

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: September 30, 2023

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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
10% Series A Fixed-Rate Reset Cumulative Redeemable Preferred Stock, par value \$0.01 per share	RWT PRA	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 118,636,302 shares outstanding as of November 6, 2023

REDWOOD TRUST, INC.
2023 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)

	September 30, 2023	December 31, 2022
ASSETS ⁽¹⁾		
Residential loans, held-for-sale, at fair value	\$ 610,946	\$ 780,781
Residential loans, held-for-investment, at fair value	5,236,391	4,832,407
Business purpose loans, held-for-sale, at fair value	102,777	364,073
Business purpose loans, held-for-investment, at fair value	5,146,553	4,968,513
Consolidated Agency multifamily loans, at fair value	420,554	424,551
Real estate securities, at fair value	129,445	240,475
Home equity investments, at fair value	431,272	403,462
Other investments	340,361	390,938
Cash and cash equivalents	203,622	258,894
Restricted cash	56,101	70,470
Goodwill	23,373	23,373
Intangible assets	31,570	40,892
Derivative assets	37,686	20,830
Other assets	250,487	211,240
Total Assets	\$ 13,021,138	\$ 13,030,899
LIABILITIES AND EQUITY ⁽¹⁾		
Liabilities		
Short-term debt, net	\$ 1,476,654	\$ 2,029,679
Derivative liabilities	8,781	16,855
Accrued expenses and other liabilities	208,294	180,203
Asset-backed securities issued (includes \$7,910,345 and \$7,424,132 at fair value), net	8,392,050	7,986,752
Long-term debt, net	1,829,560	1,733,425
Total liabilities	11,915,339	11,946,914
Commitments and Contingencies (see Note 17)		
Equity		
Preferred stock, par value \$0.01 per share, 2,800,000 shares authorized; 2,800,000 and zero issued and outstanding	66,923	—
Common stock, par value \$0.01 per share, 395,000,000 shares authorized; 118,503,762 and 113,484,675 issued and outstanding	1,185	1,135
Additional paid-in capital	2,395,247	2,349,845
Accumulated other comprehensive loss	(64,738)	(68,868)
Cumulative earnings	1,125,126	1,153,370
Cumulative distributions to stockholders	(2,417,944)	(2,351,497)
Total equity	1,105,799	1,083,985
Total Liabilities and Equity	\$ 13,021,138	\$ 13,030,899

(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 September 30, 2023 and December 31, 2022, assets of consolidated VIEs totaled \$9,639,117 and \$9,257,291, respectively. At September 30, 2023 and December 31, 2022, liabilities of consolidated VIEs totaled \$8,635,696 and \$8,270,276, 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Interest Income				
Residential loans	\$ 62,512	\$ 61,002	\$ 177,137	\$ 191,252
Business purpose loans	93,020	95,197	288,580	270,430
Consolidated Agency multifamily loans	4,677	4,762	13,992	14,247
Real estate securities	5,111	6,989	17,762	30,772
Other interest income	11,754	9,712	37,100	27,816
Total interest income	177,074	177,662	534,571	534,517
Interest Expense				
Short-term debt	(27,323)	(23,944)	(87,862)	(49,093)
Asset-backed securities issued	(91,323)	(90,910)	(268,881)	(285,464)
Long-term debt	(38,077)	(27,873)	(104,944)	(71,435)
Total interest expense	(156,723)	(142,727)	(461,687)	(405,992)
Net Interest Income	20,351	34,935	72,884	128,525
Non-Interest (Loss) Income				
Mortgage banking activities, net	19,440	16,535	52,663	2,833
Investment fair value changes, net	(31,430)	(57,697)	(36,153)	(151,789)
Other income, net	2,346	4,027	11,060	17,016
Realized gains, net	50	—	1,104	2,581
Total non-interest (loss) income, net	(9,594)	(37,135)	28,674	(129,359)
General and administrative expenses	(29,697)	(38,244)	(96,057)	(101,719)
Portfolio management costs	(3,661)	(1,863)	(10,271)	(5,208)
Loan acquisition costs	(1,880)	(2,426)	(4,613)	(10,371)
Other expenses	(4,633)	(4,261)	(13,292)	(11,814)
Net Loss before (Provision for) Benefit from Income Taxes	(29,114)	(48,994)	(22,675)	(129,946)
(Provision for) benefit from income taxes	(1,696)	(1,417)	(642)	10,484
Net Loss	\$ (30,810)	\$ (50,411)	\$ (23,317)	\$ (119,462)
Dividends on preferred stock	(1,750)	—	(4,927)	—
Net Loss related to common stockholders	\$ (32,560)	\$ (50,411)	\$ (28,244)	\$ (119,462)
Net loss related to common stockholders - Basic	\$ (0.29)	\$ (0.44)	\$ (0.27)	\$ (1.04)
Net loss related to common stockholders - Diluted	\$ (0.29)	\$ (0.44)	\$ (0.27)	\$ (1.04)
Basic weighted average common shares outstanding	115,465,977	116,087,890	114,381,548	118,530,172
Diluted weighted average common shares outstanding	115,465,977	116,087,890	114,381,548	118,530,172

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

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

(In Thousands) (Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net (Loss) Income	\$ (30,810)	\$ (50,411)	\$ (23,317)	\$ (119,462)
Other comprehensive income (loss):				
Net unrealized (loss) gain on available-for-sale securities	(3,921)	(8,731)	398	(60,013)
Reclassification of unrealized loss on available-for-sale securities to net income (loss)	234	544	645	918
Reclassification of unrealized loss on interest rate agreements to net income (loss)	1,040	1,040	3,087	3,087
Total other comprehensive (loss) income	(2,647)	(7,147)	4,130	(56,008)
Comprehensive (Loss) Income	\$ (33,457)	\$ (57,558)	\$ (19,187)	\$ (175,470)
Dividends on preferred stock	\$ (1,750)	\$ —	\$ (4,927)	\$ —
Comprehensive Loss Related to Common Stockholders	\$ (35,207)	\$ (57,558)	\$ (24,114)	\$ (175,470)

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 September 30, 2023

(In Thousands, except Share Data) (Unaudited)	Preferred Stock	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)	Cumulative Earnings	Cumulative Distributions to Stockholders	Total
		Shares	Par Value					
June 30, 2023	\$ 66,923	114,177,992	\$ 1,142	\$ 2,358,675	\$ (62,091)	\$ 1,157,686	\$ (2,398,197)	\$ 1,124,138
Net (loss)	—	—	—	—	—	(30,810)	—	(30,810)
Other comprehensive (loss)	—	—	—	—	(2,647)	—	—	(2,647)
Issuance of common stock	—	4,244,580	42	33,286	—	—	—	33,328
Employee stock purchase and incentive plans	—	81,190	1	(124)	—	—	—	(123)
Non-cash equity award compensation	—	—	—	3,410	—	—	—	3,410
Preferred dividends declared (\$0.625 per share)	—	—	—	—	—	(1,750)	—	(1,750)
Common dividends declared (\$0.16 per share) ⁽¹⁾	—	—	—	—	—	—	(19,747)	(19,747)
September 30, 2023	<u>\$ 66,923</u>	<u>118,503,762</u>	<u>\$ 1,185</u>	<u>\$ 2,395,247</u>	<u>\$ (64,738)</u>	<u>\$ 1,125,126</u>	<u>\$ (2,417,944)</u>	<u>\$ 1,105,799</u>

For the Nine Months Ended September 30, 2023

(In Thousands, except Share Data) (Unaudited)	Preferred Stock	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)	Cumulative Earnings	Cumulative Distributions to Stockholders	Total
		Shares	Par Value					
December 31, 2022	\$ —	113,484,675	\$ 1,135	\$ 2,349,845	\$ (68,868)	\$ 1,153,370	\$ (2,351,497)	\$ 1,083,985
Net (loss)	—	—	—	—	—	(23,317)	—	(23,317)
Other comprehensive income	—	—	—	—	4,130	—	—	4,130
Issuance of common stock	—	4,244,580	42	33,286	—	—	—	33,328
Employee stock purchase and incentive plans	—	774,507	8	(2,836)	—	—	—	(2,828)
Non-cash equity award compensation	—	—	—	14,952	—	—	—	14,952
Issuance of preferred stock	66,923	—	—	—	—	—	—	66,923
Preferred dividends declared (\$1.85417 per share)	—	—	—	—	—	(4,927)	—	(4,927)
Common dividends declared (\$0.55 per share) ⁽¹⁾	—	—	—	—	—	—	(66,447)	(66,447)
September 30, 2023	<u>\$ 66,923</u>	<u>118,503,762</u>	<u>\$ 1,185</u>	<u>\$ 2,395,247</u>	<u>\$ (64,738)</u>	<u>\$ 1,125,126</u>	<u>\$ (2,417,944)</u>	<u>\$ 1,105,799</u>

For the Three Months Ended September 30, 2022

(In Thousands, except Share Data) (Unaudited)	Preferred Stock	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)	Cumulative Earnings	Cumulative Distributions to Stockholders	Total
		Shares	Par Value					
June 30, 2022	—	116,753,174	\$ 1,168	\$ 2,363,709	\$ (57,788)	\$ 1,247,839	\$ (2,296,837)	\$ 1,258,091
Net (loss)	—	—	—	—	—	(50,411)	—	(50,411)
Other comprehensive (loss)	—	—	—	—	(7,147)	—	—	(7,147)
Employee stock purchase and incentive plans	—	38,698	—	34	—	—	—	34
Non-cash equity award compensation	—	—	—	5,068	—	—	—	5,068
Share repurchases	—	(3,448,858)	(35)	(23,659)	—	—	—	(23,694)
Common dividends declared (\$0.23 per share) ⁽¹⁾	—	—	—	—	—	—	(27,699)	(27,699)
September 30, 2022	—	113,343,014	\$ 1,133	\$ 2,345,152	\$ (64,935)	\$ 1,197,428	\$ (2,324,536)	\$ 1,154,242

For the Nine Months Ended September 30, 2022

(In Thousands, except Share Data) (Unaudited)	Preferred Stock	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Cumulative Earnings	Cumulative Distributions to Stockholders	Total
		Shares	Amount					
December 31, 2021	—	114,892,309	\$ 1,149	\$ 2,316,799	\$ (8,927)	\$ 1,316,890	\$ (2,239,824)	\$ 1,386,087
Net (loss)	—	—	—	—	—	(119,462)	—	(119,462)
Other comprehensive (loss)	—	—	—	—	(56,008)	—	—	(56,008)
Issuance of common stock	—	5,232,869	52	67,424	—	—	—	67,476
Employee stock purchase and incentive plans	—	346,727	3	(1,151)	—	—	—	(1,148)
Non-cash equity award compensation	—	—	—	18,505	—	—	—	18,505
Share repurchases	—	(7,128,891)	(71)	(56,425)	—	—	—	(56,496)
Common dividends declared (0.69 per share) ⁽¹⁾	—	—	—	—	—	—	(84,712)	(84,712)
September 30, 2022	—	113,343,014	\$ 1,133	\$ 2,345,152	\$ (64,935)	\$ 1,197,428	\$ (2,324,536)	\$ 1,154,242

(1) Includes dividends and dividend equivalents declared on common stock and stock-based compensation awards

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)	Nine Months Ended September 30,	
	2023	2022
Cash Flows From Operating Activities:		
Net income (loss)	\$ (23,317)	\$ (119,462)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization of premiums, discounts, and debt issuance costs, net	14,137	2,041
Depreciation and amortization of non-financial assets	11,082	12,115
Originations of held-for-sale loans	(577,098)	(913,477)
Purchases of held-for-sale loans	(1,051,236)	(3,734,972)
Proceeds from sales of held-for-sale loans	692,392	4,110,949
Principal payments on held-for-sale loans	45,326	160,985
Net settlements of derivatives	(5,023)	158,868
Non-cash equity award compensation expense	14,952	18,505
Market valuation adjustments	(1,275)	183,487
Realized (gains) losses, net	(1,104)	(2,581)
Net change in:		
Other assets	14,687	56,156
Accrued expenses and other liabilities	(984)	(62,046)
Net cash used in operating activities	(867,461)	(129,432)
Cash Flows From Investing Activities:		
Originations of loan investments	(674,500)	(1,377,714)
Purchases of loan investments	—	(22,006)
Proceeds from sales of loans	5,351	—
Principal payments on loan investments	1,126,609	1,666,514
Purchases of real estate securities	(9,855)	(15,006)
Proceeds from sales of real estate securities	138,111	27,471
Principal payments on real estate securities	950	26,584
Repayments from servicer advance investments, net	55,828	65,772
Acquisition of Riverbend, net of cash acquired	—	(40,636)
Purchases of HEI	(25,626)	(176,439)
Repayments on HEI	26,153	35,187
Other investing activities, net	(3,787)	(20,768)
Net cash provided by investing activities	639,234	168,959
Cash Flows From Financing Activities:		
Proceeds from borrowings on short-term debt	1,956,373	4,149,726
Repayments on short-term debt	(2,393,313)	(5,192,165)
Proceeds from issuance of asset-backed securities	1,240,121	1,420,289
Repayments on asset-backed securities issued	(657,638)	(1,288,294)
Proceeds from borrowings on long-term debt	442,039	1,678,805
Deferred long-term debt issuance costs paid	(1,640)	(17,925)
Repayments on long-term debt	(451,253)	(873,820)
Payments on repurchase of common stock	—	(56,496)
Taxes paid on equity award distributions	(3,288)	(1,571)
Net proceeds from issuance of common stock	33,788	67,899
Net proceeds from issuance of preferred stock	66,923	—
Dividends paid on common stock	(66,447)	(84,712)
Dividends paid on preferred stock	(3,449)	—
Other financing activities, net	(3,630)	(3,659)
Net cash provided by (used in) financing activities	158,586	(201,923)
Net decrease in cash, cash equivalents and restricted cash	(69,641)	(162,396)
Cash, cash equivalents and restricted cash at beginning of period ⁽¹⁾	329,364	531,484
Cash, cash equivalents and restricted cash at end of period ⁽¹⁾	\$ 259,723	\$ 369,088

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

(In Thousands) (Unaudited)	Nine Months Ended September 30,	
	2023	2022
Supplemental Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 436,879	\$ 378,691
Taxes (refunded) paid	(1,034)	3,894
Supplemental Noncash Information:		
Dividends declared but not paid on preferred stock	1,478	—
Retention of mortgage servicing rights from loan securitizations and sales	—	4,543
Transfers from loans held-for-sale to loans held-for-investment	2,009,030	2,643,027
Transfers from residential loans to real estate owned	53,906	4,033
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	337	—
Reduction in operating lease liabilities due to lease modification	274	—
Transfers from short-term debt to long-term debt	325,173	—
Transfers from long-term debt to short-term debt	427,021	908,627

(1) Cash, cash equivalents, and restricted cash includes cash and cash equivalents of \$204 million and restricted cash of \$56 million at September 30, 2023, and includes cash and cash equivalents of \$297 million and restricted cash of \$72 million at September 30, 2022.

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

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2023
(Unaudited)

Note 1. Organization

Redwood Trust, Inc., together with its subsidiaries, is a specialty finance company focused on several distinct areas of housing credit, with a mission to help make quality housing, whether rented or owned, accessible to all American households. 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 well 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 securities. Our aggregation, origination and investment activities have evolved to incorporate a diverse mix of residential and business purpose housing credit assets. 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 Mortgage Banking, Business Purpose Mortgage Banking, and Investment Portfolio.

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 portfolio.

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 generally 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 Trust, Inc. 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. For a full description of our business, see *Part I, Item 1—Business* in our Annual Report on Form 10-K for the year ended December 31, 2022.

Note 2. Basis of Presentation

The consolidated financial statements presented herein are at September 30, 2023 and December 31, 2022, and for the three and nine months ended September 30, 2023 and 2022. 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, 2022. In the opinion of management, all normal and recurring adjustments have been made to present fairly the financial condition of the Company at September 30, 2023 and results of operations for all periods presented. The results of operations for the three and nine months ended September 30, 2023 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
September 30, 2023
(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 during and after 2012 in connection with the securitization of Redwood Select prime loans and Redwood Choice expanded-prime loans ("Sequoia"), entities formed in connection with the securitization of CoreVest BPL term and bridge loans ("CAFL") and an entity formed in connection with the securitization of home equity investment contracts ("HEI"). 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 certain entities we are exposed to financial risks associated with our role as a sponsor or co-sponsor, servicing administrator, collateral 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 Legacy Sequoia, 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 Consolidated Agency multifamily loans, at fair value, the underlying BPL term and bridge loans at the consolidated CAFL entities are shown under Business purpose loans held-for-investment, at fair value, and the underlying HEI at the consolidated HEI securitization entity are shown under Home equity investments, 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, we record interest income on the loans owned at these entities and interest expense on the ABS issued by these entities as well as fair value changes, other income and expenses associated with these entities' activities. See *Note 15* 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, valuation allowances, 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.

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

Acquisitions

On July 1, 2022, we acquired Riverbend Funding LLC ("Riverbend"), a private mortgage lender for residential transitional and commercial real estate investors. Refer to our Annual Report on Form 10-K for the year ended December 31, 2022 for additional information regarding this acquisition, including purchase price allocations. Additionally, in 2019 we acquired 5 Arches and CoreVest, an originator and portfolio manager of business purpose residential loans. In connection with these acquisitions, we identified and recorded finite-lived intangible assets totaling \$95 million. The table below presents the amortization period and carrying value of our intangible assets, net of accumulated amortization at September 30, 2023.

