential or proprietary information pertaining to Company business.

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In the event of a termination under this Section 6(c), the Company will pay only the portion of Base Salary or previously awarded bonus unpaid as of the termination date. Fringe benefits which have accrued and/or vested on the termination date will continue in effect according to their terms.

**(d) Termination By The Company Without Cause.** The Company may terminate Executive's employment hereunder at any time without Cause upon 30 days written notice to Executive or pay in lieu thereof. In the event of a termination under this Section 6(d), the Executive shall be entitled to the benefits set forth in Section 7.

**(e) Termination By The Executive For Good Reason.** The Executive shall have the right to terminate the Officer's employment under this Agreement for Good Reason, at any time prior to expiration of the Term of the Agreement. For purposes of this Agreement, "Good Reason" shall mean the occurrence, without the Executive's express written consent, of any one or more of the following events:

**(i)** A material reduction in Executive's responsibilities, title, duties or authority, including, without limitation, (A) Executive ceasing to serve as the chief human resource officer of a publicly traded company or (B) on or after a Change of Control, if as a result of such Change of Control, the Company becomes a subsidiary of another entity and Executive is not appointed (or after appointment, ceases) to be the chief human resource officer of the top-tier parent entity of the Company (or its successor); provided that, for the avoidance of doubt, the appointment of Executive to a top-tier parent entity that is not publicly traded does not eliminate Executive's rights under sub-clause (A) above;

**(ii)** A material reduction in the Executive's Base Salary or a material reduction by the Company in the value of the Executive's total compensation package (salary, 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 senior executives of the Company;

**(iii)** The relocation of the Executive's principal Company office to a location more than twenty-five (25) miles from its location as of the Effective Date (which location is the Company's headquarters in Mill Valley, California), except for required travel on the Company's business to the extent necessary to fulfill the Executive's obligations under Section 1;

**(iv)** A failure by the Company at any time to renew this Agreement for successive one-year periods pursuant to Section 2;

**(v)** The complete liquidation of the Company; or

**(vi)** In the event of a merger, consolidation, transfer, or closing of a sale of all or substantially all the assets of the Company with or to any other individual or entity, the

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failure of the Company's successor to affirmatively adopt this Agreement or to otherwise comply with its obligations pursuant to Section 13 below.

Notwithstanding the foregoing, the Executive will not be deemed to have resigned for Good Reason for purposes of subclause (i) unless (1) the Executive provides the Company with written notice setting forth in reasonable detail the facts and circumstances claimed by the Executive to constitute Good Reason within ninety (90) days after the date of the occurrence of any event that the Executive 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 Executive's termination for Good Reason occurs no later than thirty (30) days after the expiration of the Company's cure period. In the event of a termination under this Section 6(e), the Executive shall be entitled to the benefits set forth in Section 7.

**(f) Termination By The Executive Without Good Reason.** The Executive may at any time during the Term terminate her employment hereunder for any reason or no reason by giving the Company notice in writing not less than sixty (60) days in advance of such termination. The Executive shall have no further obligations to the Company after the effective date of termination, as set forth in the notice. In the event of a termination by the Executive under this Section 6(f), the Company will pay only the portion of Base Salary or previously awarded bonus unpaid as of the termination date. Fringe benefits which have accrued and/or vested on the termination date will continue in effect according to their terms.

#### **7. Compensation Upon Termination By the Company without Cause or By The Executive for Good Reason.**

**(a)** If the Executive's employment shall be terminated by the Company without Cause or by the Executive for Good Reason, the Executive shall be entitled to the following benefits:

**(i) Payment of Unpaid Base Salary.** The Company shall immediately pay the Executive any portion of the Executive's Base Salary through the date of termination or previously awarded bonus not paid prior to the termination date.

**(ii) Severance Payment.**

(A) In the event such termination is not a CIC Termination (as defined below), then the Company shall provide the Executive (x) an amount equal to three-quarters (0.75) times the sum of (i) Executive's Annual Base Salary as in effect immediately prior to her termination and (ii) Executive's Target Bonus in effect immediately prior to her termination and (y) an amount equal to the Executive's Target Bonus in effect immediately prior to her termination pro-rated for the number of days of employment completed by the Executive during the year in which her employment is terminated.

(B) In the event such termination of employment occurs within three months prior to, on, or within 24 months following a Change of Control (a "CIC

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Termination”), then instead of providing the payments in Section 7(a)(ii)(A), the Company shall provide the Executive an amount equal to the sum of (x) the Executive’s Target Bonus in effect immediately prior to her termination, prorated for the number of days of employment completed by the Executive during the year in which her employment terminated; (y) one (1) times the Executive’s Annual Base Salary as in effect immediately prior to her termination; and (z) one (1) times the Executive’s Target Bonus in effect immediately prior to her termination. Notwithstanding the foregoing, the maximum aggregate amount that the Company shall pay to the Executive pursuant to this Section 7(a)(ii)(B) is \$1,250,000.

**(iii) Equity Awards.** All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). If the Executive’s employment shall be terminated by the Company without Cause, all stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable or exercisable based on (x) the performance goals set forth in the applicable award agreement by which such awards are evidenced and (y) a reduced number of target shares adjusted on a pro-rata basis to reflect the number of days of employment completed during the applicable vesting period in which termination occurs, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). If the Executive’s employment shall be terminated by the Executive for Good Reason, all stock options or other equity-related awards with performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable based on the number of target shares and the performance goals set forth in the applicable award agreement by which such awards are evidenced, with any stock options remaining exercisable for such period as set forth in the applicable award agreement (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). In addition, in the event the Company grants to the Executive a cash-settled equity award or a long-term incentive compensation award payable in cash, this Section 7(a)(iii) shall apply, mutatis mutandis, to any such award(s).

**(iv) Continuation of Fringe Benefits.** For a period of up to nine (9) months (or, in the event of a CIC Termination, twelve (12) months) following the date of Executive’s termination of employment with Company, subject to the Executive’s valid election to continue healthcare coverage under Section 4980B of the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations thereunder, the Company shall continue to provide the Executive and the Executive’s eligible dependents with coverage under its group health plans at the same levels and the same cost to the Executive as would have applied if the Executive’s employment had not been terminated based on the Employee’s elections in effect on the date of termination (the “Continued Coverage”), provided that (1) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation

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coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (2) the Company is otherwise unable to continue to cover the Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act or the Patient Protection and Affordable Care Act), the Company may in its sole discretion provide that (i) the Executive shall pay to the Company, on an after-tax basis, a monthly amount equal to the full premium cost of the Continued Coverage for such month and (ii) within 30 days of such premium payment, the Company shall reimburse the Executive in cash (less required withholding) an amount equal to the sum of (A) the excess of (x) the full premium cost of the Continued Coverage for such month over (y) any premium amount that would have been payable by the Executive if the Executive had been actively employed by the Company for such month and (B) an additional tax "gross up" payment to cover all estimated applicable local, state and federal income and payroll taxes imposed on the Executive with respect to the Continued Coverage. For the nine (9) month (or, in the event of a CIC Termination, twelve (12) month) period following the termination of the Executive's employment, the Company shall also continue to provide the Executive with all life insurance, disability insurance and other fringe benefits set forth in Section 4 as if the Executive's employment under the Agreement had not been terminated; provided, however, that such life insurance, disability insurance and other fringe benefits shall cease as of the date the Executive receives such coverage from a subsequent employer.

**(v) Payment/Benefit Limitation.** If any payment or benefit due under this Agreement, together with all other payments and benefits that the Executive receives or is entitled to receive from the Company or any of its subsidiaries, affiliates or related entities, would (if paid or provided) constitute an "excess parachute payment" for purposes of Section 280G of the Code, the amounts otherwise payable and benefits otherwise due under this Agreement will either (i) be delivered in full, or (ii) be limited to the minimum extent necessary to ensure that no portion thereof will fail to be tax-deductible to the Company by reason of Section 280G of the Code (and therefore, no portion thereof will be subject to the excise tax imposed under Section 4999 of the Code), whichever of the foregoing amounts, taking into account applicable federal, state and local income and employment taxes and the excise tax imposed under Section 4999 of the Code, results in the receipt by the Executive, on an after-tax basis, of the greatest amount of payments and benefits, notwithstanding that all or some portion of such payments and/or benefits may be subject to the excise tax imposed under Section 4999 of the Code. Unless otherwise specified in writing by the Executive, in the event that the payments and/or benefits are to be reduced pursuant to this Section 7(a)(v), such payments and benefits shall be reduced such that the reduction of cash compensation to be provided to the Executive as a result of this Section 7 is minimized. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. All determinations required to be made under this Section 7(a)(v) shall be made by the Company's independent public accounting firm (or such other nationally recognized public accounting firm as may be selected by the Company and to which selection the Executive consents (such consent not to be unreasonably withheld)) which shall provide detailed supporting calculations both to the

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Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a payment or benefit subject to this Section 7(a)(v), or such earlier time as is requested by the Company.

**(b) No Mitigation Required; No Other Entitlement To Benefits Under Agreement.** The Executive shall not be required in any way to mitigate the amount of any payment provided for in this Section 7, including, without limitation, by seeking other employment, nor shall the amount of any payment provided for in this Section 7 be reduced by any compensation earned by the Executive as the result of employment with another employer after the termination date of employment, or otherwise. Except as set forth in this Section 7, following a termination governed by this Section 7, the Executive shall not be entitled to any other compensation or benefits set forth in this Agreement, except as may be separately negotiated by the parties and approved the Board in writing in conjunction with the termination of Executive's employment under this Section 7.

**(c) Release Agreement.** As a condition of receiving any of the payments, vesting and benefits set forth in this Section 7 (other than the payment provided for in sub-section 7(a)(i)), the Executive shall be required to execute a mutual release agreement in the form attached hereto as Exhibit A or Exhibit B, as appropriate, and such release agreement must have become effective in accordance with its terms within 60 days following the termination date. The Company, in its sole discretion, may modify the term of the required release agreement to comply with applicable law and may incorporate the required release agreement into a termination agreement or other agreement with the Executive.

**(d) Timing of Severance Payments.** Notwithstanding any other provision of this Agreement, all severance payments provided under this 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.

**(e) Timing of Bonus Payments.** Notwithstanding any other provision of this Agreement, all bonus payments provided under this 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.

**8. Disputes Relating To Executive's Termination of Employment For Good Reason .** If the Executive resigns her employment with the Company alleging in good faith as the basis for such resignation "Good Reason" as defined in Section 6(e), and if the Company then disputes the Executive's right to the payment of benefits under Section 7, the Company shall continue to pay the Executive the full compensation (including, without limitation, her Base Salary) in effect at the date the Executive provided written notice of such resignation, and the Company shall continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was then a participant, until the earlier of the expiration of the Term or the date the dispute is finally resolved, either by mutual written agreement of the parties or by application of

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the provisions of Section 11. For the purposes of this Section 8, the Company shall bear the burden of proving that the grounds for the Executive's resignation do not fall within the scope of Section 6(e), and there shall be a rebuttable presumption that the Executive alleged such grounds in good faith.