Table 2.1 – Intangible Assets – Activity

(Dollars in Thousands)	Intangible Assets at Acquisition	Accumulated Amortization at September 30, 2023	Carrying Value at September 30, 2023	Weighted Average Amortization Period (in years)
Borrower network	\$ 56,300	\$ (27,580)	\$ 28,720	7
Broker network	18,100	(16,592)	1,508	5
Non-compete agreements	11,400	(10,292)	1,108	3
Tradenames	4,400	(4,166)	234	3
Developed technology	1,800	(1,800)	—	2
Loan administration fees on existing loan assets	2,600	(2,600)	—	1
Total	\$ 94,600	\$ (63,030)	\$ 31,570	6

All of our intangible assets are amortized on a straight-line basis. For the nine months ended September 30, 2023, we recorded intangible asset amortization expense of \$9 million. For the nine months ended September 30, 2022, we recorded intangible asset amortization expense of \$11 million. Estimated future amortization expense is summarized in the table below.

Table 2.2 – Intangible Asset Amortization Expense by Year

(In Thousands)	September 30, 2023
2023 (3 months)	\$ 3,109
2024	9,412
2025	8,426
2026	6,694
2027	1,571
2028 and thereafter	2,358
Total Future Intangible Asset Amortization	\$ 31,570

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 September 30, 2023.

We recorded total goodwill of \$23 million during the three months ended September 30, 2022 as a result of the total consideration exceeding the fair value of the net assets acquired from Riverbend. For reporting purposes, we included the intangible assets and goodwill from the Riverbend acquisition within our Business Purpose Mortgage Banking segment. There were no changes to the balance of goodwill during the nine months ended September 30, 2023.

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

The potential liability resulting from the contingent consideration arrangement with Riverbend was recorded at its acquisition-date fair value of zero as part of the total consideration for the acquisition of Riverbend. At September 30, 2023, the estimated fair value of this contingent liability was zero on our consolidated balance sheets. Our contingent consideration liability is recorded at fair value and periodic changes in the estimated fair value are recorded through Other expenses on our consolidated statements of income. During the nine months ended September 30, 2023, we did not record any contingent consideration income or expense related to our acquisition of Riverbend. See *Note 17* for additional information on our contingent consideration liability.

The following unaudited pro forma financial information presents Net interest income, Non-interest income, and Net income of Redwood, as if the acquisition of Riverbend occurred as of January 1, 2022. These pro forma amounts have been adjusted to include the amortization of intangible assets for all periods. The unaudited pro forma financial information is not intended to represent or be indicative of the consolidated financial results of operations that would have been reported if the acquisition had been completed as of January 1, 2022 and should not be taken as indicative of our future consolidated results of operations.

Table 2.3 – Unaudited Pro Forma Financial Information

(In Thousands)	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Supplementary pro forma information:		
Net interest income	\$ 34,935	\$ 132,475
Non-interest (loss) income	(37,135)	(121,614)
Net (loss) income	(50,411)	(117,090)

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, 2022 is a summary of our significant accounting policies.

Recent Accounting Pronouncements

Newly Adopted Accounting Standard Updates ("ASUs")

In March 2022, the FASB issued ASU 2022-02, "Financial Instruments-Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures." ASU 2022-02 addresses areas identified by the FASB as part of its post-implementation review of the credit losses standard (ASU 2016-13) that introduced the current expected credit loss ("CECL") model. The amendments eliminate the accounting guidance for troubled debt restructurings by creditors that have adopted the CECL model and enhance the disclosure requirements for loan refinancings and restructurings made with borrowers experiencing financial difficulty. In addition, the amendments require a public business entity to disclose current-period gross writeoffs for financing receivables and net investment in leases by year of origination in the vintage disclosures. This new guidance was effective for fiscal years beginning after December 31, 2022. We adopted this guidance in the first quarter of 2023, 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)

In March 2022, the FASB issued ASU 2022-01, "Derivatives and Hedging (Topic 815), Fair Value Hedging - Portfolio Layer Method," which will expand companies' abilities to hedge the benchmark interest rate risk of portfolios of financial assets (or beneficial interests) in a fair value hedge. The ASU expands the use of the portfolio layer method (previously referred to as the last-of-layer method) to allow multiple hedges of a single closed portfolio of assets using spot starting, forward starting, and amortizing-notional swaps. The ASU also permits both prepayable and non-prepayable financial assets to be included in the closed portfolio of assets hedged in a portfolio layer hedge. The ASU further requires that basis adjustments not be allocated to individual assets for active portfolio layer method hedges, but rather be maintained on the closed portfolio of assets as a whole. This new guidance was effective for fiscal years beginning after December 31, 2022. We adopted this guidance in the first quarter of 2023, which did not have a material impact on our consolidated financial statements.

In December 2022, the FASB issued ASU 2022-06, "Reference Rate Reform (Topic 848) - Deferral of the Sunset Date of Topic 848." This new guidance defers the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. The objective of the guidance in Topic 848 is to provide temporary relief during the transition period. Through September 30, 2023, we had not elected to apply the optional expedients and exceptions to any of our existing contracts, hedging relationships, or other transactions.

At September 30, 2023, we had no remaining LIBOR-indexed financial assets or liabilities. Our bridge loans and trust preferred securities that were previously indexed to LIBOR at June 30, 2023, were transitioned to SOFR indexes in the third quarter of 2023.

Other Recent Accounting Pronouncements Pending Adoption

In June 2022, the FASB issued ASU 2022-03, "Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions." ASU 2022-03 clarifies that a contractual restriction on the sale of an equity security should not be considered in measuring its fair value and introduces new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. The amendments in this update are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. We are evaluating the accounting and disclosure requirements of ASU 2022-03 and we plan to adopt this new guidance by the required date. We do not anticipate that this update will have a material impact on our financial statements.

In August 2023, the FASB issued ASU 2023-05, "Business Combinations—Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement." ASU 2023-05 requires a joint venture, upon formation, to initially measure its assets and liabilities at fair value. This generally aligns the treatment to be consistent with the guidance for business combinations. Joint venture entities that are private companies may elect to include customer-related intangible assets and non-competition agreements within goodwill and not as separate intangible assets. This new guidance is effective for all joint venture entities with a formation date on or after January 1, 2025, with early adoption permitted. Joint ventures formed prior to the adoption date may elect to apply the new guidance retrospectively back to their original formation date. We are evaluating the accounting and disclosure requirements of ASU 2023-05 and we plan to adopt this new guidance by the required date. We do not anticipate that this update will have a material impact on our financial statements.

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 elect to 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 following table 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 September 30, 2023 and December 31, 2022.

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

September 30, 2023 (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 ⁽¹⁾		Net Amount
				Financial Instruments	Cash Collateral (Received) Pledged	
Assets ⁽²⁾						
Interest rate agreements	\$ 13,819	\$ —	\$ 13,819	\$ —	\$ (9,428)	\$ 4,391
TBAs	16,613	—	16,613	(1,169)	(14,032)	1,412
Futures	2,187	—	2,187	(199)	(146)	1,842
Total Assets	\$ 32,619	\$ —	\$ 32,619	\$ (1,368)	\$ (23,606)	\$ 7,645
Liabilities ⁽²⁾						
TBAs	\$ (5,495)	\$ —	\$ (5,495)	\$ 1,169	\$ 4,326	\$ —
Futures	(199)	—	(199)	199	—	—
Loan warehouse debt	(325,880)	—	(325,880)	325,880	—	—
Total Liabilities	\$ (331,574)	\$ —	\$ (331,574)	\$ 327,248	\$ 4,326	\$ —

December 31, 2022 (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 ⁽¹⁾		Net Amount
				Financial Instruments	Cash Collateral (Received) Pledged	
Assets ⁽²⁾						
Interest rate agreements	\$ 14,625	\$ —	\$ 14,625	\$ —	\$ (5,944)	\$ 8,681
TBAs	1,893	—	1,893	(1,873)	—	20
Futures	3,976	—	3,976	(57)	—	3,919
Total Assets	\$ 20,494	\$ —	\$ 20,494	\$ (1,930)	\$ (5,944)	\$ 12,620
Liabilities ⁽²⁾						
TBAs	\$ (16,784)	\$ —	\$ (16,784)	\$ 1,873	\$ 4,518	\$ (10,393)
Futures	(57)	—	(57)	57	—	—
Loan warehouse debt	(224,695)	—	(224,695)	224,695	—	—
Total Liabilities	\$ (241,536)	\$ —	\$ (241,536)	\$ 226,625	\$ 4,518	\$ (10,393)

(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, we have pledged excess cash collateral or financial assets to a counterparty (which, in certain circumstances, may 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, these excess amounts are excluded from the table; they are separately reported in our consolidated balance sheets as assets or liabilities, respectively.

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

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

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, our transactions generally 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.

Analysis of Consolidated VIEs

At September 30, 2023, we consolidated Legacy Sequoia, Sequoia, CAFL, Freddie Mac SLST, Freddie Mac K-Series, and HEI 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 certain securitizations, we are exposed to financial risks associated with our role as a sponsor, servicing administrator, collateral administrator, or depositor of these entities or as a result of our having sold assets directly or indirectly to these entities.

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 September 30, 2023, we held an 80% ownership interest in, and were responsible for the management of, each such entity. See *Note 11* for a further description of these entities and the investments they hold and *Note 13* for additional information on the minority partner's non-controlling 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 14* for additional information on the servicer advance financing.

During 2021, we consolidated an HEI securitization entity formed to invest in HEI that we determined was a VIE and for which we determined we were the primary beneficiary. At September 30, 2023 and December 31, 2022, we owned a portion of the subordinate certificates issued by the entity and had certain decision making rights for the entity. See *Note 10* for a further description of this entity and the investments it holds and *Note 13* for additional information on non-controlling interests in the entity. We consolidate the HEI 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.

For certain of our consolidated VIEs, we have elected to account for the assets and liabilities of these entities as collateralized financing entities ("CFE"). A CFE is a variable interest entity that holds financial assets and issues beneficial interests in those assets, and these beneficial interests have contractual recourse only to the related assets of the CFE. Accounting guidance for CFEs allows companies to elect to measure both the financial assets and financial liabilities of a CFE using the more observable of the fair value of the financial assets or fair value of the financial liabilities. The net equity in an entity accounted for under the CFE election effectively represents the fair value of the beneficial interests we own in the entity.

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 4. Principles of Consolidation - (continued)

In addition to our consolidated VIEs for which we made the CFE election, we consolidate certain VIEs for which we did not make the CFE election, and elected to account for the ABS issued by these entities at amortized cost. These include our CAFL Bridge securitizations, Freddie Mac SLST re-securitization, and Servicing Investment entities. In January 2023, we called the Freddie Mac SLST re-securitization and paid off the associated outstanding ABS issued.

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

Table 4.1 – Assets and Liabilities of Consolidated VIEs

September 30, 2023 (Dollars in Thousands)	Legacy Sequoia	Sequoia	CAFL ⁽¹⁾	Freddie Mac SLST ⁽¹⁾	Freddie Mac K-Series	Servicing Investment	HEI	Total Consolidated VIEs
Residential loans, held-for-investment	\$ 150,152	\$ 3,774,090	\$ —	\$ 1,312,149	\$ —	\$ —	\$ —	\$ 5,236,391
Business purpose loans, held-for-investment	—	—	3,494,669	—	—	—	—	3,494,669
Consolidated Agency multifamily loans	—	—	—	—	420,554	—	—	420,554
Home equity investments	—	—	—	—	—	—	129,150	129,150
Other investments	—	—	—	—	—	252,650	—	252,650
Cash and cash equivalents	—	—	—	—	—	15,198	—	15,198
Restricted cash	67	76	24,127	—	—	—	4,015	28,285
Accrued interest receivable	333	15,263	19,267	4,900	1,275	2,232	—	43,270
Other assets	—	—	8,062	2,865	—	7,973	50	18,950
Total Assets	\$ 150,552	\$ 3,789,429	\$ 3,546,125	\$ 1,319,914	\$ 421,829	\$ 278,053	\$ 133,215	\$ 9,639,117
Short-term debt	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 154,128	\$ —	\$ 154,128
Accrued interest payable	310	12,695	11,181	3,398	1,150	385	—	29,119
Accrued expenses and other liabilities	(106)	80	2,736	—	—	32,062	25,627	60,399
Asset-backed securities issued	149,202	3,568,505	3,134,929	1,058,991	387,650	—	92,773	8,392,050
Total Liabilities	\$ 149,406	\$ 3,581,280	\$ 3,148,846	\$ 1,062,389	\$ 388,800	\$ 186,575	\$ 118,400	\$ 8,635,696
Value of our investments in VIEs⁽¹⁾	\$ 950	\$ 205,581	\$ 394,184	\$ 256,023	\$ 32,904	\$ 91,478	\$ 14,815	\$ 995,935
Number of VIEs	20	20	20	2	1	3	1	67

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Note 4. Principles of Consolidation - (continued)

December 31, 2022 (Dollars in Thousands)	Legacy Sequoia	Sequoia	CAFL⁽¹⁾	Freddie Mac SLST⁽¹⁾	Freddie Mac K-Series	Servicing Investment	HEI	Total Consolidated VIEs
Residential loans, held-for-investment	\$ 184,932	\$ 3,190,417	\$ —	\$ 1,457,058	\$ —	\$ —	\$ —	\$ 4,832,407
Business purpose loans, held-for-investment	—	—	3,461,367	—	—	—	—	3,461,367
Consolidated Agency multifamily loans	—	—	—	—	424,551	—	—	424,551
Home equity investments	—	—	—	—	—	—	132,627	132,627
Other investments	—	—	—	—	—	301,213	—	301,213
Cash and cash equivalents	—	—	710	—	—	12,765	—	13,475
Restricted cash	69	73	26,296	—	—	—	3,424	29,862
Accrued interest receivable	284	11,227	18,102	5,144	1,293	342	—	36,392
Other assets	637	—	14,265	2,898	—	7,547	50	25,397
Total Assets	\$ 185,922	\$ 3,201,717	\$ 3,520,740	\$ 1,465,100	\$ 425,844	\$ 321,867	\$ 136,101	\$ 9,257,291
Short-term debt	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 206,510	\$ —	\$ 206,510
Accrued interest payable	282	8,880	10,918	3,561	1,167	492	—	25,300
Accrued expenses and other liabilities	—	81	4,559	—	—	24,745	22,329	51,714
Asset-backed securities issued	184,191	2,971,109	3,115,807	1,222,150	392,785	—	100,710	7,986,752
Total Liabilities	\$ 184,473	\$ 2,980,070	\$ 3,131,284	\$ 1,225,711	\$ 393,952	\$ 231,747	\$ 123,039	\$ 8,270,276
Value of our investments in VIEs⁽¹⁾	\$ 1,285	\$ 219,299	\$ 385,927	\$ 237,807	\$ 31,767	\$ 90,120	\$ 13,062	\$ 979,267
Number of VIEs	20	17	19	3	1	3	1	64

(1) Value of our investments in VIEs, as presented in this table, represents the fair value of our economic interests in the consolidated VIEs that we account for under the CFE election. CAFL includes BPL term loan securitizations we account for under the CFE election and two BPL bridge loan securitizations for which we did not make the CFE election. As of September 30, 2023 and December 31, 2022, the fair value of our interests in the CAFL Term securitizations were \$316 million and \$304 million, respectively, and the remaining values were associated with our interests in the CAFL Bridge securitizations, for which the ABS issued is carried at amortized historical cost. At December 31, 2022, Freddie Mac SLST includes securitizations we account for under the CFE election and also includes ABS issued in relation to a re-securitization of the securities we own in the consolidated Freddie Mac SLST VIEs, that we account for at amortized historical cost. In January 2023, we called the Freddie Mac SLST re-securitization and paid off the associated outstanding ABS issued. As of September 30, 2023 and December 31, 2022, the fair value of our interests in the Freddie Mac SLST securitizations accounted for under the CFE election was \$256 million and \$323 million, respectively, with the difference reflected in the December 31, 2022 table above due to ABS issued and carried at amortized historical cost.

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Note 4. Principles of Consolidation - (continued)

The following tables present income (loss) from these VIEs for the three and nine months ended September 30, 2023 and 2022.

Table 4.2 – Income (Loss) from Consolidated VIEs

Three Months Ended September 30, 2023								
(Dollars in Thousands)	Legacy Sequoia	Sequoia	CAFL	Freddie Mac SLST	Freddie Mac K-Series	Servicing Investment	HEI	Total Consolidated VIEs
Interest income	\$ 2,596	\$ 40,180	\$ 52,940	\$ 15,065	\$ 4,677	\$ 8,069	\$ —	\$ 123,527
Interest expense	(2,487)	(35,810)	(38,273)	(10,523)	(4,290)	(3,410)	—	(94,793)
Net interest income	109	4,370	14,667	4,542	387	4,659	—	28,734
Non-interest income								
Investment fair value changes, net	(215)	(4,966)	(6,562)	(32,388)	390	3,059	968	(39,714)
Other income	—	—	377	—	—	—	—	377
Total non-interest income, net	(215)	(4,966)	(6,185)	(32,388)	390	3,059	968	(39,337)
General and administrative expenses	—	—	—	—	—	(89)	—	(89)
Other expenses	—	—	—	—	—	(1,526)	—	(1,526)
Income (loss) from Consolidated VIEs	\$ (106)	\$ (596)	\$ 8,482	\$ (27,846)	\$ 777	\$ 6,103	\$ 968	\$ (12,218)

Nine Months Ended September 30, 2023								
(Dollars in Thousands)	Legacy Sequoia	Sequoia	CAFL	Freddie Mac SLST	Freddie Mac K-Series	Servicing Investment	HEI	Total Consolidated VIEs
Interest income	\$ 7,879	\$ 112,302	\$ 161,960	\$ 45,831	\$ 13,993	\$ 23,794	\$ —	\$ 365,759
Interest expense	(7,650)	(99,859)	(116,360)	(32,392)	(12,842)	(11,054)	—	(280,157)
Net interest income	229	12,443	45,600	13,439	1,151	12,740	—	85,602
Non-interest income								
Investment fair value changes, net	(319)	(1,596)	(4,643)	(40,017)	1,138	7,265	1,846	(36,326)
Other income	—	—	761	—	—	—	—	761
Total non-interest income, net	(319)	(1,596)	(3,882)	(40,017)	1,138	7,265	1,846	(35,565)
General and administrative expenses	—	—	—	—	—	(82)	—	(82)
Other expenses	—	—	—	—	—	(4,007)	—	(4,007)
Income (loss) from Consolidated VIEs	\$ (90)	\$ 10,847	\$ 41,718	\$ (26,578)	\$ 2,289	\$ 15,916	\$ 1,846	\$ 45,948

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Note 4. Principles of Consolidation - (continued)

Three Months Ended September 30, 2022								
(Dollars in Thousands)	Legacy Sequoia	Sequoia	CAFL	Freddie Mac SLST	Freddie Mac K-Series	Servicing Investment	HEI	Total Consolidated VIEs
Interest income	\$ 1,475	\$ 31,587	\$ 61,439	\$ 16,098	\$ 4,762	\$ 7,800	\$ —	\$ 123,161
Interest expense	(1,486)	(27,541)	(44,804)	(12,829)	(4,377)	(2,606)	—	(93,643)
Net interest income	(11)	4,046	16,635	3,269	385	5,194	—	29,518
Non-interest income								
Investment fair value changes, net	(328)	(10,936)	(4,527)	(41,892)	316	(3,286)	(584)	(61,237)
Other income	—	—	286	—	—	—	—	286
Total non-interest income, net	(328)	(10,936)	(4,241)	(41,892)	316	(3,286)	(584)	(60,951)
General and administrative expenses	—	—	—	—	—	(55)	—	(55)
Other expenses	—	—	—	—	—	(372)	—	(372)
Income (loss) from Consolidated VIEs	\$ (339)	\$ (6,890)	\$ 12,394	\$ (38,623)	\$ 701	\$ 1,481	\$ (584)	\$ (31,860)

Nine Months Ended September 30, 2022								
(Dollars in Thousands)	Legacy Sequoia	Sequoia	CAFL	Freddie Mac SLST	Freddie Mac K-Series	Servicing Investment	HEI	Total Consolidated VIEs
Interest income	\$ 3,595	\$ 95,608	\$ 195,381	\$ 49,851	\$ 14,247	\$ 23,287	\$ —	\$ 381,969
Interest expense	(3,154)	(84,041)	(145,207)	(40,286)	(13,099)	(6,110)	—	(291,897)
Net interest income	441	11,567	50,174	9,565	1,148	17,177	—	90,072
Non-interest income								
Investment fair value changes, net	(1,378)	(20,644)	(23,972)	(74,796)	390	(11,259)	4,028	(127,631)
Other income	—	—	631	—	—	—	—	631
Total non-interest income, net	(1,378)	(20,644)	(23,341)	(74,796)	390	(11,259)	4,028	(127,000)
General and administrative expenses	—	—	—	—	—	(130)	—	(130)
Other expenses	—	—	—	—	—	(1,158)	—	(1,158)
Income (loss) from Consolidated VIEs	\$ (937)	\$ (9,077)	\$ 26,833	\$ (65,231)	\$ 1,538	\$ 4,630	\$ 4,028	\$ (38,216)

We consolidate the assets and liabilities of certain Sequoia, CAFL and HEI 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, CAFL and HEI 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, including rights to direct loss mitigation activities; 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, CAFL and HEI 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.

Analysis of Unconsolidated VIEs with Continuing Involvement

Since 2012, we have transferred residential loans to 46 Sequoia securitization entities sponsored by us that are still outstanding as of September 30, 2023, 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.

The following table summarizes the cash flows during the three and nine months ended September 30, 2023 and 2022 between us and the unconsolidated VIEs sponsored by us and accounted for as sales since 2012.

Table 4.3 – Cash Flows Related to Unconsolidated VIEs Sponsored by Redwood

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
MSR fees received	\$ 664	\$ 737	\$ 2,020	\$ 2,365
Funding of compensating interest, net	(1)	(11)	(3)	(41)
Cash flows received on retained securities	3,254	3,096	8,938	20,380

The following table presents additional information at September 30, 2023 and December 31, 2022, related to unconsolidated VIEs sponsored by Redwood and accounted for as sales since 2012.

Table 4.4 – Unconsolidated VIEs Sponsored by Redwood

(In Thousands)	September 30, 2023	December 31, 2022
On-balance sheet assets, at fair value:		
Interest-only, senior and subordinate securities, classified as trading	\$ 32,772	\$ 28,722
Subordinate securities, classified as AFS	73,160	74,367
Mortgage servicing rights	11,562	11,589
Maximum loss exposure ⁽¹⁾	<u>\$ 117,494</u>	<u>\$ 114,678</u>
Assets transferred:		
Principal balance of loans outstanding	\$ 3,830,002	\$ 4,052,922
Principal balance of loans 30+ days delinquent	18,498	27,739

(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.

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Note 4. Principles of Consolidation - (continued)

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 September 30, 2023 and December 31, 2022.

Table 4.5 – Key Assumptions and Sensitivity Analysis for Assets Retained from Unconsolidated VIEs Sponsored by Redwood

September 30, 2023 (Dollars in Thousands)	MSRs	Senior Securities ⁽¹⁾	Subordinate Securities
Fair value at September 30, 2023	\$ 11,562	\$ 32,772	\$ 73,160
Expected life (in years) ⁽²⁾	8	10	15
Prepayment speed assumption (annual CPR) ⁽²⁾	6 %	5 %	8 %
Decrease in fair value from:			
10% adverse change	\$ 207	\$ 589	\$ 458
25% adverse change	513	1,400	1,086
Discount rate assumption ⁽²⁾	13 %	14 %	9 %
Decrease in fair value from:			
100 basis point increase	\$ 405	\$ 1,547	\$ 6,878
200 basis point increase	827	2,782	12,831
Credit loss assumption ⁽²⁾	N/A	0.03 %	0.03 %
Decrease in fair value from:			
10% higher losses	N/A	N/A	\$ 31
25% higher losses	N/A	N/A	80
December 31, 2022 (Dollars in Thousands)	MSRs	Senior Securities ⁽¹⁾	Subordinate Securities
Fair value at December 31, 2022	\$ 11,589	\$ 28,722	\$ 74,367
Expected life (in years) ⁽²⁾	7	7	16
Prepayment speed assumption (annual CPR) ⁽²⁾	8 %	10 %	8 %
Decrease in fair value from:			
10% adverse change	\$ 311	\$ 970	\$ 386
25% adverse change	779	2,344	907
Discount rate assumption ⁽²⁾	11 %	12 %	9 %
Decrease in fair value from:			
100 basis point increase	\$ 430	\$ 980	\$ 7,198
200 basis point increase	832	1,894	13,394
Credit loss assumption ⁽²⁾	N/A	0.03 %	0.03 %
Decrease in fair value from:			
10% higher losses	N/A	N/A	\$ 31
25% higher losses	N/A	N/A	76

(1) Senior securities included \$33 million and \$29 million of interest-only securities at September 30, 2023 and December 31, 2022, respectively.

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

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Note 4. Principles of Consolidation - (continued)

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 September 30, 2023 and December 31, 2022, grouped by asset type.

Table 4.6 – Third-Party Sponsored VIE Summary

(In Thousands)	September 30, 2023	December 31, 2022
Mortgage-Backed Securities		
Senior	\$ 8,397	\$ 145
Subordinate	15,116	137,241
Total Mortgage-Backed Securities	23,513	137,386
Excess MSR	5,590	7,082
Total Investments in Third-Party Sponsored VIEs	\$ 29,103	\$ 144,468

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.

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 September 30, 2023 and December 31, 2022.

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

(In Thousands)	September 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Residential loans, held-for-sale, at fair value	\$ 610,918	\$ 610,918	\$ 780,781	\$ 780,781
Residential loans, held-for-investment, at fair value	5,236,391	5,236,391	4,832,407	4,832,407
Business purpose loans, held-for-sale, at fair value	102,777	102,777	364,073	364,073
Business purpose loans, held-for-investment, at fair value	5,146,553	5,146,553	4,968,513	4,968,513
Consolidated Agency multifamily loans, at fair value	420,554	420,554	424,551	424,551
Real estate securities, at fair value	129,445	129,445	240,475	240,475
HEI	431,272	431,272	403,462	403,462
Servicer advance investments ⁽¹⁾	219,813	219,813	269,259	269,259
MSRs ⁽¹⁾	26,033	26,033	25,421	25,421
Excess MSRs ⁽¹⁾	38,427	38,427	39,035	39,035
Other investments ⁽¹⁾	5,583	5,583	6,155	6,155
Cash and cash equivalents	203,622	203,622	258,894	258,894
Restricted cash	56,101	56,101	70,470	70,470
Derivative assets	37,686	37,686	20,830	20,830
Margin receivable ⁽²⁾	10,536	10,536	13,802	13,802
Liabilities				
Short-term debt ⁽³⁾	\$ 1,329,017	\$ 1,327,134	\$ 1,853,664	\$ 1,853,664
Margin payable ⁽⁴⁾	25,210	25,210	5,944	5,944
Guarantee obligations ⁽⁴⁾	5,913	3,734	6,344	4,738
HEI securitization non-controlling interest	25,627	25,627	22,329	22,329
Derivative liabilities	8,781	8,781	16,855	16,855
ABS issued, net				
at fair value	7,910,345	7,910,345	7,424,132	7,424,132
at amortized cost	481,705	454,973	562,620	524,768
Other long-term debt, net ⁽⁵⁾	1,320,733	1,315,014	1,077,200	1,069,946
Convertible notes, net ⁽⁵⁾	517,662	489,828	693,473	638,049
Trust preferred securities and subordinated notes, net ⁽⁵⁾	138,802	97,650	138,767	83,700

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

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

(3) Short-term debt excludes short-term convertible notes, which are included below under "Convertible notes, net."

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

(5) These liabilities are primarily included in Long-term debt, net on our consolidated balance sheets. Convertible notes, net also includes convertible notes classified as Short-term debt. See *Note 14* for more information on Short-term debt.

During the three and nine months ended September 30, 2023, we elected the fair value option for zero and \$8 million of securities, respectively, \$858 million and \$1.1 billion (principal balance) of residential loans, respectively, and \$411 million and \$1.26 billion (principal balance) of business purpose loans, respectively. Additionally, during the three and nine months ended September 30, 2023, we elected the fair value option for \$0.1 million and \$26 million of HEI, respectively. For the three and nine months ended September 30, 2023, we elected the fair value option for zero and \$1 million, respectively, of Other investments. 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, as well as for certain securities we purchase, including IO securities, HEI and certain equity investments.

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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 September 30, 2023 and December 31, 2022, 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

September 30, 2023	Carrying Value	Fair Value Measurements Using		
(In Thousands)		Level 1	Level 2	Level 3
Assets				
Residential loans	\$ 5,847,309	\$ —	\$ —	\$ 5,847,309
Business purpose loans	5,249,330	—	—	5,249,330
Consolidated Agency multifamily loans	420,554	—	—	420,554
Real estate securities	129,445	—	—	129,445
HEI	431,272	—	—	431,272
Servicer advance investments	219,813	—	—	219,813
MSRs	26,033	—	—	26,033
Excess MSRs	38,427	—	—	38,427
Other investments	5,583	—	—	5,583
Derivative assets	37,686	18,800	13,819	5,067
Liabilities				
HEI securitization non-controlling interest	\$ 25,627	\$ —	\$ —	\$ 25,627
Derivative liabilities	8,781	5,694	—	3,087
ABS issued	7,910,345	—	—	7,910,345
December 31, 2022				
(In Thousands)	Carrying Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Assets				
Residential loans	\$ 5,613,157	\$ —	\$ —	\$ 5,613,157
Business purpose loans	5,332,586	—	—	5,332,586
Consolidated Agency multifamily loans	424,551	—	—	424,551
Real estate securities	240,475	—	—	240,475
HEI	403,462	—	—	403,462
Servicer advance investments	269,259	—	—	269,259
MSRs	25,421	—	—	25,421
Excess MSRs	39,035	—	—	39,035
Other investments	6,155	—	—	6,155
Derivative assets	20,830	5,869	14,625	—
Liabilities				
HEI securitization non-controlling interest	\$ 22,329	\$ —	\$ —	\$ 22,329
Derivative liabilities	16,855	16,841	—	—
ABS issued	7,424,132	—	—	7,424,132

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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 nine months ended September 30, 2023.

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

Assets									
(In Thousands)	Residential Loans	Business Purpose Loans	Consolidated Agency Multifamily Loans	Trading Securities	AFS Securities	HEI	Servicer Advance Investments	Excess MSR	MSR and Other Investments
Beginning balance - December 31, 2022	\$ 5,613,157	\$ 5,332,586	\$ 424,552	\$ 108,329	\$ 132,146	\$ 403,462	\$ 269,259	\$ 39,035	\$ 31,576
Acquisitions	1,050,444	—	—	7,883	1,979	25,626	—	—	500
Originations	—	1,255,680	—	—	—	—	—	—	—
Sales	(226,646)	(471,336)	—	(82,270)	(54,339)	—	—	—	(272)
Principal paydowns	(363,128)	(802,610)	(6,198)	(324)	(632)	(26,153)	(55,828)	—	(114)
Gains (losses) in net income, net	(224,162)	(17,809)	2,200	14,423	946	28,337	6,382	(608)	426
Unrealized losses in OCI, net	—	—	—	—	1,304	—	—	—	—
Other settlements, net ⁽¹⁾	(2,356)	(47,181)	—	—	—	—	—	—	(500)
Ending balance - September 30, 2023	\$ 5,847,309	\$ 5,249,330	\$ 420,554	\$ 48,041	\$ 81,404	\$ 431,272	\$ 219,813	\$ 38,427	\$ 31,616

Liabilities			
(In Thousands)	Derivatives ⁽²⁾	HEI Securitization Non-Controlling Interest	ABS Issued
Beginning balance - December 31, 2022	\$ 322	\$ 22,329	\$ 7,424,132
Acquisitions	—	—	1,240,120
Principal paydowns	—	—	(571,883)
Gains (losses) in net income, net	10,086	3,298	(182,023)
Other settlements, net ⁽¹⁾	(8,428)	—	—
Ending balance - September 30, 2023	\$ 1,980	\$ 25,627	\$ 7,910,346

(1) Other settlements, net: for residential and business purpose loans, represents the transfer of loans to REO; for derivatives, represents the transfer of the fair value of loan purchase and interest rate lock commitments at the time loans are acquired to the basis of residential and business purpose loans; and for MSRs and other investments, primarily represents an investment that was exchanged into a new instrument that is no longer measured at fair value on a recurring basis.

(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 fair value gains or losses included in our consolidated statements of income that were attributable to Level 3 assets and liabilities recorded at fair value on a recurring basis and held at September 30, 2023 and 2022. Gains or losses incurred on assets or liabilities sold, matured, called, or fully written down during the three and nine months ended September 30, 2023 and 2022 are not included in this presentation.

Table 5.4 – Portion of Net Fair Value Gains (Losses) Attributable to Level 3 Assets and Liabilities Still Held at September 30, 2023 and 2022 Included in Net Income

(In Thousands)	Included in Net Income (loss)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Assets				
Residential loans at Redwood	\$ (3,963)	\$ (28,762)	\$ (4,404)	\$ (42,952)
Business purpose loans at Redwood and CAFL Bridge	(15,646)	(10,967)	(25,876)	(39,019)
Net investments in consolidated Sequoia entities ⁽¹⁾	(4,471)	(11,264)	(1,952)	(22,467)
Net investments in consolidated Freddie Mac SLST entities ⁽¹⁾	(32,397)	(41,969)	(40,398)	(75,043)
Net investments in consolidated Freddie Mac K-Series entities ⁽¹⁾	390	316	1,138	390
Net investments in consolidated CAFL Term entities ⁽¹⁾	(3,800)	(6,585)	(1,903)	(24,365)
Net investment in consolidated HEI securitization entity ⁽¹⁾	2,700	(1,652)	5,145	11,348
Trading securities	4,408	(12,668)	5,795	(34,104)
Available-for-sale securities	66	—	(32)	—
HEI at Redwood	8,705	(4,903)	19,592	(2,272)
Servicer advance investments	4,069	(3,905)	6,383	(10,218)
MSRs	160	1,653	1,425	9,118
Excess MSRs	(1,450)	(351)	(608)	(3,779)
Loan purchase and interest rate lock commitments	5,061	723	5,067	744
Liabilities				
Non-controlling interest in consolidated HEI entity	\$ (1,732)	\$ 1,068	\$ (3,298)	\$ (7,320)
Loan purchase commitments	(3,087)	(212)	(3,087)	(212)

(1) Represents the portion of net fair value gains or losses included in our consolidated statements of income related to securitized loans, securitized HEI, and the associated ABS issued at our consolidated securitization entities held at September 30, 2023 and 2022, which, netted together, represent the change in value of our investments at the consolidated VIEs accounted for under the CFE election, excluding REO.