#### **9. Restrictive Covenant Provisions.**

**(a) Noncompetition.** The Executive agrees that during the Term prior to any termination of her employment hereunder, she will not, directly or indirectly, without the prior written consent of a majority of the non-employee members of the Board, manage, operate, join, control, participate in, or be connected as a stockholder (other than as a holder of shares publicly traded on a stock exchange or the NASDAQ National Market System), partner, or other equity holder with, or as an officer, director or employee of, any real estate or mortgage investment organization whose business strategy is competitive with that of the Company, as determined by a majority of the non-employee members of the Board. It is further expressly agreed that the Company will or would suffer irreparable injury if the Executive were to compete with the Company or any subsidiary or affiliate of the Company in violation of this Agreement and that the Company would by reason of such competition be entitled to injunctive relief in a court of appropriate jurisdiction, and the Executive further consents and stipulates to the entry of such injunctive relief in such a court prohibiting the Executive from competing with the Company or any subsidiary or affiliate of the Company, in the areas of business set forth above, in violation of this Agreement.

**(b) Duty To Avoid Conflict Of Interest.** During her employment by the Company, Executive agrees not to engage or participate in, directly or indirectly, any activities in conflict with the best interests of the Company. The Company shall be the final decision-maker with regard to any conflict of interest issue.

**(c) Right To Company Materials.** The Executive agrees that all styles, designs, lists, materials, books, files, reports, correspondence, records, and other documents ("Company Materials") used, prepared, or made available to the Executive shall be and shall remain the property of the Company. Upon the termination of employment or the expiration of this Agreement, the Executive shall immediately return to the Company all Company Materials, and the Executive shall not make or retain any copies thereof.

**(d) Nonsolicitation.** The Executive promises and agrees that she will not directly or indirectly solicit any of the Company's employees to work for any competing real estate or mortgage investment organization as determined under Section 9(a) for a period of one (1) year following the occurrence of any event entitling the Executive to payments and benefits, provided the Company makes all such payments when due according to the provisions herein.

#### **(e) Confidential And Proprietary Information.**

**(1)** It is hereby acknowledged that Executive has and shall gain knowledge of trade secrets and confidential information owned by or related to the Company and/or its affiliates including but not limited to the following: (i) the names, lists, buying habits and practices of customers, clients or vendors, (ii) marketing and related information, (iii)

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relationships with the persons or entities with whom or with which the Company has contracted, (iv) their products, designs, software, developments, improvements and methods of operation, (v) financial condition, profit performance and financial requirements, (vi) the compensation paid to employees, (vii) business plans and the information contained therein, and (viii) all other confidential information of, about or concerning the Company, the manner of operation of the Company and other confidential data of any kind, nature or description relating to the Company (collectively, the "Confidential Information"). Confidential Information does not include information which (A) is or becomes generally available to the public other than as a result of a disclosure by Executive; or (B) becomes available to Executive on a non-confidential basis after the termination or expiration of Executive's obligations under this Agreement from a source other than the Company, provided that such source is not bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Company or any other party with respect to such information; or (C) is independently developed after the termination or expiration of Executive's obligations under this agreement without reference to the Confidential Information, provided such independent development can reasonably be proven by Executive by written records.

(2) The parties hereby acknowledge that the Confidential Information constitutes important, unique, material and confidential trade secrets which affect the successful activities of the Company, and constitute a substantial part of the assets and goodwill of the Company. In view of the foregoing, Executive agrees that she will not at any time whether during or after the term of this Agreement, except as required in the course of Executive's employment by Company and at its direction and for its sole benefit, in any fashion, form or manner, directly or indirectly (i) use or divulge, disclose, communicate or provide or permit access to any person, firm, partnership, corporation or other entity, any Confidential Information of any kind, nature or description, or (ii) remove from Company's premises any notes or records relating thereto, or copies or facsimiles thereof (whether made by electronic, electrical, magnetic, optical, laser, acoustic or other means).

(3) Promptly upon the request of Company, and immediately upon the termination of Executive's employment, Executive shall not transfer to any third person and shall deliver to Company all Confidential Information, and other property belonging to the Company, including all copies thereof, in the possession or under the control of the Executive.

(4) Executive represents that the performance of all the terms of this Agreement will not conflict with, and will not breach, any other invention assignment agreement, confidentiality agreement, employment agreement or non-competition agreement to which Executive is or has been a party. To the extent that Executive has confidential information or materials of any former employer, Executive acknowledges that the Company has directed Executive to not disclose such confidential information or materials to the Company or any of its employees, and that the Company prohibits Executive from using said confidential information or materials in any work that Executive may perform for the Company. Executive agrees that Executive will not bring with Executive to the Company, and will not use or disclose any confidential, proprietary information, or trade secrets acquired by Executive prior to her

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employment with the Company. Executive will not disclose to the Company or any of its employees, or induce the Company or any of its employees to use, any confidential or proprietary information or material belonging to any previous employers or others, nor will Executive bring to the Company or use in connection with Executive's work for the Company copies of any software, computer files, or any other copyrighted or trademarked materials except those owned by or licensed to the Company. Executive represents that she is not a party to any other agreement that will interfere with her full compliance with this Agreement. Executive further agrees not to enter into any agreement, whether written or oral, in conflict with the provisions of this Agreement.

**(5)** Notwithstanding the generality of the foregoing, nothing in this Agreement is intended to prohibit the Executive from 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, including in relation to any whistleblower, anti-discrimination, or anti-retaliation provisions of federal, state or local law or regulation. Pursuant to 18 U.S.C. Section 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (x) 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 (y) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

**(f) Inventions.** Any and all inventions, discoveries or improvements that Executive has conceived or made or may conceive or make during the period of employment relating to or in any way pertaining to or connected with the systems, products, computer programs, software, apparatus or methods employed, manufactured or constructed by the Company or to systems, products, apparatus or methods with respect to which the Company engages in, requests or anticipates research or development, shall be promptly and fully disclosed and described by Executive to the Company and shall be the sole and exclusive property of the Company, and Executive shall assign, and hereby does assign to the Company Executive's entire right, title and interest in and to all such inventions, discoveries or improvements as well as any modifications or improvements thereto that may be made.

The obligations outlined in this Section 9(f) do not apply to any invention that qualifies fully under California Labor Code Section 2870 (a copy of which is attached hereto as Exhibit C) or to any rights Executive may have acquired in connection with an invention, discovery or improvement that was developed entirely on Executive's own time for which no equipment, supplies, facilities or trade secret information of the Company was used and (a) that does not relate directly or indirectly to the business of the Company or to the Company's actual or demonstrable anticipated research or development, or (b) that does not result from any work performed by Executive for the Company.

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**(g) Maryland Law.** The Executive agrees, in accordance with Maryland law, to first offer to the Company corporate opportunities learned of solely as a result of her service as an officer of the Company.

**(h) Breach.** It is expressly agreed that each breach of this Section 9 is a distinct and material breach of this Agreement and that solely a monetary remedy would be inadequate, impracticable and extremely difficult to prove, and that each such breach would cause the Company irreparable harm. It is further agreed that, in addition to any and all remedies available at law or equity (including money damages), either party shall be entitled to temporary and permanent injunctive relief to enforce the provisions of this Section, without the necessity of proving actual damages. It is further agreed that either party shall be entitled to seek such equitable relief in any forum, including a court of law, notwithstanding the provisions of Section 11. Either party may pursue any of the remedies described herein concurrently or consecutively in any order as to any such breach or violation, and the pursuit of one of such remedies at any time will not be deemed an election of remedies or waiver of the right to pursue any of the other such remedies. Any breach of this Section 9 shall immediately terminate any obligations by the Company to provide Executive with severance and continued benefits pursuant to Section 6 or 7 of this Agreement.

**(i) Unenforceability.** Should any portion of this Section 9 be deemed unenforceable because of its scope, duration or effect, and only in such event, then the parties expressly consent and agree to such limitation on scope, duration or effect as may be finally adjudicated as enforceable, to give this Section 9 its maximum permissible scope, duration and effect.

**10. Notices.** All notices and other communications under this Agreement shall be in writing and shall be given by fax or first class mail, certified or registered with return receipt requested, and shall be deemed to have been duly given three (3) days after mailing or twenty-four (24) hours after transmission of a fax to the respective persons named below:

If to the Company: Redwood Trust, Inc.  
Attn: Chief Legal Officer  
One Belvedere Place, Suite 300  
Mill Valley, CA 94941  
Phone: (415) 389-7373  
Fax: (415) 381-1773

If to the Executive: Sasha G. Macomber  
c/o Redwood Trust, Inc.  
One Belvedere Place, Suite 300  
Mill Valley, CA 94941  
Phone: (415) 389-7373

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Fax: (415) 381-1773

Either party may change such party's address for notices by notice duly given pursuant hereto.

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**11. Resolution of Disputes.** To ensure the rapid and economical resolution of disputes that may arise in connection with the Executive's employment with the Company, the Executive and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to the enforcement, breach, performance, or interpretation of this Agreement, the Executive's employment, or the termination of the Executive's employment ("Arbitrable Claims") shall be submitted to confidential mediation in San Francisco, California conducted by a mutually agreeable mediator from Judicial Arbitration and Mediation Services ("JAMS") or its successor under the JAMS Rules of Practice and Procedure then in effect, which can be found at [www.jamsadr.com/adr-rules-procedures](http://www.jamsadr.com/adr-rules-procedures). The cost of JAMS' mediation fees shall be paid by the Company. In the event that mediation is unsuccessful in resolving the Arbitrable Claims, the Arbitrable Claims shall be resolved, to the fullest extent permitted by law, by final, binding and confidential arbitration in San Francisco, California conducted by JAMS or its successor, under the then applicable rules of JAMS.

**The Executive acknowledges that by agreeing to this arbitration procedure, both the Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.**

The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that the Executive or the Company would be entitled to seek in a court of law, including, without limitation, the award of attorneys' fees based on a determination of the extent to which each party has prevailed as to the material issues raised in determination of the dispute. The Company shall pay all JAMS' arbitration fees in excess of those which would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either the Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such mediation or arbitration.

**12. [Reserved]**

**13. Assignment; Successors.** This Agreement is personal in its nature, and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that, in the event of the merger, consolidation, transfer, or sale of all or substantially all of the assets of the Company with or to any other individual or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder.

**14. Governing Law.** This Agreement and the legal relations thus created between the parties hereto shall be governed by and construed under and in accordance with the laws of the State of California.

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**15. Entire Agreement; Headings.** This Agreement embodies the entire agreement of the parties with respect to the subject matter hereof and supersedes in their entirety all other or prior agreements, whether oral or written, with respect thereto, including but not limited to the Prior Agreement, but excluding the plans, programs and equity award agreements under which compensation and benefits are provided pursuant to Sections 3 and 4 hereof to the extent such plans and programs and equity award agreements are not inconsistent with this Agreement. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

**16. Waiver; Modification.** Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof shall not be deemed a waiver of such term, covenant, or condition, nor shall any waiver or relinquishment of, or failure to insist upon strict compliance with, any right or power hereunder at any one or more times be deemed a waiver or relinquishment of such right or power at any other time or times. This Agreement shall not be modified in any respect except by a writing executed by each party hereto.

**17. Severability.** In the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any statute or public policy, only the portions of this Agreement that violate such statute or public policy shall be stricken. All portions of this Agreement that do not violate any statute or public policy shall continue in full force and effect. Further, any court order striking any portion of this Agreement shall modify the stricken terms as narrowly as possible to give as much effect as possible to the intentions of the parties under this Agreement.