The following table presents information on assets recorded at fair value on a non-recurring basis at September 30, 2023. 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 September 30, 2023.

Table 5.5 – Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis at September 30, 2023

September 30, 2023 (In Thousands)	Carrying Value	Fair Value Measurements Using			Gain (Loss) for	
		Level 1	Level 2	Level 3	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Assets						
Strategic investments	\$ 6,750	\$ —	\$ —	\$ 6,750	\$ 100	\$ (2,550)
REO	423	—	—	423	(65)	(65)

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

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 nine months ended September 30, 2023 and 2022.

Table 5.6 – Market Valuation Gains and Losses, Net

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Mortgage Banking Activities, Net				
Residential loans held-for-sale	\$ (8,683)	\$ (20,060)	\$ (2,774)	\$ (71,776)
Residential loan purchase commitments	5,864	(2,716)	8,045	(53,236)
BPL term loans held-for-sale	1,600	(19,325)	13,214	(83,827)
BPL term loan interest rate lock commitments	—	19	—	(666)
BPL bridge loans	1,438	(9)	4,808	2,242
Trading securities ⁽¹⁾	(482)	148	2,188	4,249
Risk management derivatives, net	15,591	48,363	11,802	164,137
Total mortgage banking activities, net ⁽²⁾	\$ 15,328	\$ 6,420	\$ 37,283	\$ (38,877)
Investment Fair Value Changes, Net				
Residential loans held-for-investment, at Redwood (called Sequoia loans)	\$ —	\$ (6,614)	\$ 183	\$ (18,876)
BPL term loans held-for-sale	—	—	(14,430)	—
BPL bridge loans held-for-investment	(16,899)	2,482	(22,867)	(9,220)
Trading securities	5,738	(12,668)	12,271	(34,268)
Servicer advance investments	4,069	(3,905)	6,382	(10,217)
Excess MSRs	(1,450)	(351)	(608)	(3,779)
Net investments in Legacy Sequoia entities ⁽³⁾	(215)	(328)	(319)	(1,378)
Net investments in Sequoia entities ⁽³⁾	(4,256)	(10,936)	(886)	(20,644)
Net investments in Freddie Mac SLST entities ⁽³⁾	(32,388)	(41,892)	(40,017)	(74,796)
Net investment in Freddie Mac K-Series entity ⁽³⁾	390	316	1,138	390
Net investments in CAFL Term entities ⁽³⁾	(3,800)	(6,585)	(1,903)	(24,365)
Net investments in HEI securitization entities ⁽³⁾	968	(584)	1,846	4,028
HEI at Redwood	9,290	(4,774)	21,598	(1,986)
Other investments	(414)	1,445	(4,208)	12,028
Risk management derivatives, net	7,471	27,241	6,446	33,609
Credit losses on AFS securities, net	66	(544)	(33)	(2,315)
Other	—	—	(746)	—
Total investment fair value changes, net	\$ (31,430)	\$ (57,697)	\$ (36,153)	\$ (151,789)
Other Income				
MSRs	\$ (209)	\$ 1,236	\$ 612	\$ 8,031
Other	(7)	(852)	(467)	(852)
Total other income ⁽⁴⁾	\$ (216)	\$ 384	\$ 145	\$ 7,179
Total Market Valuation Gains (Losses), Net	\$ (16,318)	\$ (50,893)	\$ 1,275	\$ (183,487)

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 5. Fair Value of Financial Instruments - (continued)

Footnotes to Table 5.6

- (1) Represents fair value changes on trading securities that are being used along with risk management derivatives to manage the 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, and other expenses that are components of Mortgage banking activities, net presented on our consolidated statements of income, as these amounts do not represent market valuation changes.
- (3) Includes changes in fair value of the loans held-for-investment, securitized HEI, REO, and ABS issued at the entities, which, netted together, represent the change in value of our investments at the consolidated VIEs accounted for under the CFE election.
- (4) Other income presented above does not include net MSR fee income or provisions for repurchases of MSRs, as these amounts do not represent market valuation adjustments.

At September 30, 2023, 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, 2022.

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 5. Fair Value of Financial Instruments - (continued)

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

September 30, 2023 (Dollars in Thousands, except Input Values)	Fair Value	Unobservable Input	Input Values		Weighted Average ⁽¹⁾
			Range		
Assets					
Residential loans, at fair value:					
Jumbo loans	\$ 540,782	Senior credit spread to TBA price ⁽²⁾	\$ 1.63	\$ 2.63	\$ 1.71
		Subordinate credit spread ⁽²⁾	275	1020 bps	438 bps
		Senior credit support ⁽²⁾	7	7 %	7 %
		IO discount rate ⁽²⁾	10	10 %	10 %
		Prepayment rate (annual CPR) ⁽²⁾	15	15 %	15 %
Jumbo loans committed to sell	70,136	Whole loan committed sales price	\$ 98	\$ 101	\$ 98
Loans held by Legacy Sequoia ⁽³⁾	150,152	Liability price		N/A	N/A
Loans held by Sequoia ⁽³⁾	3,774,090	Liability price		N/A	N/A
Loans held by Freddie Mac SLST ⁽³⁾	1,312,149	Liability price		N/A	N/A
Business purpose loans:					
BPL term loans	72,149	Senior credit spread ⁽²⁾	185 -	185 bps	185 bps
		Subordinate credit spread ⁽²⁾	325 -	818 bps	468 bps
		Senior credit support ⁽²⁾	35 -	35 %	35 %
		IO discount rate ⁽²⁾	8 -	9 %	8 %
		Prepayment rate (annual CPR) ⁽²⁾	— -	3 %	3 %
		Dollar price of non-performing loans	\$ 60 - \$	100	\$ 61
BPL term loans held by CAFL ⁽³⁾	2,969,217	Liability price		N/A	N/A
BPL bridge loans	2,207,964	Whole loan discount rate	6 -	12 %	9 %
		Whole loan spread	520 -	520 bps	520 bps
		Dollar price of non-performing loans	\$48 - \$	100	\$ 91
Multifamily loans held by Freddie Mac K-Series ⁽³⁾	420,554	Liability price		N/A	N/A
Trading and AFS securities	129,445	Discount rate	6 -	18 %	11 %
		Prepayment rate (annual CPR)	4 -	65 %	10 %
		Default rate	— -	14 %	0.1 %
		Loss severity	— -	50 %	22 %
HEI	302,122	Discount rate	10 -	11 %	10 %
		Prepayment rate (annual CPR)	1 -	20 %	15 %
		Home price appreciation (depreciation)	(1) -	3 %	3 %
HEI held by HEI securitization entity ⁽³⁾	129,150	Liability price		N/A	N/A
Servicer advance investments	219,813	Discount rate	3 -	5 %	4 %
		Prepayment rate (annual CPR)	11 -	30 %	14 %
		Expected remaining life ⁽⁴⁾	6 -	6 yrs	6 yrs
		Mortgage servicing income	— -	18 bps	4 bps

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 5. Fair Value of Financial Instruments - (continued)

Table 5.7 – Fair Value Methodology for Level 3 Financial Instruments (continued)

September 30, 2023

(Dollars in Thousands, except Input Values)	Fair Value	Unobservable Input	Input Values		
			Range		Weighted Average ⁽¹⁾
Assets (continued)					
MSRs	\$ 26,033	Discount rate	12 -	73 %	13 %
		Prepayment rate (annual CPR)	3 -	21 %	6 %
		Per loan annual cost to service	\$ 93 - \$	93	\$ 93
Excess MSRs	38,427	Discount rate	13 -	19 %	18 %
		Prepayment rate (annual CPR)	10 -	100 %	17 %
		Excess mortgage servicing amount	8 -	20 bps	11 bps
Residential loan purchase commitments, net	1,980	Senior credit spread to TBA price ⁽²⁾	\$ 1.63 - \$	2.63	\$ 1.71
		Subordinate credit spread ⁽²⁾	275 -	1020 bps	438 bps
		Senior credit support ⁽²⁾	7 -	7 %	7 %
		IO discount rate ⁽²⁾	10 -	10 %	10 %
		Prepayment rate (annual CPR) ⁽²⁾	15 -	15 %	15 %
		Pull-through rate	22 -	100 %	68 %
		Committed sales price	\$ 102 - \$	103	\$ 102
Liabilities					
ABS issued ⁽³⁾ :					
At consolidated Sequoia entities	3,717,707	Discount rate	4 -	19 %	8 %
		Prepayment rate (annual CPR)	3 -	25 %	8 %
		Default rate	— -	16 %	1 %
		Loss severity	25 -	50 %	31 %
At consolidated CAFL Term entities	2,653,224	Discount rate	6 -	12 %	7 %
		Prepayment rate (annual CPR)	— -	3 %	0.1 %
		Default rate	5 -	14 %	7 %
		Loss severity	30 -	40 %	30 %
At consolidated Freddie Mac SLST entities	1,058,991	Discount rate	6 -	16 %	7 %
		Prepayment rate (annual CPR)	6 -	6 %	6 %
		Default rate	12 -	14 %	13 %
		Loss severity	25 -	25 %	25 %
At consolidated Freddie Mac K-Series entities ⁽³⁾	387,650	Discount rate	3 -	10 %	6 %
At consolidated HEI entities	92,773	Discount rate	10 -	16 %	11 %
		Prepayment rate (annual CPR)	20 -	20 %	20 %
		Home price appreciation (depreciation)	(1) -	3 %	3 %

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

(2) Values represent pricing inputs used in securitization pricing model. Credit spreads represent spreads to applicable swap rates unless specified otherwise.

(3) The fair value of the loans and HEI held by consolidated entities is based on the fair value of the ABS issued by these entities and the securities and other investments we own in those entities, which we determined were more readily observable in accordance with accounting guidance for collateralized financing entities. At September 30, 2023, the fair value of securities we owned at the consolidated Sequoia, CAFL SFR, Freddie Mac SLST, Freddie Mac K-Series, and HEI securitization entities was \$206 million, \$316 million, \$256 million, \$33 million, and \$15 million, respectively.

(4) 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).

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 in isolation — such as anticipated credit losses, prepayment rates, interest rates, or other valuation assumptions — 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, 2022 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.

Certain of our Other investments (inclusive of strategic investments in early-stage companies) are Level 3 financial instruments that we account for under the fair value option. These investments generally take the form of equity or debt with conversion features and do not have readily determinable fair values. We initially record these investments at cost and adjust their fair value based on observable price changes, such as follow-on capital raises or secondary sales, and will also evaluate impacts to valuation from changing market conditions and underlying business performance. As of September 30, 2023, the carrying value of these investments was \$6 million.

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 September 30, 2023 and December 31, 2022.

Table 6.1 – Classifications and Carrying Values of Residential Loans

September 30, 2023 (In Thousands)	Redwood	Legacy Sequoia	Sequoia	Freddie Mac SLST	Total
Held-for-sale at fair value	\$ 610,946	\$ —	\$ —	\$ —	\$ 610,946
Held-for-investment at fair value	—	150,152	3,774,090	1,312,149	5,236,391
Total Residential Loans	\$ 610,946	\$ 150,152	\$ 3,774,090	\$ 1,312,149	\$ 5,847,337
December 31, 2022 (In Thousands)	Redwood	Legacy Sequoia	Sequoia	Freddie Mac SLST	Total
Held-for-sale at fair value	\$ 780,781	\$ —	\$ —	\$ —	\$ 780,781
Held-for-investment at fair value	—	184,932	3,190,417	1,457,058	4,832,407
Total Residential Loans	\$ 780,781	\$ 184,932	\$ 3,190,417	\$ 1,457,058	\$ 5,613,188

At September 30, 2023, we owned mortgage servicing rights associated with \$653 million (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.

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

Residential Loans Held-for-Sale

The following table summarizes the characteristics of residential loans held-for-sale at September 30, 2023 and December 31, 2022.

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

(Dollars in Thousands)	September 30, 2023		December 31, 2022	
Number of loans		665		994
Unpaid principal balance	\$	658,540	\$	822,063
Fair value of loans	\$	610,946	\$	780,781
Market value of loans pledged as collateral under short-term borrowing agreements	\$	608,649	\$	775,545
Weighted average coupon		5.43 %		5.12 %

Delinquency information

Number of loans with 90+ day delinquencies		—		1
Unpaid principal balance of loans with 90+ day delinquencies	\$	—	\$	208
Fair value of loans with 90+ day delinquencies	\$	—	\$	170
Number of loans in foreclosure		—		—

The following table provides the activity of residential loans held-for-sale during the three and nine months ended September 30, 2023 and 2022.

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

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Principal balance of loans acquired ⁽¹⁾	\$ 857,974	\$ 336,698	\$ 1,092,992	\$ 3,597,339
Principal balance of loans sold	53,743	662,302	235,821	3,727,993
Principal balance of loans transferred to HFI	337,752	—	995,047	687,192
Net market valuation gains (losses) recorded ⁽²⁾	(8,683)	(26,674)	(2,590)	(90,652)

(1) For the nine months ended September 30, 2022, includes \$102 million, of loans acquired through calls of three seasoned Sequoia securitizations.

(2) 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.

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 September 30, 2023 and December 31, 2022.

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

September 30, 2023	Legacy		Freddie Mac	
(Dollars in Thousands)	Sequoia	Sequoia	Sequoia	SLST
Number of loans	1,098	5,460		10,448
Unpaid principal balance	\$ 164,904	\$ 4,624,113	\$	1,641,178
Fair value of loans ⁽²⁾	\$ 150,152	\$ 3,774,090	\$	1,312,149
Weighted average coupon	6.35 %	3.73 %		4.50 %
Delinquency information				
Number of loans with 90+ day delinquencies ⁽¹⁾	24	9		818
Unpaid principal balance of loans with 90+ day delinquencies ⁽¹⁾	\$ 5,460	\$ 7,599	\$	139,349
Fair value of loans with 90+ day delinquencies	N/A	N/A		N/A
Number of loans in foreclosure	14	6		317
Unpaid principal balance of loans in foreclosure	\$ 2,742	\$ 4,842	\$	52,918
December 31, 2022				
(Dollars in Thousands)	Legacy	Freddie Mac		
	Sequoia	Sequoia	SLST	
Number of loans	1,304	4,624	10,882	
Unpaid principal balance	\$ 204,404	\$ 3,847,091	\$ 1,719,236	
Fair value of loans ⁽²⁾	\$ 184,932	\$ 3,190,417	\$ 1,457,058	
Weighted average coupon	4.51 %	3.25 %	4.50 %	
Delinquency information				
Number of loans with 90+ day delinquencies ⁽¹⁾	30	10	1,211	
Unpaid principal balance of loans with 90+ day delinquencies ⁽¹⁾	\$ 6,824	\$ 7,799	\$ 209,397	
Fair value of loans with 90+ day delinquencies	N/A	N/A	N/A	
Number of loans in foreclosure	11	5	427	
Unpaid principal balance of loans in foreclosure	\$ 1,166	\$ 4,654	\$ 72,440	

(1) For loans held at consolidated entities, the number and UPB of loans 90-or-more 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. The net impact to our income statement associated with our economic investment in these securitization entities is presented in Table 4.2.

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

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, including securities we own, pursuant to collateralized financing entity guidelines, and are recorded in Investment fair value changes, net on our consolidated statements of income. The following table provides the activity of residential loans held-for-investment at consolidated entities during the three and nine months ended September 30, 2023 and 2022.

Table 6.5 – Activity of Residential Loans Held-for-Investment at Consolidated Entities

(In Thousands)	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	Legacy		Freddie Mac	Legacy		Freddie Mac
	Sequoia	Sequoia	SLST	Sequoia	Sequoia	SLST
Fair value of loans transferred from HFS to HFI ⁽¹⁾	N/A	\$ 337,752	N/A	N/A	\$ —	N/A
Net market valuation gains (losses) recorded	(2,242)	(175,011)	(51,046)	5,182	(202,825)	(104,040)

(In Thousands)	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022		
	Legacy		Freddie Mac	Legacy		Freddie Mac
	Sequoia	Sequoia	SLST	Sequoia	Sequoia	SLST
Fair value of loans transferred from HFS to HFI ⁽¹⁾	N/A	\$ 995,047	N/A	N/A	\$ 684,491	N/A
Net market valuation gains (losses) recorded	4,014	(166,909)	(62,756)	12,286	(685,042)	(224,543)

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

REO

See Note 13 for detail on residential loan REO activity during 2023.

Note 7. Business Purpose Loans

We originate and invest in business purpose loans, including term 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 September 30, 2023 and December 31, 2022.

Table 7.1 – Classifications and Carrying Values of Business Purpose Loans

September 30, 2023 (In Thousands)	BPL Term		BPL Bridge		Total
	Redwood	CAFL	Redwood	CAFL	
Held-for-sale at fair value	\$ 72,149	\$ —	\$ 30,628	\$ —	\$ 102,777
Held-for-investment at fair value	—	2,969,217	1,651,883	525,453	5,146,553
Total Business Purpose Loans	\$ 72,149	\$ 2,969,217	\$ 1,682,511	\$ 525,453	\$ 5,249,330

December 31, 2022 (In Thousands)	BPL Term		BPL Bridge		Total
	Redwood	CAFL	Redwood	CAFL	
Held-for-sale at fair value	\$ 358,791	\$ —	\$ 5,282	\$ —	\$ 364,073
Held-for-investment at fair value	—	2,944,984	1,507,146	516,383	4,968,513
Total Business Purpose Loans	\$ 358,791	\$ 2,944,984	\$ 1,512,428	\$ 516,383	\$ 5,332,586

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Note 7. Business Purpose Loans - (continued)

All of the outstanding BPL term loans at September 30, 2023 were first-lien, fixed-rate loans with original maturities of three, five, seven, or ten years.

The outstanding BPL bridge loans held-for-investment at September 30, 2023 were first-lien, interest-only loans with original maturities of six to 36 months and were comprised of 78% one-month SOFR-indexed adjustable-rate loans, and 22% fixed-rate loans (in each case based on unpaid principal balance).

At September 30, 2023, we had \$623 million in commitments to fund BPL bridge loans. See *Note 17* for additional information on these commitments.

The following table provides the activity of business purpose loans at Redwood during the three and nine months ended September 30, 2023 and 2022.

Table 7.2 – Activity of Business Purpose Loans at Redwood

(In Thousands)	Three Months Ended September 30, 2023		Three Months Ended September 30, 2022	
	BPL Term at Redwood	BPL Bridge at Redwood	BPL Term at Redwood	BPL Bridge at Redwood
Principal balance of loans originated	\$ 105,777	\$ 303,284	\$ 99,281	\$ 470,425
Principal balance of loans acquired	—	1,820	—	59,977
Principal balance of loans sold to third parties	27,436	34,061	37,202	48,279
Fair value of loans transferred ⁽¹⁾	(278,751)	(116,679)	266,181	(77,362)
Mortgage banking activities income (loss) recorded ⁽³⁾	1,600	1,438	(19,325)	(110)
Investment fair value changes recorded ⁽⁴⁾	—	(16,899)	—	(679)
	Nine Months Ended September 30, 2023		Nine Months Ended September 30, 2022	
(In Thousands)	BPL Term at Redwood	BPL Bridge at Redwood	BPL Term at Redwood	BPL Bridge at Redwood
Principal balance of loans originated	\$ 408,477	\$ 828,149	\$ 865,253	\$ 1,424,604
Principal balance of loans acquired	—	19,054	100,349	81,983
Principal balance of loans sold to third parties	425,542	65,868	368,704	48,279
Fair value of loans transferred ⁽¹⁾⁽²⁾	(278,751)	(337,657)	561,218	(465,966)
Mortgage banking activities income (loss) recorded ⁽³⁾	13,214	4,808	(83,827)	1,129
Investment fair value changes recorded ⁽²⁾⁽⁴⁾	(14,430)	(22,867)	—	(6,747)

(1) For BPL term at Redwood, represents the transfer of loans from held-for-sale to held-for-investment associated with CAFL term securitizations. For BPL bridge at Redwood, represents the transfer of BPL bridge loans from "Bridge at Redwood" to "Bridge at CAFL" resulting from their inclusion in an existing bridge loan securitization with a replenishment feature.

(2) During the nine months ended September 30, 2023, we substituted a pool of held-for-sale term loans at Redwood for a non-performing held-for-investment term loan at a consolidated CAFL securitization, each with unpaid principal balances of approximately \$28 million. The negative investment fair value changes recorded for BPL Term at Redwood during the nine months ended September 30, 2023 were attributable to this substitution, with an equal and offsetting positive fair value change recorded for BPL Term at CAFL (related to the retained bond we own in the associated consolidated CAFL securitization).

(3) Represents loan origination fee income and net market valuation changes from the time a loan is originated to when it is sold or transferred to our investment portfolio and, for bridge loans, when transferred into a securitization. See Table 20.1 for additional detail on Mortgage banking activities income (loss).

(4) For BPL Bridge at Redwood, represents net market valuation changes for loans classified as held-for-investment and associated interest-only strip liabilities.

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Note 7. Business Purpose Loans - (continued)

Business Purpose Loans Held-for-Investment at CAFL

We invest in securities issued by CAFL securitizations sponsored by CoreVest and consolidate the underlying BPL term loans and bridge loans owned by these entities. For loans held at our consolidated CAFL Term 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, and are recorded through Investment fair value changes, net on our consolidated statements of income. The net impact to our income statement associated with our economic investments in these securitization entities is presented in Table 4.2. We did not elect to account for the CAFL Bridge securitizations under the CFE guidelines.

REO

See Note 13 for detail on business purpose loan REO activity during 2023.

The following table provides the activity of business purpose loans held-for-investment at CAFL during the three and nine months ended September 30, 2023 and 2022.

Table 7.3 – Activity of Business Purpose Loans Held-for-Investment at CAFL

(In Thousands)	Three Months Ended September 30, 2023		Three Months Ended September 30, 2022	
	BPL Term at CAFL	BPL Bridge at CAFL	BPL Term at CAFL	BPL Bridge at CAFL
Net market valuation gains (losses) recorded ⁽¹⁾	\$ (1,360)	\$ (2,560)	\$ (108,980)	\$ 1,906
Transfers	278,751	116,679	—	—

(In Thousands)	Nine Months Ended September 30, 2023		Nine Months Ended September 30, 2022	
	BPL Term at CAFL	BPL Bridge at CAFL	BPL Term at CAFL	BPL Bridge at CAFL
Net market valuation gains (losses) recorded ⁽¹⁾	\$ (1,961)	\$ (1,960)	\$ (419,182)	\$ 50
Transfers	278,751	337,657	—	—

(1) Net market valuation gains (losses) on business purpose loans held-for-investment at CAFL are recorded through Investment fair value changes, net on our consolidated statements of income. For loans held at our consolidated CAFL term 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 investment 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 September 30, 2023 and December 31, 2022.

Table 7.4 – Characteristics of Business Purpose Loans

September 30, 2023 (Dollars in Thousands)	BPL Term at Redwood	BPL Term at CAFL⁽¹⁾	BPL Bridge at Redwood	BPL Bridge at CAFL
Number of loans	45	1,093	1,853	1,344
Unpaid principal balance	\$ 83,300	\$ 3,283,186	\$ 1,704,418	\$ 521,214
Fair value of loans	\$ 72,149	\$ 2,969,217	\$ 1,682,511	\$ 525,453
Weighted average coupon	6.98 %	5.35 %	10.46 %	10.79 %
Weighted average remaining loan term (years)	8	5	1	1
Market value of loans pledged as collateral under short-term debt facilities	\$ 789	N/A	\$ 91,561	N/A
Market value of loans pledged as collateral under long-term debt facilities	\$ 46,915	N/A	\$ 1,497,589	N/A
<u>Delinquency information</u>				
Number of loans with 90+ day delinquencies ⁽²⁾	2	43	45	56
Unpaid principal balance of loans with 90+ day delinquencies ⁽²⁾	\$ 27,836	\$ 102,676	\$ 80,924	\$ 7,656
Fair value of loans with 90+ day delinquencies	\$ 16,822	N/A	\$ 71,277	\$ 7,656
Number of loans in foreclosure	2	6	42	49
Unpaid principal balance of loans in foreclosure	\$ 27,836	\$ 4,557	\$ 56,272	\$ 4,424
Fair value of loans in foreclosure	\$ 16,822	N/A	\$ 49,886	\$ 4,424
December 31, 2022				
(Dollars in Thousands)	BPL Term at Redwood	BPL Term at CAFL⁽¹⁾	BPL Bridge at Redwood	BPL Bridge at CAFL
Number of loans	91	1,131	1,601	1,875
Unpaid principal balance	\$ 389,846	\$ 3,263,421	\$ 1,518,427	\$ 514,666
Fair value of loans	\$ 358,791	\$ 2,944,984	\$ 1,512,428	\$ 516,383
Weighted average coupon	5.98 %	5.22 %	9.61 %	9.67 %
Weighted average remaining loan term (years)	10	6	2	1
Market value of loans pledged as collateral under short-term debt facilities	\$ 291,406	N/A	\$ 579,666	N/A
Market value of loans pledged as collateral under long-term debt facilities	\$ 66,567	N/A	\$ 897,782	N/A
<u>Delinquency information</u>				
Number of loans with 90+ day delinquencies ⁽²⁾	1	16	49	48
Unpaid principal balance of loans with 90+ day delinquencies ⁽²⁾	\$ 536	\$ 37,072	\$ 34,264	\$ 7,328
Fair value of loans with 90+ day delinquencies	\$ 536	N/A	\$ 29,663	\$ 7,438
Number of loans in foreclosure	1	9	48	48
Unpaid principal balance of loans in foreclosure	\$ 536	\$ 13,686	\$ 34,039	\$ 7,328
Fair value of loans in foreclosure	\$ 536	N/A	\$ 29,438	\$ 7,438

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Note 7. Business Purpose Loans - (continued)

Footnotes to Table 7.4

- (1) The fair value of the loans held by consolidated CAFL 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 CFEs. The net impact to our income statement associated with our economic investment in these securitization entities is presented in Table 4.2. Based on this methodology, we value the loans in each consolidated securitization on a pool basis and do not calculate separate fair values for loans that are 90+ days delinquent or in foreclosure.
- (2) The number and UPB of loans 90-or-more days delinquent includes all loans in foreclosure.

At September 30, 2023, in addition to bridge loans that were 90 or more days delinquent, BPL bridge loans with a UPB of \$216 million and a fair value of \$203 million were on non-accrual status. Included in these amounts were bridge loans with \$174 million of UPB that were modified during the third quarter of 2023 with first contractual payments under these modifications due in November 2023.

Note 8. Consolidated Agency 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 September 30, 2023 and December 31, 2022.

Table 8.1 – Characteristics of Consolidated Agency Multifamily Loans

(Dollars in Thousands)	September 30, 2023		December 31, 2022	
Number of loans	28		28	
Unpaid principal balance	\$	440,996	\$	447,193
Fair value of loans	\$	420,554	\$	424,551
Weighted average coupon	4.25 %		4.25 %	
Weighted average remaining loan term (years)	2		3	
Delinquency information				
Number of loans with 90+ day delinquencies	—		—	
Number of loans in foreclosure	—		—	

The outstanding Consolidated Agency multifamily loans held-for-investment at the consolidated Freddie Mac K-Series entity at September 30, 2023 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 nine months ended September 30, 2023 and 2022.

Table 8.2 – Activity of Consolidated Agency Multifamily Loans Held-for-Investment

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net market valuation gains (losses) recorded ⁽¹⁾	\$ 2,512	\$ (13,691)	\$ 2,200	\$ (40,120)

- (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. 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.

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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 September 30, 2023 and December 31, 2022.

Table 9.1 – Fair Values of Real Estate Securities by Type

(In Thousands)	September 30, 2023	December 31, 2022
Trading	\$ 48,041	\$ 108,329
Available-for-sale	81,404	132,146
Total Real Estate Securities	\$ 129,445	\$ 240,475

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.

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 September 30, 2023 and December 31, 2022.

Table 9.2 – Fair Value of Trading Securities by Position

(In Thousands)	September 30, 2023	December 31, 2022
Senior		
Interest-only securities ⁽¹⁾	\$ 41,169	\$ 28,867
Total Senior	41,169	28,867
Subordinate		
RPL securities	—	29,002
Multifamily securities	5,239	5,027
Other third-party residential securities	1,633	45,433
Total Subordinate	6,872	79,462
Total Trading Securities	\$ 48,041	\$ 108,329

(1) Includes \$29 million and \$26 million of Sequoia certificated mortgage servicing rights at September 30, 2023 and December 31, 2022, respectively.

The following table presents the unpaid principal balance of trading securities by position and collateral type at September 30, 2023 and December 31, 2022.

Table 9.3 – Unpaid Principal Balance of Trading Securities by Position

(In Thousands)	September 30, 2023	December 31, 2022
Senior ⁽¹⁾	\$ —	\$ —
Subordinate	19,354	215,592
Total Trading Securities	\$ 19,354	\$ 215,592

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

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Note 9. Real Estate Securities - (continued)

The following table provides the activity of trading securities during the three and nine months ended September 30, 2023 and 2022.

Table 9.4 – Trading Securities Activity

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Fair value of securities acquired	\$ —	\$ —	\$ 7,883	\$ 5,006
Fair value of securities sold	27,183	4,142	82,270	27,471
Net market valuation gains (losses) recorded ⁽¹⁾	5,967	(12,521)	14,423	(30,019)

(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.

AFS Securities

The following table presents the fair value of our available-for-sale ("AFS") securities by position and collateral type at September 30, 2023 and December 31, 2022.

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

(In Thousands)	September 30, 2023		December 31, 2022	
Subordinate				
Sequoia securities	\$	73,160	\$	74,367
Multifamily securities		4,448		7,647
Other third-party residential securities		3,796		50,132
Total Subordinate		81,404		132,146
Total AFS Securities	\$	81,404	\$	132,146

The following table provides the activity of available-for-sale securities during the three and nine months ended September 30, 2023 and 2022.

Table 9.6 – Available-for-Sale Securities Activity

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Fair value of securities acquired	\$ —	\$ —	\$ 1,979	\$ 10,000
Fair value of securities sold	12,590	—	55,842	—
Principal balance of securities called	—	—	—	14,486
Net unrealized gains (losses) on AFS securities ⁽¹⁾	(3,921)	(8,731)	398	(60,013)

(1) Net unrealized gains (losses) on AFS securities are recorded on our consolidated balance sheets through Accumulated other comprehensive 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.

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Note 9. Real Estate Securities - (continued)

At September 30, 2023, we had \$4 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.

The following table presents the components of carrying value (which equals fair value) of AFS securities at September 30, 2023 and December 31, 2022.

Table 9.7 – Carrying Value of AFS Securities

(In Thousands)	September 30, 2023	December 31, 2022
Principal balance	\$ 149,991	\$ 221,933
Credit reserve	(23,890)	(28,739)
Unamortized discount, net	(46,603)	(61,650)
Amortized cost	79,498	131,544
Gross unrealized gains	13,463	16,269
Gross unrealized losses	(8,984)	(13,127)
CECL allowance	(2,573)	(2,540)
Carrying Value	\$ 81,404	\$ 132,146

The following table presents the changes for the three and nine months ended September 30, 2023, 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

(In Thousands)	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
	Credit Reserve	Unamortized Discount, Net	Credit Reserve	Unamortized Discount, Net
Beginning balance	\$ 25,615	\$ 46,948	\$ 28,739	\$ 61,650
Amortization of net discount	—	(296)	—	(946)
Realized credit recoveries (losses), net	101	—	106	—
Acquisitions	—	—	1,106	754
Sales, calls, other	(1,207)	(668)	(5,331)	(15,585)
Transfers to (release of) credit reserves, net	(619)	619	(730)	730
Ending Balance	\$ 23,890	\$ 46,603	\$ 23,890	\$ 46,603

AFS Securities with Unrealized Losses

The following table presents the total carrying value (fair value) and unrealized losses of residential AFS securities that were in a gross unrealized loss position at September 30, 2023 and December 31, 2022.

Table 9.9 – AFS Securities in Gross Unrealized Loss Position by Holding Periods

(In Thousands)	Less Than 12 Consecutive Months		12 Consecutive Months or Longer	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2023	\$ 9,459	\$ (585)	\$ 28,630	\$ (8,399)
December 31, 2022	72,679	(12,940)	1,414	(186)

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Note 9. Real Estate Securities - (continued)

At September 30, 2023, after giving effect to purchases, sales, and extinguishment due to credit losses, our consolidated balance sheet included 66 AFS securities, of which 29 were in an unrealized loss position and 23 were in a continuous unrealized loss position for 12 consecutive months or longer. At December 31, 2022, our consolidated balance sheet included 79 AFS securities, of which 38 were in an unrealized loss position and one was 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 \$9 million at September 30, 2023. 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 September 30, 2023, 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 September 30, 2023, our current expected credit loss ("CECL") allowance related to our AFS securities was \$2.6 million. AFS securities for which an allowance is recognized have experienced, or are expected to experience, 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 September 30, 2023.

Table 9.10 – Significant Credit Quality Indicators

September 30, 2023	Subordinate Securities
Default rate	0.8%
Loss severity	20%

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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 nine months ended September 30, 2023.