**18. Indemnification.** The Company shall indemnify and hold Executive harmless to the maximum extent permitted by Section 2-418 of the Maryland General Corporations Law or its successor statute, or if greater, by the Company's Bylaws, by any applicable resolution of the Board or by the terms providing the most extensive indemnification contained in any written agreement between the Company and any director or officer of the Company. The Company shall make Executive a named beneficiary under all director and officer liability policies maintained by the Company from time to time for the benefit of its directors and officers, entitled to all benefits provided thereunder to persons serving in a comparable role as an officer of the Company. During the Term and for a term of six years thereafter, the Company shall purchase and maintain, at its own expense, directors and officers liability insurance providing coverage for Executive in respect of acts and omissions of the Executive in her capacity as such and occurring during Executive's employment.

**19. Section 409A.** Any payments under this Agreement subject to Section 409A of the Code that are subject to execution of a waiver and release which may be executed and/or revoked in a calendar year following the calendar year in which the payment event (such as a termination of employment) occurs shall commence payment only in the calendar year in which the consideration period or, if applicable, release revocation period ends, as necessary to comply with Section 409A of the Code. Notwithstanding anything to the contrary in this Agreement, no compensation or benefits shall be paid to the Executive during the six (6)-month period

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following the Executive's "separation from service" from the Company (within the meaning of Section 409A of the Code, a "Separation from Service") if the Company determines that paying such amounts at the time or times indicated in this 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 day of the seventh month following the date of Separation from Service (or such earlier date upon which such amount can be paid under Section 409A without resulting in a prohibited distribution, including as a result of the Executive's death), the Company shall pay the Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Executive during such period. Any right to a series of installment payments pursuant to this Agreement is to be treated as a right to a series of separate payments. To the extent permitted under Section 409A of the Code, any separate payment or benefit under this Agreement or otherwise shall not be deemed "nonqualified deferred compensation" subject to Section 409A of the Code to the extent provided in the exceptions in Treasury Regulation Section 1.409A-1(b)(4), Section 1.409A-1(b)(9) or any other applicable exception or provision of Section 409A. All payments of nonqualified deferred compensation subject to Section 409A to be made upon a termination of employment under this Agreement may only be made upon the Executive's "separation from service" from the Company.

**20. Counterparts.** This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

**21. Successor Sections.** References herein to sections or rules of the Code shall be deemed to include any successor sections or rules.

*[Signature Page Follows]*

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**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunto signed this Agreement, as of the Effective Date.

**REDWOOD TRUST, INC.**

By: /s/ Christopher J. Abate  
Christopher J. Abate  
Chief Executive Officer

**EXECUTIVE**

/s/ Sasha G. Macomber  
Sasha G. Macomber

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**EXHIBIT A**  
**RELEASE AGREEMENT**

Except as otherwise set forth in this Release Agreement or in Sections 7 and 18 of the Employment Agreement between Sasha G. Macomber and Redwood Trust, Inc., Sasha G. Macomber (“Executive”) hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date Executive signs this Release Agreement. The Company, its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns, hereby releases Executive and her heirs, executors, successors and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date the Company signs this Release Agreement. This general mutual release includes, but is not limited to: (A) all claims arising out of or in any way related to Executive’s employment with the Company or the termination of that employment; (B) all claims related to Executive’s compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (C) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (D) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; (E) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys’ fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) (“ADEA”), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended); and (F) all claims and rights with respect to Executive’s right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator; provided, however, that nothing in this paragraph shall be construed in any way to release (i) the Company from (x) its obligation to indemnify Executive pursuant to agreement, the Company’s bylaws or binding resolutions, or applicable law or (y) the Company’s payment obligations under Section (7) of the Employment Agreement, (ii) coverage under any applicable D&O policies,

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(iii) claims to vested benefits that Executive is entitled to receive under any other plan or agreement covering Executive) or (iv) Executive's vested equity awards.

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Executive acknowledges that she is knowingly and voluntarily waiving and releasing any rights she may have under the ADEA, and that the consideration given under her Employment Agreement with the Company for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which she was already entitled. Executive further acknowledges that she has been advised by this writing, as required by the ADEA, that: (A) this waiver and release does not apply to any rights or claims that may arise after the date Executive signs this Release Agreement; (B) Executive should consult with an attorney prior to signing this Release Agreement (although Executive may choose voluntarily not to do so); (C) Executive has twenty-one (21) days to consider this Release Agreement (although Executive may choose voluntarily to sign this Release Agreement earlier); (D) Executive has seven (7) days following the date that she signs this Release Agreement to revoke the Release Agreement by providing written notice to an officer of the Company; and (E) this Release Agreement shall not be effective until the date upon which the revocation period has expired, which shall be the eighth day after Executive signs this Release Agreement. Both Executive and the Company acknowledge that each has read and understands Section 1542 of the California Civil Code which reads as follows:

**A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.**

Both Executive and the Company hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to each party's release of any claims hereunder.

Notwithstanding anything herein, the Executive acknowledges and agrees that, pursuant to 18 USC Section 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) 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 (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

Mutual Nondisparagement.

(a) Nondisparagement by Executive. At all times following the cessation of the Executive's employment with the Company, the Executive 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

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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.

(b) Nondisparagement by Designated Company Representatives. At all times following the cessation of the Executive's employment with the Company, the Company agrees not to publish, and agrees to cause the Designated Company Representatives not to make, negative comments or statements about, or otherwise criticize or disparage, in any format or through any medium, the Executive. 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 business reputation or personal reputation. For purposes of this sub-section (b), the "Designated Company Representatives" are (i) all executive officers of the Company while serving in such capacity and (ii) all members of the Board of Directors while serving in such capacity.

(c) The foregoing sub-sections (a) and (b) shall not be violated by truthful comments or statements (i) made in response to legal process, in required governmental testimony or filings, in judicial, administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings), in compliance with law, administrative rule, or regulation, or made pursuant to a court or administrative order, or in connection with reporting possible violations of federal law or regulation to any governmental agency or entity, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, (ii) made by members of the Board of Directors in the course of meetings or discussions of the Board of Directors (or any committee thereof) or in communications between members of the Board of Directors and the Executive, and not disclosed to the public, (iii) made by a member of the Board of Directors in the good faith belief that the statements are required for the proper discharge of her or her fiduciary duties, or (iv) made by the Board of Directors in connection with a termination of the Executive for Cause.

[Signature Page Follows]

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**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunto signed this Agreement, as of the date set forth below.

**EXECUTIVE**

Name: \_\_\_\_\_  
Sasha G. Macomber

Date: \_\_\_\_\_

**COMPANY**

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

Date: \_\_\_\_\_

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**EXHIBIT B**  
**RELEASE AGREEMENT**

Except as otherwise set forth in this Release Agreement or in Sections 7 and 18 of the Employment Agreement between Sasha G. Macomber and Redwood Trust, Inc., Sasha G. Macomber (“Executive”) hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date Executive signs this Release Agreement. The Company, its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns, hereby releases Executive and her heirs, executors, successors and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date the Company signs this Release Agreement. This general mutual release includes, but is not limited to: (A) all claims arising out of or in any way related to Executive’s employment with the Company or the termination of that employment; (B) all claims related to Executive’s compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (C) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (D) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; (E) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys’ fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) (“ADEA”), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended); and (F) all claims and rights with respect to Executive’s right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator; provided, however, that nothing in this paragraph shall be construed in any way to release (i) the Company from (x) its obligation to indemnify Executive pursuant to agreement, the Company’s bylaws or binding resolutions, or applicable law or (y) the Company’s payment obligations under Section (7) of the Employment Agreement, (ii) coverage under any applicable D&O policies, (iii) claims to vested benefits that Executive is entitled to receive under any other plan or agreement covering Executive) or (iv) Executive’s vested equity awards.

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Executive acknowledges that she is knowingly and voluntarily waiving and releasing any rights she may have under the ADEA, and that the consideration given under her Employment Agreement with the Company for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which she was already entitled. Executive further acknowledges that she has been advised by this writing, as required by the ADEA, that: (A) this waiver and release does not apply to any rights or claims that may arise after the date Executive signs this Release Agreement; (B) Executive should consult with an attorney prior to signing this Release Agreement (although Executive may choose voluntarily not to do so); (C) Executive has forty-five (45) days to consider this Release Agreement (although she may choose voluntarily to sign this Release Agreement earlier); (D) Executive has seven (7) days following the date that she signs this Release Agreement to revoke the Release Agreement by providing written notice to an officer of the Company; (E) this Release Agreement shall not be effective until the date upon which the revocation period has expired, which shall be the eighth day after Executive signs this Release Agreement; and (F) Executive has received with this Release Agreement a detailed list of the job titles and ages of all employees who were terminated in this group termination and the ages of all employees of the Company in the same job classification or organizational unit who were not terminated.

Both the Executive and the Company acknowledge that each has read and understands Section 1542 of the California Civil Code which reads as follows:

**A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.**

Both the Executive and the Company hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to each party's release of any claims hereunder.

Notwithstanding anything herein, the Executive acknowledges and agrees that, pursuant to 18 USC Section 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) 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 (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

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Mutual Nondisparagement.

(a) Nondisparagement by Executive. At all times following the cessation of the Executive's employment with the Company, the Executive 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.

(b) Nondisparagement by Designated Company Representatives. At all times following the cessation of the Executive's employment with the Company, the Company agrees not to publish, and agrees to cause the Designated Company Representatives not to make, negative comments or statements about, or otherwise criticize or disparage, in any format or through any medium, the Executive. 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 business reputation or personal reputation. For purposes of this sub-section (b), the "Designated Company Representatives" are (i) all executive officers of the Company while serving in such capacity and (ii) all members of the Board of Directors while serving in such capacity.

(c) The foregoing sub-sections (a) and (b) shall not be violated by truthful comments or statements (i) made in response to legal process, in required governmental testimony or filings, in judicial, administrative or arbitral proceedings (including, without limitation, depositions in connection with such proceedings), in compliance with law, administrative rule, or regulation, or made pursuant to a court or administrative order, or in connection with reporting possible violations of federal law or regulation to any governmental agency or entity, or making other disclosures that are protected under the whistleblower provisions of federal law or regulation, (ii) made by members of the Board of Directors in the course of meetings or discussions of the Board of Directors (or any committee thereof) or in communications between members of the Board of Directors and the Executive, and not disclosed to the public, (iii) made by a member of the Board of Directors in the good faith belief that the statements are required for the proper discharge of her or her fiduciary duties, or (iv) made by the Board of Directors in connection with a termination of the Executive for Cause.

*[Signature Page Follows]*

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**IN WITNESS WHEREOF**, the Company has caused this Agreement to be executed by its duly authorized officer, and the Executive has hereunto signed this Agreement, as of the date set forth below.