Table 9.11 – Rollforward of Allowance for Credit Losses

(In Thousands)	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Beginning balance allowance for credit losses	\$ 2,639	\$ 2,540
Additions to allowance for credit losses on securities for which credit losses were not previously recorded	48	278
Additional increases (or decreases) to the allowance for credit losses on securities that had an allowance recorded in a previous period	17	63
Reduction to allowance for securities sold during the period	(131)	(308)
Ending balance of allowance for credit losses	\$ 2,573	\$ 2,573

Gains and losses from the sale of AFS securities are recorded as Realized gains, net, in our consolidated statements of income. The following table presents the gross realized gains and losses on sales and calls of AFS securities for the three and nine months ended September 30, 2023 and 2022.

Table 9.12 – Gross Realized Gains and Losses on AFS Securities

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Gross realized gains - sales	\$ 103	\$ —	\$ 3,917	\$ —
Gross realized gains - calls	—	—	—	1,914
Gross realized losses - sales	(77)	—	(2,415)	—
Gross realized losses - calls	—	—	—	—
Total Realized Gains on Sales and Calls of AFS Securities, net	\$ 26	\$ —	\$ 1,502	\$ 1,914

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Note 10. Home Equity Investments (HEI)

From time to time, we may purchase home equity investment contracts from third party originators under flow purchase agreements. Additionally, in the third quarter of 2023, we began to originate HEI. Each HEI provides the owner of such HEI the right to purchase a percentage ownership interest in an associated residential property, and the homeowner's obligations under the HEI are secured by a lien (primarily second liens) on the property created by recording a security instrument (e.g., deed of trust) with respect to the property. Our investments in HEI expose us to both home price appreciation and depreciation of the associated property.

The following table presents our home equity investments at September 30, 2023 and December 31, 2022.

Table 10.1 – Home Equity Investments

(In Thousands)	September 30, 2023		December 31, 2022	
HEI at Redwood	\$	302,122	\$	270,835
HEI held at consolidated HEI securitization entity		129,150		132,627
Total Home Equity Investments	\$	431,272	\$	403,462

We consolidate the HEI securitization entity in accordance with GAAP and have elected to account for it under the CFE election. As such, market valuation changes for the securitized HEI are based on the estimated fair value of the associated ABS issued by the entity, including the securities we own in the entity.

The following table details our HEI activity during the three and nine months ended September 30, 2023 and 2022.

Table 10.2 – Activity of HEI

(In Thousands)	Three Months Ended September 30, 2023		Three Months Ended September 30, 2022	
	HEI at Redwood	Securitized HEI	HEI at Redwood	Securitized HEI
Fair value of HEI purchased and originated	\$ 113	\$ —	\$ 79,050	\$ —
Net market valuation gains (losses) recorded ⁽¹⁾	9,290	4,212	(4,774)	(724)

(In Thousands)	Nine Months Ended September 30, 2023		Nine Months Ended September 30, 2022	
	HEI at Redwood	Securitized HEI	HEI at Redwood	Securitized HEI
Fair value of HEI purchased and originated	\$ 25,626	\$ —	\$ 176,439	\$ —
Net market valuation gains (losses) recorded ⁽¹⁾	21,598	8,418	(1,986)	8,587

(1) We account for HEI at Redwood under the fair value option and record net market valuation changes through Investment fair value changes, net on our Consolidated statements of income. We account for Securitized HEI under the CFE election and net market valuation gains (losses) for these investments are recorded through Investment fair value changes, net on our Consolidated statements of income. The net impact to our income statement associated with our economic investment in these securitization entities is presented in Table 4.2.

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Note 10. Home Equity Investments (HEI) - (continued)

The following tables summarizes the characteristics of our HEI at September 30, 2023 and December 31, 2022.

Table 10.3 – HEI Characteristics

(Dollars in Thousands)	September 30, 2023		December 31, 2022	
	HEI at Redwood	Securitized HEI	HEI at Redwood	Securitized HEI
Number of HEI contracts	2,644	929	2,599	1,007
Average initial amount of contract	\$ 103	\$ 95	\$ 101	\$ 94

Note 11. Other Investments

Other investments at September 30, 2023 and December 31, 2022 are summarized in the following table.

Table 11.1 – Components of Other Investments

(In Thousands)	September 30, 2023	December 31, 2022
Servicer advance investments	\$ 219,813	\$ 269,259
Strategic investments	55,854	56,518
Excess MSR	38,427	39,035
Mortgage servicing rights	26,033	25,421
Other	234	705
Total Other Investments	\$ 340,361	\$ 390,938

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 portfolios of legacy residential mortgage-backed securitizations serviced by the co-investor. Refer to *Note 11* to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 for additional information regarding the transactions.

At September 30, 2023, our servicer advance investments had a carrying value of \$220 million and were associated with specified pools of residential mortgage loans with an unpaid principal balance of \$10.45 billion. The outstanding servicer advance receivables associated with these investments were \$185 million at September 30, 2023, which were financed with short-term non-recourse securitization debt. See *Note 14* for additional detail on this debt. The servicer advance receivables were comprised of the following types of advances at September 30, 2023 and December 31, 2022.

Table 11.2 – Components of Servicer Advance Receivables

(In Thousands)	September 30, 2023	December 31, 2022
Principal and interest advances	\$ 65,365	\$ 81,447
Escrow advances (taxes and insurance advances)	86,980	123,541
Corporate advances	32,191	35,377
Total Servicer Advance Receivables	\$ 184,536	\$ 240,365

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Note 11. Other Investments - (continued)

We account for our servicer advance investments at fair value and during the three and nine months ended September 30, 2023, we recorded \$5 million and \$16 million, respectively, of interest income, through Other interest income, and recorded a net market valuation gain of \$4 million and a gain of \$6 million, respectively, through Investment fair value changes, net in our consolidated statements of income.

Strategic Investments

Strategic investments represent investments we made in companies either through our RWT Horizons venture investment platform or separately at a corporate level. At September 30, 2023, we had made a total of 35 investments in companies through RWT Horizons with a total carrying value of \$23 million, as well as seven corporate-level investments. For the three and nine months ended September 30, 2023, we recognized a net mark-to-market valuation gain of \$0.1 million and a loss of \$3 million, respectively, on our strategic investments. During the three and nine months ended September 30, 2022, we recognized a net mark-to-market valuation gain of \$1 million and \$11 million, respectively, on our strategic investments. Market valuation changes on our strategic investments are recorded in Investment fair value changes, net on our consolidated statements of income.

During the three and nine months ended September 30, 2023, we recorded losses from our strategic investments of \$2 million and \$3 million, respectively, in Other income, net on our consolidated statements of income. During the three and nine months ended September 30, 2022, we recorded losses from our strategic investments of \$0.3 million and \$0.4 million, respectively, in Other income, net on our consolidated statements of income.

In the second quarter of 2023, we established a joint venture with a global investment manager to invest in BPL bridge loans originated by our CoreVest subsidiary. During the three months ended September 30, 2023, we sold \$29 million of BPL bridge loans to the joint venture and at September 30, 2023, the carrying value of our investment in the joint venture was \$1.6 million. We account for our investment in the joint venture under the equity method of accounting as we have a 20% non-controlling interest, but are deemed to be able to exert significant influence over the affairs of the joint venture. We adjust the carrying value of our equity method investment for our share of earnings or losses, dividends or return of capital on a quarterly basis.

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 nine months ended September 30, 2023, we recognized \$3 million and \$11 million, respectively, of interest income through Other interest income and for both the three and nine months ended September 30, 2023, we recorded net market valuation losses of \$1 million through Investment fair value changes, net on our consolidated statements of income.

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 MSRs were made through the retention of servicing rights associated with the residential jumbo mortgage loans that we acquired and subsequently sold to third parties. For both the three and nine months ended September 30, 2023, we retained zero MSRs from sales of residential loans to third parties. We hold our MSR investments at our taxable REIT subsidiaries.

At September 30, 2023 and December 31, 2022, our MSRs had a fair value of \$26 million and \$25 million, respectively, and were associated with loans with an aggregate principal balance of \$2.07 billion and \$2.19 billion, respectively. During the three and nine months ended September 30, 2023, including net market valuation gains and losses on our MSRs, we recorded net income related to our MSRs of \$2 million and \$6 million, respectively, through Other income on our consolidated statements of income.

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Note 12. Derivative Financial Instruments

The following table presents the fair value and notional amount of our derivative financial instruments at September 30, 2023 and December 31, 2022.

Table 12.1 – Fair Value and Notional Amount of Derivative Financial Instruments

(In Thousands)	September 30, 2023		December 31, 2022	
	Fair Value	Notional Amount	Fair Value	Notional Amount
Assets - Risk Management Derivatives				
Interest rate swaps	\$ 13,819	\$ 190,000	\$ 14,625	\$ 285,000
TBAs	16,613	1,560,000	1,893	220,000
Interest rate futures	2,187	136,200	3,976	350,600
Assets - Other Derivatives				
Loan purchase and interest rate lock commitments	5,067	288,637	336	8,166
Total Assets	\$ 37,686	\$ 2,174,837	\$ 20,830	\$ 863,766
Liabilities - Risk Management Derivatives				
TBAs	\$ (5,495)	\$ 425,000	\$ (16,784)	\$ 845,000
Interest rate futures	(199)	67,700	(57)	60,000
Liabilities - Other Derivatives				
Loan purchase and interest rate lock commitments	(3,087)	606,170	(14)	3,532
Total Liabilities	\$ (8,781)	\$ 1,098,870	\$ (16,855)	\$ 908,532
Total Derivative Financial Instruments, Net	\$ 28,905	\$ 3,273,707	\$ 3,975	\$ 1,772,298

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 September 30, 2023, we were party to swaps and swaptions with an aggregate notional amount of \$190 million, TBA agreements with an aggregate notional amount of \$2 billion, and interest rate futures contracts with an aggregate notional amount of \$204 million. At December 31, 2022, we were party to swaps and swaptions with an aggregate notional amount of \$285 million, futures with an aggregate notional amount of \$411 million and TBA agreements with an aggregate notional amount of \$1.07 billion.

For the three and nine months ended September 30, 2023, risk management derivatives had net market valuation gains of \$23 million and gains of \$18 million, respectively. For the three and nine months ended September 30, 2022, risk management derivatives had net market valuation gains of \$76 million and gains of \$198 million, respectively. These market valuation gains and losses are recorded in Mortgage banking activities, net and Investment fair value changes, net on our consolidated statements of income.

Loan Purchase and Interest Rate Lock Commitments

Loan purchase commitments ("LPCs") and interest rate lock commitments ("IRLCs") that qualify as derivatives are recorded at their estimated fair values. For the three and nine months ended September 30, 2023, LPCs and IRLCs had net market valuation gains of \$6 million and gains of \$8 million, respectively, which were recorded in Mortgage banking activities, net on our consolidated statements of income. For the three and nine months ended September 30, 2022, LPCs and IRLCs had net market valuation losses of \$3 million and losses of \$54 million, respectively, which were recorded in Mortgage banking activities, net on our consolidated statements of income.

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Note 12. Derivative Financial Instruments - (continued)

Derivatives Designated as Cash Flow Hedges

For interest rate agreements previously designated as cash flow hedges, our total unrealized loss reported in Accumulated other comprehensive loss was \$69 million and \$72 million at September 30, 2023 and December 31, 2022, respectively. We are amortizing this loss into interest expense over the remaining term of our trust preferred securities and subordinated notes. For each of the three and nine months ended September 30, 2023 and 2022, we reclassified \$1 million and \$3 million, respectively, of realized net losses from Accumulated other comprehensive loss into Interest expense. As of September 30, 2023, we expect to amortize \$4 million of realized losses related to terminated cash flow hedges into interest expense over the next twelve months.

Derivative Counterparty Credit Risk

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2022, we consider counterparty risk as part of our fair value assessments of all derivative financial instruments at each quarter-end. At September 30, 2023, we assessed this risk as remote and did not record an associated specific valuation adjustment. At September 30, 2023, we were in compliance with our derivative counterparty ISDA agreements.

Note 13. Other Assets and Liabilities

Other assets at September 30, 2023 and December 31, 2022 are summarized in the following table.

Table 13.1 – Components of Other Assets

(In Thousands)	September 30, 2023	December 31, 2022
Accrued interest receivable	\$ 60,762	\$ 60,893
REO	54,123	6,455
Deferred tax asset	41,931	41,931
Investment receivable	36,816	36,623
Operating lease right-of-use assets	13,367	16,177
Margin receivable	10,536	13,802
Fixed assets and leasehold improvements ⁽¹⁾	8,453	12,616
Income tax receivables	1,654	3,399
Other	22,845	19,344
Total Other Assets	\$ 250,487	\$ 211,240

(1) Fixed assets and leasehold improvements had a basis of \$17 million and accumulated depreciation of \$9 million at September 30, 2023.

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Note 13. Other Assets and Liabilities - (continued)

Accrued expenses and other liabilities at September 30, 2023 and December 31, 2022 are summarized in the following table.

Table 13.2 – Components of Accrued Expenses and Other Liabilities

(In Thousands)	September 30, 2023	December 31, 2022
Accrued interest payable	\$ 51,849	\$ 46,612
Payable to noncontrolling interests	48,496	44,859
Margin payable	25,210	5,944
Accrued compensation	23,249	30,929
Operating lease liabilities	15,630	18,563
Unsettled trades	6,110	—
Accrued operating expenses	6,063	5,740
Guarantee obligations	5,913	6,344
Residential loan and MSR repurchase reserve	4,611	7,051
Current accounts payable	4,588	4,234
Bridge loan holdbacks	1,973	3,301
Preferred stock dividends payable	1,478	—
Other	13,124	6,626
Total Accrued Expenses and Other Liabilities	\$ 208,294	\$ 180,203

Investment Receivable

Investment receivable primarily consists of amounts receivable from third-party servicers related to principal and interest receivable from business purpose loans and fees receivable from servicer advance investments.

Margin Receivable and Payable

Margin receivable and payable resulted from margin calls between us and our counterparties under derivatives, master repurchase agreements, and warehouse facilities, whereby we or the counterparty posted collateral. We met all margin calls due through September 30, 2023.

Operating Lease Right-of-Use Assets and Operating Lease Liabilities

See Note 17 for additional information on leases.

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 SFR entities during the nine months ended September 30, 2023.

Table 13.3 – REO Activity

(In Thousands)	Nine Months Ended September 30, 2023				
	BPL Bridge	Legacy Sequoia	Freddie Mac SLST	BPL Term at CAFL	Total
Balance at beginning of period	\$ 3,012	\$ 544	\$ 2,899	\$ —	\$ 6,455
Transfers to REO	48,864	18	2,340	2,684	53,906
Liquidations ⁽¹⁾	(2,310)	(562)	(2,754)	—	(5,626)
Changes in fair value, net	(992)	—	380	—	(612)
Balance at End of Period	\$ 48,574	\$ —	\$ 2,865	\$ 2,684	\$ 54,123

(1) For the nine months ended September 30, 2023, REO liquidations resulted in \$0.6 million of realized losses, which were recorded in Investment fair value changes, net on our consolidated statements of income.

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Note 13. Other Assets and Liabilities - (continued)

The following table provides detail on the numbers of REO assets at Redwood and at consolidated Legacy Sequoia, Freddie Mac SLST, and CAFL entities at September 30, 2023 and December 31, 2022.

Table 13.4 – REO Assets

Number of REO assets	Redwood Bridge	Legacy Sequoia	Freddie Mac SLST	BPL Term at CAFL	Total
At September 30, 2023	9	—	25	1	35
At December 31, 2022	2	2	24	—	28

Legal and Repurchase Reserves

See *Note 17* for additional information on legal and repurchase reserves.

Payable to Non-Controlling Interests

In 2018, Redwood and a third-party co-investor, through two partnership entities consolidated by Redwood, purchased servicer advances and excess MSR related to a portfolio of residential mortgage loans serviced by the co-investor (see *Note 4* and *Note 11* for additional information on the partnership entities and associated investments). We account for the co-investor's interests in the entities as liabilities, and at September 30, 2023, the carrying value of their interests was \$23 million, representing their current economic interest in the entities. Earnings from the partnership entities are allocated to the co-investors on a proportional basis and during the three and nine months ended September 30, 2023, we allocated \$2 million and \$4 million, respectively, of income to the co-investors, recorded in Other expenses on our consolidated statements of income.

In 2021, Redwood and a third-party investor co-sponsored the transfer and securitization of HEI through the HEI securitization entity and other third-party investors retained subordinate securities issued by the securitization entity alongside Redwood. See *Note 10* for a further discussion of the HEI securitization. We account for the co-investors' interests in the HEI securitization entity as a liability, and at September 30, 2023, the carrying value of their interests was \$26 million, representing the fair value of their economic interests in the HEI entity. During the three and nine months ended September 30, 2023, the investors' share of earnings (loss), net from their retained interests was \$2 million and \$3 million, respectively, recorded through Investment fair value changes, net on our consolidated statements of income.

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Note 14. Short-Term Debt

We enter into repurchase agreements ("repo"), loan warehouse agreements, and other forms of collateralized (and generally uncommitted) short-term borrowings with several banks and major investment banking firms. At September 30, 2023, 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 September 30, 2023 and December 31, 2022.

Table 14.1 – Short-Term Debt

September 30, 2023						
(Dollars in Thousands)	Number of Facilities	Outstanding Balance	Limit	Weighted Average Interest Rate ⁽¹⁾	Maturity ⁽²⁾	Weighted Average Days Until Maturity
Facilities						
Residential loan warehouse	4	\$ 548,334	\$ 1,050,000	7.28 %	10/2023-5/2024	132
Business purpose loan warehouse	2	70,424	455,000	8.12 %	5/2024-6/2024	259
Real estate securities repo	5	237,835	—	6.99 %	10/2023-1/2024	54
Residential MSR warehouse	1	48,470	50,000	8.57 %	10/2023	30
HEI warehouse	1	126,803	150,000	9.92 %	8/2024	306
Total Short-Term Debt Facilities	13	1,031,866				
Servicer advance financing	1	154,127	240,000	7.67 %	11/2023	32
Subordinate securities financing	1	126,506	—	5.71 %	9/2024	358
Promissory notes	N/A	16,518	—	6.94 %	N/A	N/A
Convertible notes, net	N/A	147,637	—	5.63 %	7/2024	289
Total Short-Term Debt		\$ 1,476,654				

December 31, 2022						
(Dollars in Thousands)	Number of Facilities	Outstanding Balance	Limit	Weighted Average Interest Rate ⁽¹⁾	Maturity	Weighted Average Days Until Maturity
Facilities						
Residential loan warehouse	7	\$ 703,406	\$ 2,550,000	6.16 %	3/2023 - 12/2023	267
Business purpose loan warehouse	4	680,100	1,650,000	6.93 %	3/2023 - 9/2023	179
Real estate securities repo	7	124,909	—	5.22 %	1/2023 - 3/2023	27
HEI warehouse	1	111,681	150,000	8.54 %	11/2023	306
Total Short-Term Debt Facilities	19	1,620,096				
Servicer advance financing	1	206,510	290,000	6.67 %	11/2023	305
Promissory notes	N/A	27,058	—	6.64 %	N/A	N/A
Convertible notes, net	N/A	176,015	—	4.75 %	8/2023	227
Total Short-Term Debt		\$ 2,029,679				

(1) Borrowings under our facilities generally are uncommitted and charged interest based on a specified margin over SOFR.

(2) Promissory notes payable on demand to lender with 90-day notice.

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Note 14. 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 September 30, 2023 and December 31, 2022.

Table 14.2 – Collateral for Short-Term Debt

(In Thousands)	September 30, 2023	December 31, 2022
Collateral Type		
Held-for-sale residential loans	\$ 608,649	\$ 775,545
MSRs ⁽¹⁾	79,809	—
Business purpose loans	92,350	871,072
HEI	229,625	191,278
Real estate securities		
On balance sheet	4,448	72,133
Sequoia securitizations ⁽²⁾	51,542	74,170
Freddie Mac SLST securitizations ⁽²⁾	214,443	—
Freddie Mac K-Series securitization ⁽²⁾	32,904	31,767
CAFL securitizations ⁽²⁾	32,317	—
Total real estate securities owned	335,654	178,070
Restricted cash and other assets	4,128	1,097
Total Collateral for Short-Term Debt Facilities	1,350,215	2,017,062
Cash	15,162	12,713
Subordinate securities financing	169,565	—
Servicer advances	219,813	269,259
Total Collateral for Short-Term Debt	\$ 1,754,755	\$ 2,299,034

(1) Includes certificated mortgage servicing rights classified as securities on our consolidated balance sheets.

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

For the three and nine months ended September 30, 2023, the average balance of our short-term debt facilities was \$1.02 billion and \$1.14 billion, respectively. At September 30, 2023 and December 31, 2022, accrued interest payable on our short-term debt facilities was \$5 million.

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.

In 2019, a subsidiary of Redwood entered into a repurchase agreement providing non-marginable (i.e., not subject to margin calls based solely on the lender's determination, in its discretion, of the market value of the underlying collateral that is non-delinquent) recourse debt financing of certain Sequoia securities as well as securities retained from our consolidated Sequoia securitizations ("Subordinate securities financing" in Table 14.1 above). The financing is fully and unconditionally guaranteed by Redwood, and had an interest rate of approximately 4.21% through September 2022, which increased to 5.71% from October 2022 through September 2023, and will increase to 7.21% from October 2023 through September 2024. The financing facility has a final maturity in September 2024. During the three months ended September 30, 2023, we reclassified this facility from long-term to short-term debt as the maturity date on this facility is within one year.

In connection with our acquisition of Riverbend, we assumed promissory notes that are payable on demand with a 90-day notice from the lender or which may be repaid by us with a 90-day notice. These unsecured, non-marginable, recourse notes were issued in three separate series with fixed interest rates between 6% and 8%.

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Note 14. Short-Term Debt - (continued)

During the three and nine months ended September 30, 2023, we repurchased \$2 million and \$66 million, respectively, of convertible debt due in 2023 and 2024, and recorded a \$0.02 million gain and a \$0.2 million gain on extinguishment, respectively. At September 30, 2023 the outstanding principal balance of our convertible debt due in July 2024 was \$148 million.

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 September 30, 2023.

Table 14.3 – Short-Term Debt by Collateral Type and Remaining Maturities

(In Thousands)	September 30, 2023			Total
	Within 30 days	31 to 90 days	Over 90 days	
Collateral Type				
Held-for-sale residential loans	\$ 46,844	\$ 314,269	\$ 187,221	\$ 548,334
Business purpose loans	—	—	70,424	70,424
Real estate securities	38,786	182,275	143,280	364,341
MSRs	48,470	—	—	48,470
HEI	—	—	126,803	126,803
Servicer advances	—	154,127	—	154,127
Total Secured Short-Term Debt Facilities	134,100	650,671	527,728	1,312,499
Promissory notes (unsecured)	—	16,518	—	16,518
Convertible notes, net (unsecured)	—	—	147,637	147,637
Total Short-Term Debt	\$ 134,100	\$ 667,189	\$ 675,365	\$ 1,476,654

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Note 15. Asset-Backed Securities Issued

ABS issued represents securities issued by non-recourse securitization entities we consolidate under GAAP. The majority of our ABS issued is carried at fair value under the CFE election (see *Note 4* for additional detail) with the remainder carried at amortized cost. The carrying values of ABS issued by our consolidated securitization entities at September 30, 2023 and December 31, 2022, along with other selected information, are summarized in the following table.

Table 15.1 – Asset-Backed Securities Issued

September 30, 2023							
(Dollars in Thousands)	Legacy Sequoia	Sequoia	CAFL ⁽¹⁾	Freddie Mac SLST	Freddie Mac K-Series	HEI	Total
Certificates with principal balance	\$ 159,990	\$ 4,384,081	\$ 3,330,287	\$ 1,165,093	\$ 404,528	\$ 100,753	\$ 9,544,732
Interest-only certificates	127	50,992	105,883	13,905	5,300	—	176,207
Market valuation adjustments	(10,915)	(866,568)	(301,241)	(120,007)	(22,178)	(7,980)	(1,328,889)
ABS Issued, Net	\$ 149,202	\$ 3,568,505	\$ 3,134,929	\$ 1,058,991	\$ 387,650	\$ 92,773	\$ 8,392,050
Range of weighted average interest rates, by series ⁽³⁾	3.73% to 7.26%	2.67% to 6.01%	2.34% to 6.18%	3.50%	3.41 %	3.83 %	
Stated maturities ⁽³⁾	2024-2036	2047-2053	2027-2033	2028-2029	2025	2052	
Number of series	20	20	20	2	1	1	

December 31, 2022							
(Dollars in Thousands)	Legacy Sequoia	Sequoia	CAFL⁽¹⁾	Freddie Mac SLST ⁽²⁾	Freddie Mac K-Series	HEI	Total
Certificates with principal balance	\$ 200,047	\$ 3,595,715	\$ 3,322,250	\$ 1,306,652	\$ 410,725	\$ 108,962	\$ 8,944,351
Interest-only certificates	180	57,871	124,928	15,328	7,379	—	205,686
Market valuation adjustments	(16,036)	(682,477)	(331,371)	(99,830)	(25,319)	(8,252)	(1,163,285)
ABS Issued, Net	\$ 184,191	\$ 2,971,109	\$ 3,115,807	\$ 1,222,150	\$ 392,785	\$ 100,710	\$ 7,986,752
Range of weighted average interest rates, by series ⁽³⁾	2.69% to 5.19%	2.57% to 6.13%	2.34% to 5.92%	3.50% to 4.75%	3.41 %	3.78 %	
Stated maturities ⁽³⁾	2024 - 2036	2047-2052	2027-2032	2028-2059	2025	2052	
Number of series	20	17	19	3	1	1	

(1) Includes \$485 million (principal balance) of ABS issued by two CAFL bridge securitization trusts sponsored by Redwood and accounted for at amortized cost at both September 30, 2023 and December 31, 2022.

(2) Includes \$86 million (principal balance) of ABS issued by a re-securitization trust sponsored by Redwood and accounted for at amortized cost at December 31, 2022.

(3) Certain ABS issued by CAFL and HEI securitization entities are subject to early redemption and interest rate step-ups as described below.

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Note 15. Asset-Backed Securities Issued - (continued)

During the second quarter of 2022, we consolidated the assets and liabilities of a securitization entity formed in connection with the securitization of CoreVest BPL bridge loans (presented within CAFL in Table 15.1 above), which we determined was a VIE and for which we determined we are the primary beneficiary. At issuance, we sold \$215 million (principal balance) of ABS issued to third parties and retained the remaining beneficial ownership interest in the trust. The ABS were issued at a discount and we have elected to account for the ABS issued at amortized cost. At September 30, 2023, the principal balance of the ABS issued was \$215 million, and the unamortized debt discount and deferred issuance costs were \$3 million in total, for a net carrying value of \$212 million. The weighted average stated coupon of the ABS issued was 4.32% at issuance. The ABS issued by the CAFL bridge entity are subject to an optional redemption in May 2024, and beginning in June 2025, the interest rate on the ABS issued increases by 2% through final maturity in May 2029. The ABS issued by this securitization were collateralized by \$237 million of BPL bridge loans and \$17 million of restricted cash and other assets at September 30, 2023. The securitization is structured with \$250 million of total funding capacity and a feature to allow reinvestment of loan payoffs for the first 24 months of the transaction (through May 2024), unless an amortization event occurs prior to the expiration of the 24-month reinvestment period. Amortization trigger events include, among other events, delinquency rates or default rates exceeding specified thresholds for three consecutive periods, or the effective advance rate exceeding a specified threshold.

During the third quarter of 2021, we consolidated the assets and liabilities of a securitization entity formed in connection with the securitization of CoreVest BPL bridge loans (presented within CAFL in table 15.1 above), which we determined was a VIE and for which we determined we are the primary beneficiary. At issuance, we sold \$270 million (principal balance) of ABS issued to third parties and retained the remaining beneficial ownership interest in the trust. The ABS were issued at a discount and we have elected to account for the ABS issued at amortized cost. At September 30, 2023, the principal balance of the ABS issued was \$270 million, and the unamortized debt discount and deferred issuance costs were \$1 million, for a net carrying value of \$269 million. The weighted average stated coupon of the ABS issued was 2.34% at issuance. The ABS issued by the CAFL bridge entity are subject to an optional redemption in March 2024, and beginning in March 2025 the interest rate on the ABS issued increases by 2% through final maturity in March 2029. The ABS issued by this securitization were backed by assets including \$288 million of BPL bridge loans and \$29 million of restricted cash and other assets at September 30, 2023. The securitization is structured with \$300 million of total funding capacity and a feature to allow reinvestment of loan payoffs for the first 30 months of the transaction (through March 2024), unless an amortization event occurs prior to the expiration of the 30-month reinvestment period. Amortization trigger events include, among other events, delinquency rates or default rates exceeding specified thresholds for three consecutive periods, or the effective advance rate exceeding a specified threshold.

During the third quarter of 2021, we consolidated the assets and liabilities of an HEI entity formed in connection with the securitization of HEI, which we determined was a VIE and for which we determined we are the primary beneficiary. At issuance, we sold \$146 million (principal balance) of ABS issued to third parties and retained a portion of the remaining beneficial ownership interest in the trust. We elected to account for the entity under the CFE election and account for the ABS issued at fair value, with the entire change in fair value of the ABS issued (including accrued interest) recorded through Investment fair value changes, net on our consolidated statements of income. The ABS issued by the HEI securitization entity are subject to an optional redemption in September 2023, and beginning in September 2024 the interest rate on the ABS issued increases by 2% through final maturity in 2052.

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. During the first quarter of 2023, we called the Freddie Mac SLST re-securitization and paid off the associated outstanding ABS.

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Note 15. Asset-Backed Securities Issued - (continued)

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 the stated maturity. At September 30, 2023, 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 September 30, 2023 and December 31, 2022. Interest due on consolidated ABS issued is payable monthly.

Table 15.2 – Accrued Interest Payable on Asset-Backed Securities Issued

(In Thousands)	September 30, 2023	December 31, 2022
Legacy Sequoia	\$ 310	\$ 282
Sequoia	12,695	8,880
CAFL	11,181	10,918
Freddie Mac SLST ⁽¹⁾	3,398	3,561
Freddie Mac K-Series	1,150	1,167
Total Accrued Interest Payable on ABS Issued	\$ 28,734	\$ 24,808

(1) Includes accrued interest payable on ABS issued by a re-securitization trust sponsored by Redwood at December 31, 2022.

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Note 16. Long-Term Debt

The tables below summarize our long-term debt, including the facilities that are available to us, the outstanding balances, the weighted average interest rates, and the maturity information at September 30, 2023 and December 31, 2022.

Table 16.1 – Long-Term Debt

September 30, 2023						
(Dollars in Thousands)	Borrowings	Unamortized Deferred Issuance Costs / Discount	Net Carrying Value	Limit	Weighted Average Interest Rate ⁽¹⁾	Final Maturity
Facilities						
Recourse Subordinate Securities Financing						
Facility B	\$ 101,247	\$ —	\$ 101,247	N/A	5.71 %	2/2025
Facility C	60,657	—	60,657	N/A	4.75 %	6/2026
Non-Recourse BPL Financing						
Facility D	486,099	(596)	485,503	\$ 750,000	SOFR + 2.89%	N/A
Facility E	225,865	(844)	225,021	335,000	SOFR + 3.25%	12/2025
Recourse BPL Financing						
Facility F	21,293	(9)	21,284	500,000	SOFR + 2.35%-2.60%	9/2025
Facility H	234,014	—	234,014	450,000	SOFR + 2.40%-2.60%	7/2025
Facility I	193,007	—	193,007	450,000	SOFR + 2.25%-2.77%	3/2025
Total Long-Term Debt Facilities	1,322,182	(1,449)	1,320,733			
Convertible notes						
5.75% exchangeable senior notes	162,092	(1,793)	160,299	N/A	5.75 %	10/2025
7.75% convertible senior notes	215,000	(5,274)	209,726	N/A	7.75 %	6/2027
Trust preferred securities and subordinated notes	139,500	(698)	138,802	N/A	SOFR + 2.51%	7/2037
Total Long-Term Debt	\$ 1,838,774	\$ (9,214)	\$ 1,829,560			

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Note 16. Long-Term Debt - (continued)

December 31, 2022						
(Dollars in Thousands)	Borrowings	Unamortized Deferred Issuance Costs / Discount	Net Carrying Value	Limit	Weighted Average Interest Rate ⁽¹⁾	Final Maturity
Facilities						
Recourse Subordinate Securities Financing						
Facility A	\$ 130,408	\$ —	\$ 130,408	N/A	5.71 %	9/2024
Facility B	101,706	(50)	101,656	N/A	4.21 %	2/2025
Facility C	68,995	(125)	68,870	N/A	4.75 %	6/2026
Non-Recourse BPL Financing						
Facility D	404,622	(667)	403,955	\$ 750,000	SOFR + 2.87%	N/A
Facility E	308,933	(838)	308,095	335,000	SOFR + 3.25%	12/2025
Recourse BPL Financing						
Facility F	64,689	(473)	64,216	500,000	SOFR + 2.25%-2.50%	9/2024
Total Long-Term Debt Facilities	1,079,353	(2,153)	1,077,200			
Convertible notes						
5.625% convertible senior notes	150,200	(1,282)	148,918	N/A	5.625 %	7/2024
5.75% exchangeable senior notes	162,092	(2,410)	159,682	N/A	5.75 %	10/2025
7.75% convertible senior notes	215,000	(6,142)	208,858	N/A	7.75 %	6/2027
Trust preferred securities and subordinated notes	139,500	(733)	138,767	N/A	L + 2.25%	7/2037
Total Long-Term Debt	\$ 1,746,145	\$ (12,720)	\$ 1,733,425			

(1) Variable rate borrowings are based on 1- or 3-month LIBOR ("L" in the table above) or SOFR, plus an applicable spread. As a result of legislation that was passed in the state of New York, our trust preferred securities and subordinated notes converted to SOFR upon the cessation of LIBOR in 2023.

During the three months ended September 30, 2023, we reclassified Facility H and Facility I in Table 16.1 above from short-term debt to long-term debt as the maturity dates for these facilities were extended to July 2025 and March 2025, respectively. Additionally, during the three months ended September 30, 2023, we reclassified the 5.625% convertible senior notes presented in Table 16.1 above at December 31, 2022, to short-term debt, as the maturity of these notes was less than one year at September 30, 2023.