**EXECUTIVE**

Name: \_\_\_\_\_  
Sasha G. Macomber

Date: \_\_\_\_\_

**COMPANY**

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

Date: \_\_\_\_\_

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**EXHIBIT C**  
**Section 2870 of California Labor Code**

Section 2870 of California Labor Code: Application of provision providing that employee shall assign or offer to assign rights in invention to employer.

a. Any provision and employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information except for those inventions that either:

1. Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
2. Result from any work performed by the employee for the employer.

b. To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

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## EXHIBIT D

### DEFINITION OF “CHANGE OF CONTROL”

*With respect to (i) equity-based or equity-related awards granted prior to November 6, 2020 and (ii) long-term incentive and/or retention compensation awards that are payable in cash granted prior to November 6, 2020, the following definition of Change of Control shall apply:*

“Change of Control” refers to the occurrence of any of the following:

(1) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires ownership of stock of the Company that, together with other stock held by such person or group constitutes more than 50 percent of the total fair market value or total voting power of all stock of the Company; or

(2) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30 percent or more of the total voting power of the stock of the Company; or

(3) during any 12-month period, a majority of the members of the Company’s board of directors is replaced by directors whose appointment or election is not endorsed by a majority of the members of the Company’s board of directors prior to such appointment or election; or

(4) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisition; provided, that that no change of control shall be deemed to occur when the assets are transferred to:

(x) a shareholder of the Company in exchange for or with respect to its stock,

(y) a person, or more than one person acting as a group (within the meaning of Section 409A of the Code), that owns, directly or indirectly, 50 percent or more of the total value or voting power of all of the outstanding stock of the Company, or

(z) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person that owns directly or indirectly 50 percent or more of the total value or voting power of all of the outstanding stock

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of the Company, in each case with such persons status determined immediately after the transfer of assets.”

*With respect to (i) equity-based or equity-related awards granted on or following November 6, 2020 and (ii) long-term incentive and/or retention compensation awards that are payable in cash granted on or following November 6, 2020, the following definition of Change of Control shall apply:*

“Change of Control” refers to the occurrence of any of the following:

(a) A transaction or series of transactions (other than an offering of common stock to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of transactions that meets the requirements of clauses (i) and (ii) of subsection (c) below) whereby any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a “person” that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 30% of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; or

(b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new Director(s) (other than a Director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in subsections (a) or (c) of this definition) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company’s assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) which results in the Company’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company’s assets or otherwise succeeds to the business of the Company (the Company or such person, the “Successor Entity”)) directly or indirectly, at least a majority of

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the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

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(ii) after which no person or group beneficially owns voting securities representing 30% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (ii) as beneficially owning 30% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction.”

**REDWOOD TRUST, INC.  
CHANGE IN CONTROL SEVERANCE PLAN**

Redwood Trust, Inc., a Maryland corporation (the “Company”), has adopted this Redwood Trust, Inc. Change in Control Severance Plan, including the attached Annexes and Exhibit (the “Plan”), for the benefit of Participants (as defined below) on the terms and conditions hereinafter stated. The Plan, as set forth herein, is intended to provide severance protections to Participants in connection with qualifying terminations of employment.

1. **Defined Terms.** Capitalized terms used but not otherwise defined herein shall have the meanings indicated below:

I.1 “Base Compensation” means the Participant’s annual base salary or wage rate in effect immediately prior to a Qualifying Termination, disregarding any reduction which gives rise to Good Reason.

I.2 “Board” means the Board of Directors of the Company.

I.3 “Cash Severance” means the Cash Severance, determined in accordance with Exhibit A attached hereto.

I.4 “Cause” means the occurrence of any one or more of the following events:

(a) the Participant’s failure to competently perform the Participant’s job or duties to the Company, or any of its subsidiaries or affiliates, as reasonably determined by the Company, which failure shall continue for thirty (30) days after written notice thereof by the Company to the Participant;

(b) any act of negligence or misconduct by the Participant that has had or is reasonably likely to have an adverse effect on, or has injured or harmed or is reasonably likely to injure or harm, the Company, any of its subsidiaries or affiliates, or any of its or their business affairs, reputation, counterparties, employees, agents or vendors;

(c) the Participant’s breach of any fiduciary duty or obligation to the Company or any of its subsidiaries or affiliates;

(d) (A) the Participant’s breach of any Company policy, or any policy of any of its subsidiaries or affiliates (including any code of conduct or harassment policies), which is reasonably likely to have an adverse effect on, or has injured or harmed or is reasonably likely to injure or harm, the Company or any of its subsidiaries or affiliates or (B) any breach by the Participant of an agreement with the Company or any of its subsidiaries or affiliates;

(e) the Participant’s commission of, indictment for, or plea of nolo contendere to, a felony or any other crime involving moral turpitude;

(f) the Participant’s theft, misappropriation, or embezzlement, or attempted theft, misappropriation, or embezzlement, of money or tangible or intangible assets or property of the Company, any of its subsidiaries or affiliates, or any of its or their employees, customers, clients, or others having business relations with any of them;

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(g) any act of moral turpitude, dishonesty, or similar behavior by the Participant injurious to the interests, property, operations, business or reputation of the Company or any of its subsidiaries or affiliates; or

(h) the Participant's unauthorized use or disclosure of trade secrets or confidential or proprietary information of the Company, any of its subsidiaries or affiliates, or pertaining to any of their business or operations.

I.5 "Change in Control" shall have the meaning set forth on Annex I attached hereto.

I.6 "CIC Protection Period" means the 12-month period beginning upon a Change in Control and ending on and including the one-year anniversary of the date of a Change in Control.

I.7 "CIC Termination" means a Qualifying Termination which occurs during the CIC Protection Period.

I.8 "Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor thereto.

I.9 "Committee" means the Compensation Committee of the Board, or such other committee as may be appointed by the Board to administer the Plan.

I.10 "Date of Termination" means the effective date of the termination of the Participant's employment.

I.11 "Employee" means an individual who is an employee (within the meaning of Code Section 3401(c)) of the Company or any of its subsidiaries.

I.12 "Good Reason" means the occurrence of any one or more of the following events, without the Participant's prior written consent:

(a) a material reduction (at the direction of the Company) in the value of the Participant's total compensation package (salary, wages, bonus opportunity, equity or other long-term incentive award opportunities, and benefits) if such a reduction is not linked to the performance of the Company or one or more of its business units or subsidiaries or made in proportion to an across-the-board reduction for all similarly-situated employees of the Company or the applicable business unit or employing subsidiary; or

(b) the relocation of the Participant's principal Company office to a location more than 25 miles from its location as of the date of the Participant's Participation Notice, except for required travel on the Company's business to the extent necessary to fulfill the Participant's obligations to the Company or any of its subsidiaries or affiliates.

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 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 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 30 days after the expiration of the Company's cure period.

I.13 “Participant” means each Employee who is selected to participate in the Plan and is provided with (and, if applicable, countersigns) a Participation Notice in accordance with the Plan, other than any Employee who, at the time of his or her termination of employment, is covered by a plan or agreement with the Company or a subsidiary that provides for cash severance or termination benefits that explicitly supersedes and/or replaces the payments and benefits provided under this Plan. For the avoidance of doubt, retention bonus payments, change in control bonus payments and other similar payments shall not constitute “cash severance” for purposes of this definition.

I.14 “Participation Notice” shall have the meaning set forth in Section 3 hereof.

I.15 “Qualifying Termination” means a termination of the Participant’s employment with the Company or a subsidiary, as applicable, by the Company or a subsidiary, as applicable, without Cause, or by the Participant for Good Reason. Notwithstanding anything contained herein, in no event shall a Participant be deemed to have experienced a Qualifying Termination (a) if such Participant is offered and/or accepts a comparable employment position with the Company or any subsidiary, or (b) if in connection with a Change in Control or any other corporate transaction or sale of assets involving the Company or any subsidiary, such Participant is offered and accepts a comparable employment position with the successor or purchaser entity (or an affiliate thereof), as applicable. A Qualifying Termination shall not include a termination due to the Participant’s death or disability.

I.16 “Release” shall have the meaning set forth in Section 4.3 hereof.

I.17 “Severance Benefits” means the severance payment which a Participant may become entitled pursuant to Section 4.2 of the Plan and Exhibit A attached hereto.

2. **Effectiveness of the Plan; Notification.** The Plan shall become effective on November 3, 2020. The Administrator shall, pursuant to a Participation Notice, notify each Participant that such Participant has been selected to participate in the Plan.

3. **Administration.** Subject to Section 12.3 hereof, the Plan shall be interpreted, administered and operated by the Committee (the “Administrator”), which shall have complete authority, subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, and to make all other determinations necessary or advisable for the administration of the Plan. Notwithstanding the foregoing, only the Administrator or the Company’s Chief Executive Officer may determine the Participants and any such Participant’s applicable Severance Benefits in accordance with Exhibit A, and shall provide written notice to any such Employee that he or she is a Participant in, and eligible to receive Severance Benefits under, the Plan (a “Participation Notice”) at or any time prior to his or her termination of employment. The Administrator may delegate any of its duties hereunder to a subcommittee, or to such person or persons from time to time as it may designate other than to any Participant in the Plan, and the Administrator and/or the Company’s Chief Executive Officer may delegate (other than to any Participant in the Plan) its duty to provide a Participation Notice to a Participant in the Plan. All decisions, interpretations and other actions of the Administrator (including with respect to whether a Qualifying Termination has occurred) shall be final, conclusive and binding on all parties who have an interest in the Plan.



#### 4. **Severance Benefits.**

4.1 **Eligibility.** Each Employee who qualifies as a Participant and who experiences a CIC Termination is eligible to receive Severance Benefits under the Plan.

1.2 **CIC Termination Payment.** In the event that a Participant experiences a CIC Termination, then, subject to the Participant's execution and, to the extent applicable, non-revocation of a Release in accordance with Section 4.3 hereof, and subject to any additional requirements specified in the Plan, then the Company shall pay to the Participant an amount equal to the Cash Severance determined in accordance with Exhibit A attached hereto, to be paid in a lump sum no later than the 60<sup>th</sup> day following the Date of Termination in accordance with the Company's normal payroll practice.

1.3 **Release.** Notwithstanding anything herein to the contrary, no Participant shall be eligible or entitled to receive or retain any Severance Benefits under the Plan unless he or she executes a general release of claims and separation agreement containing restrictive covenants substantially in the form prescribed by the Company (the "**Release**") within 21 days (or 45 days if necessary to comply with applicable law) after the Date of Termination and, if he or she is entitled to a seven day post-signing revocation period under applicable law, does not revoke such Release during such seven-day period.

5. **Limitations.** Notwithstanding any provision of the Plan to the contrary, if a Participant's status as an Employee is terminated for any reason other than due to a Qualifying Termination, the Participant shall not be entitled to receive any Severance Benefits under the Plan, and the Company shall not have any obligation to such Participant under the Plan.

#### 6. **Section 409A.**

6.1 **General.** To the extent applicable, the Plan shall be interpreted and applied consistent and in accordance with Code Section 409A and Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of the Plan to the contrary, to the extent that the Administrator determines that any payments or benefits under the Plan may not be either compliant with or exempt from Code Section 409A and related Department of Treasury guidance, the Administrator may in its sole discretion adopt such amendments to the Plan or take such other actions that the Administrator determines are necessary or appropriate to (a) exempt the compensation and benefits payable under the Plan from Code Section 409A and/or preserve the intended tax treatment of such compensation and benefits, or (b) comply with the requirements of Code Section 409A and related Department of Treasury guidance; *provided, however*, that this Section 6.1 shall not create any obligation on the part of the Administrator to adopt any such amendment or take any other action, nor shall the Company have any liability for failing to do so.

6.2 **Potential Six-Month Delay.** Notwithstanding anything to the contrary in the Plan, no amounts shall be paid to any Participant under the Plan during the six-month period following such Participant's "separation from service" (within the meaning of Code Section 409A(a)(2)(A)(i) and Treasury Regulation Section 1.409A-1(h)) to the extent that the Administrator determines that paying such amounts at the time or times indicated in the Plan would result in a prohibited distribution under Code Section 409A(a)(2)(B)(i). 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-month period (or such earlier date upon which such amount can be paid under Code Section 409A without resulting in a prohibited distribution, including as a result of the Participant's death), the Participant shall receive payment of a

lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Participant during such six-month period without interest thereon.

6.3 **Separation from Service.** A termination of employment shall not be deemed to have occurred for purposes of any provision of the Plan providing for the payment of any amounts or benefits that constitute “nonqualified deferred compensation” under Code Section 409A upon or following a termination of employment unless such termination is also a “separation from service” within the meaning of Code Section 409A and, for purposes of any such provision of the Plan, references to a “termination,” “termination of employment” or like terms shall mean “separation from service”.

6.4 **Reimbursements.** To the extent that any payments or reimbursements provided to a Participant under the Plan are deemed to constitute compensation to the Participant to which Treasury Regulation Section 1.409A-3(i)(1)(iv) would apply, such amounts shall be paid or reimbursed reasonably promptly, but not later than December 31st of the year following the year in which the expense was incurred. The amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and the Participant’s right to such payments or reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit.

6.5 **Installments.** For purposes of applying the provisions of Code Section 409A to the Plan, each separately identified amount to which a Participant is entitled under the Plan shall be treated as a separate payment. In addition, to the extent permissible under Code Section 409A, the right to receive any installment payments under the Plan shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Treasury Regulation Section 1.409A-2(b)(2)(iii). Whenever a payment under the Plan specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of the Company.

7. **Limitation on Payments.** If the Severance Benefits due under this Plan to a Participant, together with all other payments and benefits that the Participant receives or is entitled to receive from the Company or any of its subsidiaries, affiliates or related entities, would (if paid or provided) constitute an “excess parachute payment” for purposes of Code Section 280G, the Severance Benefits otherwise due to the Participant under this Plan will either (i) be delivered in full or (ii) be limited to the minimum extent necessary to ensure that no portion thereof will fail to be tax-deductible to the Company by reason of Section Code 280G (and therefore, no portion thereof will be subject to the excise tax imposed under Code Section 4999), whichever of the foregoing amounts, taking into account applicable federal, state and local income and employment taxes and the excise tax imposed under Code Section 4999, results in the receipt by the Participant, on an after-tax basis, of the greatest amount of payments and benefits, notwithstanding that all or some portion of such payments and/or benefits may be subject to the excise tax imposed under Code Section 4999. Unless otherwise specified in writing by the Participant, in the event that the payments and/or benefits are to be reduced pursuant to this Section 7, such payments and benefits shall be reduced such that the reduction of cash compensation to be provided to the Participant as a result of this Section 7 is minimized. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Code Section 409A and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. All determinations required to be made under this Section 7 shall be made by the Company’s independent public accounting firm (or such other nationally recognized public accounting firm as may be selected by the Company) which shall provide detailed supporting calculations to the Company within 15 business days of the receipt of notice from the Company that there

has been a payment or benefit subject to this Section 7, or such earlier time as is requested by the Company.

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8. **No Mitigation.** No Participant shall be required to seek other employment or attempt in any way to reduce or mitigate any Severance Benefits payable under the Plan and the amount of any such Severance Benefits shall not be reduced by any other compensation paid or provided to any Participant following such Participant's termination of service.

9. **Successors.**

9.1 Company Successors. The Plan shall inure to the benefit of and shall be binding upon the Company and its successors and assigns. Any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume and agree to perform the obligations of the Company under the Plan.

9.2 Participant Successors. The Plan shall inure to the benefit of and be enforceable by each Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, legatees or other beneficiaries. If a Participant dies while any amount remains payable to such Participant hereunder, all such amounts shall be paid in accordance with the terms of the Plan to the executors, personal representatives or administrators of such Participant's estate.

10. **Notices.** All communications relating to matters arising under the Plan shall be in writing and shall be deemed to have been duly given when hand delivered, faxed, emailed or mailed by reputable overnight carrier or United States certified mail, return receipt requested, addressed, if to a Participant, to the address on file with the Company or to such other address as the Participant may have furnished to the other in writing in accordance herewith and, if to the Company, to such address as may be specified from time to time by the Administrator, except that notice of change of address shall be effective only upon actual receipt.

11. **Covenants.**

11.1 Restrictive Covenants. A Participant's right to receive and/or retain the Severance Benefits payable under this Plan is conditioned upon and subject to the Participant's continued compliance with any restrictive covenants (e.g., confidentiality, non-solicitation, non-disparagement) contained in an any agreement between the Participant and the Company, as well as the restrictive covenants set forth on Annex II attached hereto.

11.2 Return of Property. A Participant's right to receive and/or retain the Severance Benefits payable under the Plan is conditioned upon the Participant's return to the Company of all Company documents (and all copies thereof) and other Company property (in each case, whether physical, electronic or otherwise) in the Participant's possession or control.

12. **Miscellaneous.**

12.1 Entire Plan; Relation to Other Agreements. The Plan, together with any Participation Notice issued in connection with the Plan, contains the entire understanding of the parties relating to the subject matter hereof and supersedes any prior agreement, arrangement and understanding between any Participant, on the one hand, and the Company and/or any subsidiary, on the other hand, with respect to the subject matter hereof. Severance Benefits payable under the Plan are not intended to duplicate any other cash severance benefits payable to a Participant by the Company. By participating in the Plan and accepting the Severance Benefits hereunder, the Participant acknowledges and agrees that any prior

agreement, arrangement and understanding between any Participant, on the one hand, and the Company and/or any subsidiary, on the other hand, with respect to the subject matter hereof is hereby revoked and ineffective with respect to the Participant (including with respect to any cash severance arrangement contained in an effective employment agreement or employment letter agreement by and between the Participant and the Company (and/or any subsidiary)).

12.2 No Right to Continued Service. Nothing contained in the Plan shall (a) confer upon any Participant any right to continue as an employee of the Company or any subsidiary, (b) constitute any contract of employment or agreement to continue employment for any particular period, or (c) interfere in any way with the right of the Company to terminate a service relationship with any Participant, with or without Cause.

12.3 Termination and Amendment of Plan. Prior to the consummation of a Change in Control, the Plan may be amended or terminated by the Administrator at any time and from time to time, in its sole discretion. From and after the consummation of a Change in Control, the Plan may not be amended, modified, suspended or terminated except with the express written consent of each Participant who would be adversely affected by any such amendment, modification, suspension or termination.

12.4 Survival. Section 7 (Limitation on Payments) and Section 11 (Covenants) hereof shall survive the termination or expiration of the Plan and shall continue in effect.

12.5 Severance Benefit Obligations. Notwithstanding anything contained herein, Severance Benefits paid or provided under the Plan may be paid or provided by the Company or any subsidiary employer, as applicable.

12.6 Withholding. The Company shall have the authority and the right to deduct and withhold an amount sufficient to satisfy federal, state, local and foreign taxes required by law to be withheld with respect to any Severance Benefits payable under the Plan.

12.7 Benefits Not Assignable. Except as otherwise provided herein or by law, no right or interest of any Participant under the Plan shall be assignable or transferable, in whole or in part, either directly or by operation of law or otherwise, including without limitation by execution, levy, garnishment, attachment, pledge or in any manner; no attempted assignment or transfer thereof shall be effective; and no right or interest of any Participant under the Plan shall be liable for, or subject to, any obligation or liability of such Participant. When a payment is due under the Plan to a Participant who is unable to care for his or her affairs, payment may be made directly to his or her legal guardian or personal representative.

12.8 Applicable Law. To the extent that state law is applicable, the statutes and common law of the State of Maryland, excluding any that mandate the use of another jurisdiction's laws, will apply.

12.9 Validity. The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect.

12.10 Captions. The captions contained in the Plan are for convenience only and shall have no bearing on the meaning, construction or interpretation of the Plan's provisions.

12.11 Expenses. The expenses of administering the Plan shall be borne by the Company or its successor, as applicable.

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12.12 Unfunded Plan. The Company shall be required to make payments only as benefits become due and payable. No person shall have any right, other than the right of an unsecured general creditor against the Company, with respect to the benefits payable hereunder, or which may be payable hereunder, to any Participant, surviving spouse or beneficiary hereunder. If the Company, acting in its sole discretion, establishes a reserve or other fund associated with the Plan, no person shall have any right to or interest in any specific amount or asset of such reserve or fund by reason of amounts which may be payable to such person under the Plan, nor shall such person have any right to receive any payment under the Plan except as and to the extent expressly provided in the Plan. The assets in any such reserve or fund shall be part of the general assets of the Company, subject to the control of the Company.

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I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of Redwood Trust, Inc. on November 3, 2020.

Signature: /s/ Andrew P. Stone

Name: Andrew P. Stone

Title: Executive Vice President & General Counsel

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**EXHIBIT A**

**CALCULATION OF SEVERANCE AMOUNTS**

Participation Level	Cash Severance
Managing Director	150% of Base Compensation + \$10,000

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**ANNEX I – DEFINITION OF “CHANGE IN CONTROL”**

“Change in Control” refers to the occurrence of any of the following:

(a) A transaction or series of transactions (other than an offering of common stock to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of transactions that meets the requirements of clauses (i) and (ii) of subsection (c) below) whereby any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a “person” that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 30% of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; or

(b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new Director(s) (other than a Director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in subsections (a) or (c) of this definition) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company’s assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) which results in the Company’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company’s assets or otherwise succeeds to the business of the Company (the Company or such person, the “Successor Entity”)) directly or indirectly, at least a majority of the combined voting power of the Successor Entity’s outstanding voting securities immediately after the transaction, and

(ii) after which no person or group beneficially owns voting securities representing 30% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (ii) as beneficially owning 30% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction.

## **ANNEX II – RESTRICTIVE COVENANTS**

**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.

**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 confidential information or 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.

**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).

**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).

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## SIXTH AMENDMENT TO LEASE AGREEMENT

This Sixth Amendment to Lease Agreement (this “**Amendment**”) is by and between **ARTIS HRA Inverness Point, LP**, a Delaware limited partnership (“**Landlord**”), and **Redwood Trust, Inc.**, a Maryland corporation (“**Tenant**”), and is dated as of December 4, 2020 (the “**Effective Date**”).

### Recitals

A. MG-Point, LLC, a Colorado limited liability company, predecessor-in-interest to Landlord, and Tenant are the parties to that certain Lease Agreement dated as of January 11, 2013, as amended by that certain First Amendment to Lease dated as of June 27, 2013, as further amended by that certain Second Amendment to Lease dated as of June 23, 2014, as further amended by that certain Third Amendment to Lease Agreement dated as of January 22, 2020, as further amended by that certain Fourth Amendment to Lease Agreement dated as of April 20, 2020, and as further amended by that certain Fifth Amendment to Lease Agreement (the “**Fifth Amendment**”) dated as of July 27, 2020 (collectively, the “**Original Lease**,” as amended hereby the “**Lease**”).

B. Pursuant to the Lease, Tenant currently leases from Landlord the space known as Suite 425, containing approximately 21,517 rentable square feet of space, in the building commonly known as “The Point at Inverness,” located at 8310 South Valley Highway, Englewood, CO 80112 (that space, as more particularly defined in the Lease, the “**Current Premises**”). Effective as of February 1, 2021 (the “**Extension Commencement Date**”), Tenant will lease the approximately 16,714 rentable square feet of space as provided in the Fifth Amendment (the “**Fifth Amendment New Premises**”).

C. Landlord and Tenant wish to amend the Lease to expand the size of the Premises to be leased effective as of the Extension Commencement Date, to modify certain provisions regarding the Surrender Premises, to grant a license to Tenant to occupy the Subject Space (as defined below), and to provide for certain related matters as set forth in this Amendment.

### Agreement

Therefore, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Incorporation of Recitals; Defined Terms. The foregoing Recitals are incorporated herein as though fully set forth herein. Terms that are not defined in this Amendment but are defined in the Original Lease have the meanings given in the Original Lease. As used in this Amendment, the following terms have the meanings given below:

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(a) “**Expansion Area**” means the approximately 505 rentable square feet as shown on Exhibit A and labeled thereon as “505 SF Expansion Area.”

(b) “**New Premises**” means the approximately 17,219 rentable square feet located in Suite 425 of the Building, as depicted on Exhibit A, being the Fifth Amendment New Premises plus the Expansion Area.

(c) “**Subject Space**” means the approximately 1,800 rentable square feet of space that is part of the Surrender Premises (as defined in the Fifth Amendment), as depicted on Exhibit B.

2. New Premises.

(a) New Premises. As of the Extension Commencement Date, the Premises (as defined in the Original Lease) shall relocate to the New Premises, as defined in this Amendment. From and after the Extension Commencement Date, the Lease is amended such that all references in the Lease to the “Premises” shall be deemed to refer to the New Premises only. Starting on the Extension Commencement Date, Tenant’s Base Rent shall be as set forth in Section 3, below, and Tenant’s Pro Rata Share of Operating Expenses shall be 9.05% (being 17,219 rentable square feet of the New Premises divided by 190,334 rentable square feet of the Building). Landlord represents and warrants to Tenant, and Tenant agrees, that the rentable square footage of the Building and the rentable square footage of the New Premises are measured in accordance with the Building Owners and Managers Association International Method of Measurement – ANSI/BOMA Z65.1 [2010].

(b) Surrender Premises. For purposes of the Surrender Premises Giveback Date Deadline (as defined in the Fifth Amendment), the Surrender Premises (as defined in the Fifth Amendment) shall exclude the Subject Space, such that, from and after the Surrender Premises Giveback Date (as defined in the Fifth Amendment), Tenant shall surrender all of its right, title and interest in and to the Surrender Premises less and excepting the Subject Space (the Surrender Premises less the Subject Space being herein referred to as the “**Modified Surrender Premises**”). Tenant shall continue to pay all Base Rent and Tenant’s Pro Rata Share of Operating Expenses as they become due and payable under the Original Lease applicable to the Surrender Premises (which, for clarification purposes, shall include the Subject Space) up until 11:59 p.m. MST on the Surrender Premises Effective Date (as defined in the Fifth Amendment).

As of 11:59 p.m. MST on the Surrender Premises Effective Date and provided that Tenant delivers exclusive possession of the Modified Surrender Premises to Landlord in the condition required under the Lease, the surrender of the Modified Surrender Premises shall be deemed effective and the monetary obligations with respect to the Surrender Premises shall be prorated, billed, and payable in the manner provided in the Original Lease, in the same manner as would apply if the Term of the Lease expired on the Surrender Premises Effective Date with respect to the Surrender Premises only, unless expressly provided to the contrary in this Amendment, and

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Tenant shall be released from all of its covenants, duties, debts or obligations whatsoever with respect to the Modified Surrender Premises from and after the Surrender Premises Effective Date, except for those matters specifically provided for in this Amendment and/or which pursuant to the Lease expressly survive its expiration or sooner termination. From and after the Surrender Premises Giveback Date, the Modified Surrender Premises shall cease to be a part of the Lease and Tenant shall have no right to possession or use of the Modified Surrender Premises or any options or other rights with respect to the Modified Surrender Premises without written consent from Landlord. If Tenant delivers exclusive possession of the Modified Surrender Premises to Landlord in the condition required under the Lease prior to the Surrender Premises Giveback Date Deadline, Tenant agrees that there will be no retroactive adjustment under the Lease of any sums due hereunder prior to the Surrender Premises Giveback Date.

(c) Subject Space. Commencing on the Extension Commencement Date, Landlord grants to Tenant a temporary license to use and occupy the Subject Space, in accordance with the terms and conditions as set forth in the Lease, except as expressly modified to the contrary by this Amendment (the “**License**”). The License shall terminate and expire (the “**License Expiration Date**”) on May 31, 2021. In the event that Tenant fails to timely vacate and deliver exclusive possession of the Subject Space, in the condition required pursuant to the Lease, to Landlord following the License Expiration Date, then Tenant shall be deemed to be holding over with respect to the Subject Space without the consent of Landlord and shall be liable to Landlord for rent at the holdover rate provided in the Lease and shall indemnify Landlord against loss or liability resulting from any delay of Tenant in not surrendering the Subject Space by the License Expiration Date, including, but not limited to, any amounts required to be paid to third parties who were to have occupied the Subject Space and any attorneys’ fees related thereto, and any consequential damages. Commencing on the Extension Commencement Date and continuing in advance of the first day of the month thereafter through the License Expiration Date, Tenant shall pay to Landlord the sum of \$4,984.50 (being based on an annual gross rate of \$33.23 per rentable square foot). Tenant accepts the Subject Space in its “as is, where is” condition; provided, however, that Landlord shall be allowed to install demising wall labeled “Wall 2” on Exhibit B on or after the Surrender Premises Giveback Date Deadline, at Landlord’s cost and expense. Landlord shall install “Wall 2” prior to Landlord commencing any construction work within the Modified Surrender Premises. Landlord shall install the demising wall labeled “Wall 1” on Exhibit B on or after the License Expiration Date, at Landlord’s cost and expense. Landlord shall perform the construction of the demising walls in a manner so as to minimize interference with Tenant’s construction work and business operations in the New Premises.

Notwithstanding any provision of this Amendment or the Original Lease to the contrary, neither this Amendment nor the acceptance by Landlord of the Subject Space shall in any way

(a) be deemed to excuse or release Tenant from any obligation or liability with respect to the Subject Space (including, without limitation, any obligation or liability under the Original Lease to indemnify, defend, and hold harmless Landlord or other parties, or with respect to any breach

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or breaches of the Original Lease) which obligation or liability (i) first arises or relates to a date on or prior to the date on which Tenant delivers possession of the Subject Space to Landlord in the condition required herein, or (ii) arises out of or is incurred in connection with events or other matters which took place on or prior to the date Tenant surrenders exclusive possession of the Subject Space to Landlord; or (b) affect any obligation under the Original Lease which, by its terms, is to survive the expiration or sooner termination of the Lease.

3. **Base Rent.** Effective beginning on the Extension Commencement Date, the following schedule of Base Rent replaces the schedule provided in Section 1.4 of the Original Lease (including any amendments thereto, including, without limitation in the Fifth Amendment):

<b>Period</b>	<b>Annual Base Rent Rate (per rsf)</b>	<b>Monthly Installment of Base Rent</b>
02/01/2021 – 01/31/2022	\$20.00	\$28,698.33
02/01/2022 – 01/31/2023	\$20.50	\$29,415.79
02/01/2023 – 01/31/2024	\$21.00	\$30,133.25
02/01/2024 – 01/31/2025	\$21.50	\$30,850.71
02/01/2025 – 01/31/2026	\$22.00	\$31,568.17
02/01/2026 – 01/31/2027	\$22.50	\$32,285.63
02/01/2027 – 01/31/2028	\$23.00	\$33,003.08
02/01/2028 – 01/31/2029	\$23.50	\$33,720.54
02/01/2029 – 01/31/2030	\$24.00	\$34,438.00
02/01/2030 – 01/31/2031	\$24.50	\$35,155.46

4. **Operating Expenses.** Beginning on the Extension Commencement Date, Tenant shall be responsible for its Pro Rata Share of Operating Expenses for the New Premises, which shall be 9.05%.

5. **Expansion Area Demising Wall.** Tenant shall be responsible for installing, at Tenant's sole cost and expense (subject to inclusion as part of costs for purposes of the Improvements Allowance, if requested by Tenant in accordance with the Fifth Amendment), the demising wall between the Expansion Area and the remainder of the fourth floor of the Building,

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as identified on Exhibit A, prior to the Extension Commencement Date. Such construction shall be done through Tenant's contractors and in accordance with the general terms and conditions related to construction of Tenant alterations and/or improvements as provided in the Lease. Tenant shall cause the outward-facing portion of the new wall (*i.e.*, the wall on the exterior of the New Premises) to be finished with drywall that is taped and mudded.

6. Brokers. Tenant and Landlord each represents and warrants that it did not deal with any broker or finder in connection with this Amendment other than Aaron Wright of Cushman & Wakefield ("**Tenant's Broker**"). Landlord and Tenant acknowledge and agree that there is no commission due to Tenant's Broker as a result of this Amendment. Landlord shall indemnify Tenant against any liability or expense (including reasonable attorneys' fees and costs of defense) for any brokerage commission or finder's fee claimed by anyone based on any express or implied commitment made by Landlord or its agents or representatives in connection with this Amendment. Tenant shall indemnify Landlord against any liability or expense (including reasonable attorneys' fees and costs of defense) for any brokerage commission or finder's fee claimed by anyone based on any express or implied commitment made by Tenant or its agents or representatives, including Tenant's Broker. The parties' liability under this Section 6 shall survive any expiration or termination of the Lease.

7. Effect. Except as amended by this Amendment, all of the terms, covenants, conditions, provisions, and agreements of the Lease remain in full force and effect. The provisions of this Amendment supersede and control over any conflicting provisions in the Lease.

8. Estoppel. Tenant hereby acknowledges and confirms that, as of the date hereof and to Tenant's knowledge, Landlord has performed all obligations on the part of the Landlord under the Lease and that Tenant has no claims against Landlord or claims of offset against any rent or other sums payable by Tenant under the Lease.

9. Interpretation. As used in this Amendment, the word "including" is not exclusive and means "including, without limitation" unless used with specific terms of exclusion. The word "party" means one of Landlord or Tenant, and "parties" means both, unless the context specifically indicates that reference to a third party is intended. References to sections or exhibits mean the sections of this Amendment and exhibits attached to this Amendment, unless the reference specifies another document.

10. Miscellaneous. The parties have read this Amendment and have received the advice of legal counsel with respect to this Amendment or have had the opportunity to receive legal advice, and they have freely and voluntarily entered into this Amendment. This Amendment embodies the entire agreement between the parties as to its subject matter and supersedes any prior agreements with respect thereto. There are no agreements or understandings between the parties with respect to the subject matter of this Amendment not set

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forth in this Amendment or the Lease. This Amendment cannot be modified except by a writing signed by both parties.

11. Signing and Delivery. This Amendment will be effective only when both Landlord and Tenant have signed and delivered it. This Amendment may be signed in counterparts and, when counterparts of this Amendment have been signed and delivered by both of the parties as provided in this Section 16, this Amendment will be fully binding and effective, just as if both of the parties had signed and delivered a single counterpart of this Amendment. This Amendment is not an offer to lease and cannot be accepted by performance or otherwise rendered effective in any manner other than in accordance with this Section 11. Landlord's submission of an unsigned copy of this Amendment to Tenant for evaluation, negotiation, or signature by Tenant will not constitute signature of this Amendment by Landlord or otherwise bind Landlord, regardless of whether the cover letter or email transmitting that copy of this Amendment is signed or contains words of approval.

*[The remainder of this page is intentionally blank; signatures follow.]*

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Signed by the parties on the dates stated below:

**Landlord:**

ARTIS HRA Inverness Point, LP, a Delaware limited partnership

By: ARTIS HRA Inverness Point GP, LLC, a Delaware limited liability company, General Partner

By: /s/ Bruce Backstrom Bruce Backstrom, Authorized Signatory

Date: December 4, 2020

**Tenant:**

Redwood Trust, Inc., a Maryland corporation

By: /s/ Andrew P. Stone Print Name: Andrew P. Stone

Its: Executive Vice President and General Counsel

Date: December 2, 2020

## SEVENTH AMENDMENT TO LEASE AGREEMENT

This Seventh Amendment to Lease Agreement (this “**Amendment**”) is by and between **ARTIS HRA Inverness Point, LP**, a Delaware limited partnership (“**Landlord**”), and **Redwood Trust, Inc.**, a Maryland corporation (“**Tenant**”), and is dated as of May 21, 2021 (the “**Effective Date**”).

### Recitals

A. MG-Point, LLC, a Colorado limited liability company, predecessor-in-interest to Landlord, and Tenant are the parties to that certain Lease Agreement dated as of January 11, 2013, as amended by that certain First Amendment to Lease dated as of June 27, 2013, as further amended by that certain Second Amendment to Lease dated as of June 23, 2014, as further amended by that certain Third Amendment to Lease Agreement (the “**Third Amendment**”) dated as of January 22, 2020, as further amended by that certain Fourth Amendment to Lease Agreement dated as of April 20, 2020, as further amended by that certain Fifth Amendment to Lease Agreement (the “**Fifth Amendment**”) dated as of July 27, 2020, and as further amended by that certain Sixth Amendment to Lease Agreement (the “**Sixth Amendment**”) dated as of December 4, 2020 (collectively, the “**Original Lease**,” as amended hereby the “**Lease**”).

B. Pursuant to the Lease, Tenant currently leases from Landlord the space known as Suite 425, containing approximately 17,219 rentable square feet of space, in the building commonly known as “The Point at Inverness,” located at 8310 South Valley Highway, Englewood, CO 80112 (that space, as more particularly defined in the Lease, the “**Current Premises**”).

C. Landlord and Tenant wish to amend the Lease to expand the size of the Premises to be leased effective as of the Extension Commencement Date (as defined below) and to provide for certain related matters as set forth in this Amendment.

### Agreement

Therefore, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Landlord and Tenant hereby agree as follows:

1. Incorporation of Recitals; Defined Terms. The foregoing Recitals are incorporated herein as though fully set forth herein. Terms that are not defined in this Amendment but are defined in the Original Lease have the meanings given in the Original Lease. As used in this Amendment, the following terms have the meanings given below:

(a) “**Expansion Area**” means the approximately 2,940 rentable square feet of space located on the fourth floor contiguous to Suite 425, a portion of which is currently being utilized as the Subject Space (as defined in the Sixth Amendment), as shown on Exhibit A.

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(b) “**Expansion Commencement Date**” shall be June 1, 2021.

(c) “**Expansion Termination Date**” shall be May 31, 2024, unless otherwise extended as provided in this Amendment.

(d) “**Expansion Term**” shall be the period beginning on the Expansion Commencement Date and continuing through the Expansion Termination Date.

(e) “**New Premises**” means the approximately 20,159 rentable square feet located in Suite 425 of the Building, as depicted on Exhibit A, being the Current Premises plus the Expansion Area.

2. Expansion Area. As of the Expansion Commencement Date and continuing for the Expansion Term only, the Premises (as defined in the Original Lease) shall relocate to the New Premises. For the duration of the Expansion Term, the Lease is amended such that all references in the Lease to the “Premises” shall be deemed to refer to the New Premises. Starting on the Expansion Commencement Date and continuing for the duration of the Expansion Term only, Tenant’s Base Rent shall be as set forth in Section 3, below, and Tenant’s Pro Rata Share of Operating Expenses shall be 10.59% (being 20,159 rentable square feet of the New Premises divided by 190,334 rentable square feet of the Building). At or prior to the Expansion Termination Date, Tenant shall vacate and deliver the Expansion Area to Landlord in accordance with the general terms and conditions regarding surrender of the Premises in the Lease. In the event that Tenant fails to deliver exclusive possession of the Expansion Area to Landlord as and in the condition required pursuant to this Amendment and the Lease, then Tenant shall be deemed to be holding over with respect to the Expansion Area without the consent of Landlord and shall be liable to Landlord for rent at the holdover rate provided in the Lease, in addition to any and all other remedies provided Landlord in the Lease related to holdover.

3. Base Rent. Effective beginning on the Expansion Commencement Date and continuing through the Expansion Term, the following schedule of Base Rent replaces the schedule provided in Section 1.4 of the Original Lease (including any amendments thereto, including, without limitation in the Sixth Amendment):

Period	Annual Base Rent Rate (per rsf)	Monthly Installment of Base Rent
06/01/2021 – 01/31/2022	\$20.00	\$33,598.33
02/01/2022 – 01/31/2023	\$20.50	\$34,438.29
02/01/2023 – 01/31/2024	\$21.00	\$35,278.25
02/01/2024 – 05/31/2024	\$21.50	\$36,118.21

In the event that Tenant does not exercise the Expansion Area Renewal Option as set forth below, following the Expansion Termination Date, the schedule of Base Rent set forth in Section 3 of the Sixth Amendment shall apply for the remainder of the Extension Term (as defined in the Fifth Amendment and with respect to the Current Premises only).

4. Operating Expenses. Beginning on the Extension Commencement Date and continuing for the duration of the Expansion Term only (as the same may be extended pursuant to the Expansion Area Renewal Option, as set forth in Section 8), Tenant shall be responsible for its Pro Rata Share of Operating Expenses for the New Premises, which shall be 10.59%.

5. Condition of the Expansion Area. Tenant acknowledges and agrees that, as of the Effective Date, the Current Premises are in a good and sanitary order, condition and repair acceptable to Tenant. Tenant acknowledges that it is currently in possession of the Current Premises and that Tenant shall be conclusively deemed to have accepted the Current Premises "AS IS" in the condition existing on Effective Date except for (i) conditions that may then exist but are not yet known to Tenant or (ii) conditions known by Tenant to exist and previously reported to the Landlord. Tenant acknowledges that it is currently in possession of the Expansion Area as of the Effective Date and that Tenant shall be conclusively deemed to have accepted the Expansion Area "AS IS" in the condition existing on Expansion Commencement Date except for (i) conditions that may then exist but are not yet known to Tenant, (ii) conditions known by Tenant to exist and previously reported to the Landlord, and (iii) Landlord's obligation to complete the Landlord Work (as defined below). Tenant further acknowledges that Landlord shall have no obligation to make or pay for any improvements to or changes in the Expansion Area by reason of this Amendment, except as expressly set forth in Section 6, below, and except that Landlord shall, at Landlord's sole cost and expense, patch the two (2) external doors which currently lead from the corridor to the storage room on the fourth floor of the Building (the "**Landlord Work**"). Tenant expressly acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty other than those in the Original Lease with respect to the Current Premises, the New Premises, or the Building, or with respect to the suitability of any part of the same for the conduct of Tenant's business.

6. Tenant Improvements.

(a) Landlord shall provide Tenant with a tenant improvement allowance not to exceed \$14,700.00 (the "**Expansion Area Allowance**") for costs associated with the Work (as defined below). The Expansion Area Allowance will be available to Tenant as of the Effective Date and must be utilized by Tenant no later than December 31, 2021, otherwise any remaining amount of the Expansion Area Allowance shall be forfeited by Tenant. Tenant shall not be entitled to any payments or rent reduction if the Expansion Area Allowance exceeds the actual cost of the Work. If the cost of the Work exceeds the Expansion Area Allowance, Tenant shall have the sole responsibility for payment of such excess costs. The Expansion Area Allowance is to be applied against the cost of the Work and shall be used solely for the design, including

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engineering plans, specifications and permits, purchase, installation, and construction of the Work. The Expansion Area Allowance shall not be used for Tenant's furniture, furnishings, inventory, trade fixtures, personal property, or equipment. Tenant may submit requests for disbursement from the Expansion Area Allowance not more than monthly. To draw on the Expansion Area Allowance, Tenant must submit to Landlord a written notice requesting disbursement, together with (i) invoices for all costs included in the request for disbursement; (ii) proof that such costs have been paid, including appropriate lien waivers in a form acceptable to Landlord; and (iii) such other documentation as Landlord may reasonably request. Landlord shall make disbursements from the requested portion of the Expansion Area Allowance within sixty (60) days following Landlord's receipt of a proper request for disbursement and Landlord may make such disbursements to Tenant or pay directly to Tenant's contractors, as agreed to by Landlord and Tenant. No disbursement of any part of the Expansion Area Allowance by Landlord will constitute acceptance of any condition of the Work, an approval of any action taken or omission of Tenant or its contractors, subcontractors, or material suppliers, or waive any other rights or claims that Landlord might have at law or in equity.

(b) The provisions of Articles 12, and 13 of the Original Lease shall apply to all of the Work, including the provisions relating to Landlord's review and approval of the proposed plans and specifications of the alterations and improvements that Tenant desires to make in the Expansion Area (collectively, the "**Work**"), provided, however, that none of the Work shall be deemed a Minor Alteration and all proposed plans and specifications shall be subject to Landlord's review and approval. No portion of the Work shall be undertaken or commenced by Tenant until all necessary building permits have been applied for and obtained by Tenant or Tenant's contractor. Tenant or Tenant's contractor will also obtain final inspection approval, if applicable, or any other final governmental approval of the Work that may be required by applicable codes and regulations, upon substantial completion of the Work. All construction will be done through Tenant's contractors, who shall be approved by Landlord in advance (such approval not to be unreasonably withheld, conditioned, or delayed). Tenant shall require all contractors performing any portion of the Work to carry and maintain, at no expense to Landlord, any or all of the following insurance policies as determined by Landlord, written by insurance companies acceptable to Landlord: (a) commercial general liability insurance, which shall name Tenant and Landlord as additional insureds, in such amounts and with such endorsements that Landlord requires; (b) worker's compensation insurance in such amounts as required by law and covering all persons engaged in the Work; and (c) insurance against such other perils or legal risks and in such amounts as Landlord may reasonably require. Upon Landlord's request, Tenant shall provide Landlord with duplicate original counterparts of any of the insurance policies required by this paragraph. Tenant shall permit access to the Premises, and the Work shall be subject to inspection, by Landlord and Landlord's architects, engineers, contractors and other representatives, at all reasonable times during the period in which the Work is being constructed and installed and following completion of the Work, provided Landlord uses commercially reasonable efforts to minimize interference with Tenant's business operations in the Premises and the Work then being performed.

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(c) Tenant shall indemnify and hold harmless Landlord from and against any construction liens arising from the Work. Notwithstanding anything to the contrary contained in this Amendment, Landlord's participation in the construction of the Work shall not constitute any representation or warranty, express or implied, that the Work will be suitable for Tenant's intended purpose. Tenant acknowledges and agrees that Tenant shall be solely responsible for the selection and hiring of its construction manager and that neither Landlord nor any agent, employee, contractor, or subcontractor of Landlord is managing or overseeing construction of the Improvements or Tenant's contractors, subcontractors, and/or construction manager. Tenant acknowledges and agrees that the Work is intended for use by Tenant and the specifications and design requirements for such Work are not within the special knowledge or experience of Landlord.

7. Parking. Effective upon the Expansion Commencement Date and for the duration of the Expansion Term only (as the same may be extended pursuant to the Expansion Area Renewal Option, as set forth in Section 8), Tenant shall be allocated a total of eighty (80) parking spaces, with seven (7) such parking spaces being reserved Covered Parking Spaces and the balance shall be seventy-three (73) Surface Parking Spaces (the "**Parking Allotment**"). Except as expressly provided herein, the Parking Allotment shall be subject to all of the terms and conditions set forth in the Original Lease. Following the Expansion Termination Date (as the same may be extended pursuant to the Expansion Area Renewal Option), the Parking Allotment shall automatically decrease to a total of sixty-seven (67) parking spaces, with seven (7) of such parking spaces being reserved Covered Parking Spaces and the balance being sixty (60) Surface Parking Spaces.

8. Option to Renew for Expansion Area. Provided that (i) Tenant is not in default under the Lease beyond any applicable notice and cure periods and (ii) the Original Tenant (as defined below) continues to be in possession of the New Premises, both requirements being met as of the date of exercise of the Expansion Area Renewal Option and as of the Expansion Area Renewal Term Commencement Date (both as defined below), then Landlord and Tenant agree that during the Expansion Term, Tenant shall have one (1) option to renew the Lease as it relates to the entirety of the Expansion Area (the "**Expansion Area Renewal Option**") to extend the Expansion Term through January 31, 2031 (such period of time from June 1, 2024 (the "**Expansion Area Renewal Commencement Date**"), through January 31, 2031, being referred to herein as the "**Expansion Area Renewal Term**"). The Expansion Area Renewal Option is exercisable only by Tenant giving written notice thereof ("**Renewal Notice**") to Landlord of its exercise of the Expansion Area Renewal Option at least nine (9) months, but not more than twelve (12) months, prior to the expiration of the Expansion Term. If Tenant gives timely notice exercising the Expansion Area Renewal Option, the Term of the Lease shall (subject to cancellation by Landlord for an Event of Default by Tenant as provided in the first sentence of this Section) automatically be extended by the Expansion Area Renewal Term. If Tenant does not timely give notice of its exercise of the Expansion Area Renewal Option, the Expansion Area Renewal Option shall expire and Tenant shall have no further right to extend or renew the

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Expansion Term. During the Expansion Area Renewal Term, the Lease and Tenant's use and occupancy of the New Premises shall be on the terms provided in the Lease, except as follows:

(a) Effective beginning on the Expansion Area Renewal Commencement Date, and continuing through the Expansion Area Renewal Term, the following schedule of Base Rent replaces the schedule provided in Section 1.4 of the Original Lease (including any amendments thereto, including, without limitation in the Sixth Amendment):

Period	Annual Base Rent Rate (per rsf)	Monthly Installment of Base Rent
06/01/2024 – 01/31/2025	\$21.50	\$36,118.21
02/01/2025 – 01/31/2026	\$22.00	\$36,958.17
02/01/2026 – 01/31/2027	\$22.50	\$37,798.13
02/01/2027 – 01/31/2028	\$23.00	\$38,638.08
02/01/2028 – 01/31/2029	\$23.50	\$39,478.04
02/01/2029 – 01/31/2030	\$24.00	\$40,318.00
02/01/2030 – 01/31/2031	\$24.50	\$41,157.96

(b) The Premises shall be the Premises as of the last day before the Expansion Area Renewal Term commences, and Landlord shall have no obligation to make or pay for any improvements in the Premises on account of Tenant's exercise of the Expansion Area Renewal Option, except that Landlord shall provide Tenant with an additional allowance for approved alterations within the Premises of up to \$14,700.00 (the "**Additional Allowance**"). The Additional Allowance, if applicable, shall be subject to all of the same limitations, terms, and conditions as the Expansion Area Allowance, except that Tenant shall utilize the Additional Allowance within six (6) months following the Expansion Area Renewal Commencement Date, otherwise any remaining amount of the Additional Allowance shall be forfeited by Tenant.

(c) The Expansion Area Renewal Option shall be personal to REDWOOD TRUST, INC., a Maryland corporation (together with any Permitted Transferee who has assumed the Lease (as defined in Section 14.2 of the Original Lease), collectively, "**Original Tenant**"), and may only be exercised by Original Tenant (and not any assignee, sublessee or other transferee of Original Tenant's interest in the Lease). All references to "Tenant" in this Section 8 shall mean Original Tenant only. In the event of any assignment of the Lease or sublease of all or any portion of the New Premises to any party other than Original Tenant, the Expansion Area Renewal Option shall be extinguished.

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(d) Tenant shall continue to have one (1) option to renew the Lease for the entirety of the Current Premises, on the terms and conditions set forth in the Third Amendment and the Fifth Amendment (the “**Existing Renewal Option**”). If Tenant timely exercises the Expansion Area Renewal Option as set forth in this Amendment for the Expansion Area, the Existing Renewal Option shall apply to the entirety of the New Premises and references in the Third Amendment and the Fifth Amendment to the “New Premises” shall refer to the New Premises as defined in this Amendment.

9. Signage. Landlord shall provide Tenant, at Landlord’s expense, with directory and suite signage for the New Premises, which signage shall be consistent with the signage for the Current Premises.

10. Brokers. Tenant and Landlord each represents and warrants that it did not deal with any broker or finder in connection with this Amendment other than John Marold of CBRE, Inc., (“**Landlord’s Broker**”), and Frederic de Loizaga of CBRE (“**Tenant’s Broker**”). Landlord shall indemnify Tenant against any liability or expense (including reasonable attorneys’ fees and costs of defense) for any brokerage commission or finder’s fee claimed by anyone based on any express or implied commitment made by Landlord or its agents or representatives in connection with this Amendment, including any commission owed to Landlord’s Broker and Tenant’s Broker pursuant to a separate agreement, but excluding any claim for compensation by Tenant’s Broker in excess of the commission, if any, that Landlord has agreed to pay Tenant’s Broker. Tenant shall indemnify Landlord against any liability or expense (including reasonable attorneys’ fees and costs) for any brokerage commission or finder’s fee claimed by anyone other than Landlord’s Broker based on any express or implied commitment made by Tenant or its agents or representatives, including any commission or fee claimed by Tenant’s Broker in excess of the commission, if any, that Landlord has agreed to pay Tenant’s Broker. The parties’ liability under this Section 10 shall survive any expiration or termination of the Lease.

11. Effect. Except as amended by this Amendment, all of the terms, covenants, conditions, provisions, and agreements of the Lease remain in full force and effect. The provisions of this Amendment supersede and control over any conflicting provisions in the Lease.

12. Estoppel. Tenant hereby acknowledges and confirms that, as of the date hereof and to Tenant’s knowledge, Landlord has performed all obligations on the part of the Landlord under the Lease and that Tenant has no claims against Landlord or claims of offset against any rent or other sums payable by Tenant under the Lease.

13. Interpretation. As used in this Amendment, the word “including” is not exclusive and means “including, without limitation” unless used with specific terms of exclusion. The word “party” means one of Landlord or Tenant, and “parties” means both, unless the context specifically indicates that reference to a third party is intended. References to sections or

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exhibits mean the sections of this Amendment and exhibits attached to this Amendment, unless the reference specifies another document.

14. Miscellaneous. The parties have read this Amendment and have received the advice of legal counsel with respect to this Amendment or have had the opportunity to receive legal advice, and they have freely and voluntarily entered into this Amendment. This Amendment embodies the entire agreement between the parties as to its subject matter and supersedes any prior agreements with respect thereto. There are no agreements or understandings between the parties with respect to the subject matter of this Amendment not set forth in this Amendment or the Lease. This Amendment cannot be modified except by a writing signed by both parties.

15. Signing and Delivery. This Amendment will be effective only when both Landlord and Tenant have signed and delivered it. This Amendment may be signed in counterparts and, when counterparts of this Amendment have been signed and delivered by both of the parties as provided in this Section 15, this Amendment will be fully binding and effective, just as if both of the parties had signed and delivered a single counterpart of this Amendment. This Amendment is not an offer to lease and cannot be accepted by performance or otherwise rendered effective in any manner other than in accordance with this Section 15. Landlord's submission of an unsigned copy this Amendment to Tenant for evaluation, negotiation, or signature by Tenant will not constitute signature of this Amendment by Landlord or otherwise bind Landlord, regardless of whether the cover letter or email transmitting that copy of this Amendment is signed or contains words of approval. Signatures provided by telecopy or other electronic means (*i.e.*, e-mail, .pdf, DocuSign) shall have the same binding effect as original signatures.

*[The remainder of this page is intentionally blank; signatures follow.]*

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Signed by the parties on the dates stated below:

**Landlord:**

ARTIS HRA Inverness Point, LP, a Delaware limited partnership

By: ARTIS HRA Inverness Point GP, LLC, a Delaware limited liability company, General Partner

By: /s/ Bruce Backstrom Bruce Backstrom, Authorized Signatory

Date: May 21, 2021

**Tenant:**

Redwood Trust, Inc., a Maryland corporation

By: /s/ Andrew P. Stone Print Name: Andrew P. Stone

Its: Executive Vice President and Chief Legal Officer

Date: May 20, 2021

**CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Christopher J. Abate, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Redwood Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over the financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2021

/s/ Christopher J. Abate

Christopher J. Abate  
Chief Executive Officer

**CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Brooke E. Carillo, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Redwood Trust, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over the financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2021

/s/ Brooke E. Carillo

Brooke E. Carillo  
Chief Financial Officer

**CERTIFICATION**

Pursuant to 18 U.S.C. §1350, the undersigned officer of Redwood Trust, Inc. (the “Registrant”) hereby certifies that the Registrant’s Quarterly Report on Form 10-Q for the three months ended June 30, 2021 (the “Quarterly Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: August 4, 2021

/s/ Christopher J. Abate

Christopher J. Abate

Chief Executive Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Quarterly Report or as a separate disclosure document.

**CERTIFICATION**

Pursuant to 18 U.S.C. §1350, the undersigned officer of Redwood Trust, Inc. (the “Registrant”) hereby certifies that the Registrant’s Quarterly Report on Form 10-Q for the three months ended June 30, 2021 (the “Quarterly Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and that the information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: August 4, 2021

/s/ Brooke E. Carillo

Brooke E. Carillo

Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350 and is not being filed as part of the Quarterly Report or as a separate disclosure document.