Refer to *Note 16* to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2022, for a full description of our long-term debt.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 16. 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 September 30, 2023 and December 31, 2022.

Table 16.2 – Collateral for Long-Term Debt

(In Thousands)	September 30, 2023	December 31, 2022
Collateral Type		
BPL bridge loans	\$ 1,497,589	\$ 897,782
BPL term loans	46,915	66,567
Real estate securities		
Sequoia securitizations ⁽¹⁾	—	178,439
CAFL securitizations ⁽¹⁾	231,473	237,068
Total Collateral for Long-Term Debt	\$ 1,775,977	\$ 1,379,856

(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 September 30, 2023 and December 31, 2022.

Table 16.3 – Accrued Interest Payable on Long-Term Debt

(In Thousands)	September 30, 2023	December 31, 2022
Long-term debt facilities	\$ 5,535	\$ 3,364
Convertible notes		
5.625% exchangeable senior notes	—	3,896
5.75% exchangeable senior notes	4,659	2,332
7.75% convertible senior notes	4,906	741
Trust preferred securities and subordinated notes	1,924	1,633
Total Accrued Interest Payable on Long-Term Debt	\$ 17,024	\$ 11,966

Recourse Subordinate Securities Financing Facilities

In the first quarter of 2020, a subsidiary of Redwood entered into a repurchase agreement providing non-marginable recourse debt financing of certain securities retained from our consolidated CAFL securitizations (Facility B in Table 16.1 above). The financing is fully and unconditionally guaranteed by Redwood, and had an interest rate of approximately 4.21% through February 2023, which increased to 5.71% from March 2023 through February 2024, and will increase to 7.21% from March 2024 through February 2025. The financing facility may be terminated at our option and has a final maturity in February 2025.

In the third quarter of 2021, a subsidiary of Redwood entered into a repurchase agreement providing non-marginable recourse debt financing of certain securities retained from our consolidated CAFL securitizations (Facility C in Table 16.1 above). The financing is guaranteed by Redwood, with an interest rate of approximately 4.75% through June 2024, increasing to 6.25% from July 2024 through June 2025, and to 7.75% from July 2025 to June 2026. The financing facility may be terminated at our option and has a final maturity in June 2026.

During the three months ended September 30, 2023, we reclassified a recourse subordinate securities financing facility (Facility A in Table 16.1 above at December 31, 2022) to short-term debt as the maturity of this facility was less than a year at September 30, 2023. See *Note 14* for a further description of this facility.

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Note 17. Commitments and Contingencies

Lease Commitments

At September 30, 2023, we were obligated under ten non-cancelable operating leases with expiration dates through 2031 for \$18 million of cumulative lease payments. For both the nine-month periods ended September 30, 2023 and 2022 our operating lease expense was \$4 million.

The following table presents our future lease commitments at September 30, 2023.

Table 17.1 – Future Lease Commitments by Year

(In Thousands)	September 30, 2023
2023 (3 months)	\$ 1,253
2024	4,554
2025	3,629
2026	3,520
2027	2,588
2028 and thereafter	1,991
Total Lease Commitments	17,535
Less: Imputed interest	(1,905)
Operating Lease Liabilities	\$ 15,630

During the nine months ended September 30, 2023, we entered into one new office lease. At September 30, 2023, our operating lease liabilities were \$16 million, which were a component of Accrued expenses and other liabilities, and our operating lease right-of-use assets were \$13 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 lease commencement date. At September 30, 2023, the weighted-average remaining lease term and weighted-average discount rate for our leases was 4 years and 5.2%, respectively.

Commitment to Fund BPL Bridge Loans

As of September 30, 2023, we had commitments to fund up to \$623 million of additional advances on existing BPL bridge loans. These commitments are generally subject to loan agreements with covenants regarding the financial performance of the borrower and other terms regarding advances that must be met before we fund the commitment. At September 30, 2023, we carried a \$1 million contingent liability related to these commitments to fund construction advances. During the three and nine months ended September 30, 2023, we recorded a net market valuation loss of \$0.4 million and gain of \$0.3 million, respectively, related to this liability through Mortgage banking activities and Investment of fair value changes, net on our consolidated statements of income.

Commitment to Fund Partnerships

In 2018, we invested in two partnerships created to acquire and manage certain mortgage servicing related assets. See *Note 11* for additional detail on these investments. In connection with these investments, 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 17. Commitments and Contingencies - (continued)

Commitments to Fund Strategic Investments

In the first quarter of 2022, we entered into a \$25 million commitment to an investment fund with the mission of providing quality workforce housing opportunities in several California urban communities, including the San Francisco Bay Area. At September 30, 2023, we had funded \$15 million of this commitment. This investment is included in Other investments on our consolidated balance sheets.

In 2021, we entered into a commitment to fund a \$5 million RWT Horizons investment. At September 30, 2023, we had funded \$2 million of this commitment. This investment is included in Other investments on our consolidated balance sheets.

Commitment to Fund Oaktree Joint Venture

In the second quarter of 2023, we established a joint venture with a global investment manager to invest in BPL bridge loans originated by our CoreVest subsidiary. In accordance with the terms of the joint venture, we have committed to sell certain BPL bridge loans we originate into the joint venture that meet specified criteria at contractually pre-established prices. Additionally, we have committed to contribute up to \$50 million to the joint venture to fund the joint venture's purchase of BPL bridge loans. At September 30, 2023, we had contributed \$1 million of capital to the joint venture.

Riverbend Contingent Consideration

As part of the consideration for our acquisition of Riverbend, we may make earnout payments payable in cash, based on generating specified revenues over a threshold amount during the two-year period ending July 1, 2024, up to a maximum potential amount payable of \$25.3 million. These contingent earnout payments are classified as a contingent consideration liability on our consolidated balance sheets and carried at fair value. At September 30, 2023, our estimated fair value of this contingent liability was zero.

Loss Contingencies — Risk-Sharing

During 2015 and 2016, we sold conforming loans to the Agencies with an original unpaid principal balance of \$3.19 billion, subject to our risk-sharing arrangements with the Agencies. At September 30, 2023, 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 September 30, 2023, we had incurred less than \$100 thousand of cumulative losses under these arrangements. For the three and nine months ended September 30, 2023, other income related to these arrangements was \$0.2 million and \$0.5 million, respectively.

All of the loans in the reference pools subject to these risk-sharing arrangements were originated in 2014 and 2015, and at September 30, 2023, the loans had an unpaid principal balance of \$406 million, a weighted average FICO score of 761 (at origination), and LTV ratio of 74% (at origination). At September 30, 2023, \$7 million of the loans were 90 or more days delinquent, of which three loans with an unpaid principal balance of \$1 million were in foreclosure. At September 30, 2023, the carrying value of our guarantee obligation was \$6 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 us. At September 30, 2023 and December 31, 2022, assets of such SPEs totaled \$28 million and \$30 million, respectively, and at both September 30, 2023 and December 31, 2022 liabilities of such SPEs totaled \$6 million.

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Note 17. Commitments and Contingencies - (continued)

Loss Contingencies — Repurchase Reserves

We maintain a repurchase reserve for potential obligations arising from representation and warranty violations related to loans we have sold. 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.

At September 30, 2023 and December 31, 2022, our repurchase reserve associated with our residential loans and MSR's was \$5 million and \$6 million, respectively, and was recorded in Accrued expenses and other liabilities on our consolidated balance sheets. During the nine months ended September 30, 2023 and 2022, we received one and seven repurchase request(s), respectively, and repurchased five and one loan(s), respectively. During the nine months ended September 30, 2023 and 2022, we recorded reversals of repurchase provision expenses of \$1 million and \$4 million, respectively, in Mortgage banking activities, net, on our consolidated statements of income.

At September 30, 2023 and December 31, 2022, our repurchase reserve associated with business purpose loans sold to third-parties was zero and \$1 million, respectively, and was recorded in Accrued expenses and other liabilities on our consolidated balance sheets. During the nine months ended September 30, 2023 and 2022, we received six and zero repurchase requests, respectively, for business purpose loans sold to third parties, and repurchased twelve and zero business purpose loans, respectively, that had been sold to third parties. No repurchase provision was recorded during the first nine months of 2023 and, at September 30, 2023, one open repurchase request was outstanding for business purpose loans sold to third parties.

Loss Contingencies — Litigation, Claims and Demands

There is no significant update regarding the litigation matters described in *Note 17* within the financial statements included in Redwood's Annual Report on Form 10-K for the year ended December 31, 2022 under the heading "*Loss Contingencies - Litigation, Claims and Demands.*" At September 30, 2023, 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, 2022 were \$2 million.

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Note 18. Equity

The following table provides a summary of changes to Accumulated other comprehensive income (loss) by component for the three and nine months ended September 30, 2023 and 2022.

Table 18.1 – Changes in Accumulated Other Comprehensive Income (Loss) by Component

(In Thousands)	Three Months Ended September 30, 2023		Three Months Ended September 30, 2022	
	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	\$ 8,165	\$ (70,256)	\$ 16,595	\$ (74,383)
Other comprehensive loss before reclassifications	(3,921)	—	(8,731)	—
Amounts reclassified from other accumulated comprehensive income (loss)	234	1,040	544	1,040
Net current-period other comprehensive income (loss)	(3,687)	1,040	(8,187)	1,040
Balance at End of Period	\$ 4,478	\$ (69,216)	\$ 8,408	\$ (73,343)

(In Thousands)	Nine Months Ended September 30, 2023		Nine Months Ended September 30, 2022	
	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	\$ 3,435	\$ (72,303)	\$ 67,503	\$ (76,430)
Other comprehensive income (loss) before reclassifications	398	—	(60,013)	—
Amounts reclassified from other accumulated comprehensive income (loss)	645	3,087	918	3,087
Net current-period other comprehensive income (loss)	1,043	3,087	(59,095)	3,087
Balance at End of Period	\$ 4,478	\$ (69,216)	\$ 8,408	\$ (73,343)

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ote 18. Equity - (continued)

The following table provides a summary of reclassifications out of Accumulated other comprehensive income (loss) for the three and nine months ended September 30, 2023 and 2022.

Table 18.2 – Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

(In Thousands)	Affected Line Item in the Income Statement	Amount Reclassified From Accumulated Other Comprehensive (Loss)	
		Three Months Ended September 30,	
		2023	2022
Net Realized Loss on AFS Securities			
(Decrease) increase in allowance for credit losses on AFS securities	Investment fair value changes, net	\$ (66)	\$ 544
Loss on sale of AFS securities	Realized gains, net	300	—
		<u>\$ 234</u>	<u>\$ 544</u>
Net Realized Loss on Interest Rate Agreements Designated as Cash Flow Hedges			
Amortization of deferred loss	Interest expense	\$ 1,040	\$ 1,040
		<u>\$ 1,040</u>	<u>\$ 1,040</u>

(In Thousands)	Affected Line Item in the Income Statement	Amount Reclassified From Accumulated Other Comprehensive (Loss)	
		Nine Months Ended September 30,	
		2023	2022
Net Realized (Gain) Loss on AFS Securities			
Increase in allowance for credit losses on AFS securities	Investment fair value changes, net	\$ 33	\$ 2,315
Loss (gain) on sale of AFS securities	Realized gains, net	612	(1,397)
		<u>\$ 645</u>	<u>\$ 918</u>
Net Realized Loss on Interest Rate Agreements Designated as Cash Flow Hedges			
Amortization of deferred loss	Interest expense	\$ 3,087	\$ 3,087
		<u>\$ 3,087</u>	<u>\$ 3,087</u>

Issuance of Common Stock

We have an established program to sell common stock from time to time in at-the-market ("ATM") offerings. During the three and nine months ended September 30, 2023, we issued 4,243,982 shares of common stock for proceeds of \$33 million under this program. At September 30, 2023, the share issuance capacity under this program was \$141 million.

Issuance of Preferred Stock

In January 2023, Redwood issued 2,800,000 shares of 10.00% Series A Fixed-Rate Reset Cumulative Redeemable Preferred Stock ("Series A Preferred Stock") for gross proceeds of \$70 million and net proceeds of approximately \$67 million after deducting the underwriting discount and other estimated expenses. The Series A Preferred Stock will pay quarterly cumulative cash dividends beginning April 15, 2023 to January 15, 2028 at a fixed annual rate of 10%, based on the stated liquidation preference of \$25.00 per share, in arrears, when authorized by Redwood's Board of Directors and declared by the Company. Starting April 15, 2028, the annual dividend rate will reset to the five-year U.S. Treasury Rate plus a spread of 6.278%. The Series A Preferred Stock ranks senior to Redwood's common stock with respect to rights to the payment of dividends and the distribution of assets upon any liquidation.

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ote 18. Equity - (continued)

dissolution or winding up of the Company. During the three and nine months ended September 30, 2023, the Company declared preferred stock dividends of \$0.625 and \$1.85417 per share, respectively. At September 30, 2023, preferred dividends payable totaling \$1 million for the third quarter 2023 dividend were included in Accrued expenses and other liabilities and were payable on October 16, 2023 to stockholders of record on September 30, 2023.

Direct Stock Purchase and Dividend Reinvestment Plan

During the nine months ended September 30, 2023, we did not issue any shares of common stock through our Direct Stock Purchase and Dividend Reinvestment Plan. At September 30, 2023, approximately 6 million shares remained outstanding for future offerings under this plan.

Earnings per Common Share

The following table provides the basic and diluted earnings per common share computations for the three and nine months ended September 30, 2023 and 2022.

Table 18.3 – Basic and Diluted Earnings (Loss) per Common Share

(In Thousands, except Share Data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Basic Loss per Common Share:				
Net loss related to common stockholders	\$ (32,560)	\$ (50,411)	\$ (28,244)	\$ (119,462)
Less: Dividends and undistributed earnings allocated to participating securities	(792)	(1,158)	(3,072)	(3,445)
Net loss related to common stockholders	\$ (33,352)	\$ (51,569)	\$ (31,316)	\$ (122,907)
Basic weighted average common shares outstanding	115,465,977	116,087,890	114,381,548	118,530,172
Basic Loss per Common Share	\$ (0.29)	\$ (0.44)	\$ (0.27)	\$ (1.04)
Diluted Loss per Common Share:				
Net loss related to common stockholders	\$ (32,560)	\$ (50,411)	\$ (28,244)	\$ (119,462)
Less: Dividends and undistributed earnings allocated to participating securities	(792)	(1,158)	(3,072)	(3,445)
Add back: Interest expense on convertible notes for the period, net of tax	—	—	—	—
Net loss related to common stockholders	\$ (33,352)	\$ (51,569)	\$ (31,316)	\$ (122,907)
Weighted average common shares outstanding	115,465,977	116,087,890	114,381,548	118,530,172
Net effect of dilutive equity awards	—	—	—	—
Net effect of assumed convertible notes conversion to common shares	—	—	—	—
Diluted weighted average common shares outstanding	115,465,977	116,087,890	114,381,548	118,530,172
Diluted Loss per Common Share	\$ (0.29)	\$ (0.44)	\$ (0.27)	\$ (1.04)

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 three and nine months ended September 30, 2023 and 2022, none of our convertible notes were determined to be dilutive and were not 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) are included in the denominator.

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ote 18. Equity - (continued)

For the three and nine months ended September 30, 2023, 40,763,478 and 43,910,345 of common shares, respectively, 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 nine months ended September 30, 2022, 49,137,808 and 37,307,705 of common shares, respectively, 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 nine months ended September 30, 2023, the number of outstanding equity awards that were antidilutive totaled 24,539 and 81,267, respectively. For the three and nine months ended September 30, 2022, the number of outstanding equity awards that were antidilutive totaled 249,178 and 268,737, respectively.

Stock Repurchases

In July 2022, our Board of Directors approved an authorization for the repurchase of up to \$125 million of our common stock, and also authorized the repurchase of outstanding debt securities, including convertible and exchangeable debt. This authorization has no expiration date and does not obligate us to acquire any specific number of shares or securities. During the three months ended September 30, 2023, we did not repurchase any shares of our common stock under this program. At September 30, 2023, \$101 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 19. Equity Compensation Plans

During the second quarter of 2023, Redwood shareholders approved an additional 9,650,000 shares of common stock for grant under our Incentive Plan. At September 30, 2023 and December 31, 2022, 12,268,074 and 2,896,604 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 \$30 million at September 30, 2023, as shown in the following table.

Table 19.1 – Activities of Equity Compensation Costs by Award Type

(In Thousands)	Nine Months Ended September 30, 2023				
	Restricted Stock Units	Deferred Stock Units	Performance Stock Units	Employee Stock Purchase Plan	Total
Unrecognized compensation cost at beginning of period	\$ 5,068	\$ 19,849	\$ 15,271	\$ —	\$ 40,188
Equity grants	2,092	6,865	—	422	9,379
Performance-based valuation adjustment	—	—	(3,205)	—	(3,205)
Equity grant forfeitures	(1,088)	(719)	—	—	(1,807)
Equity compensation expense	(2,411)	(8,911)	(2,895)	(318)	(14,535)
Unrecognized Compensation Cost at End of Period	\$ 3,661	\$ 17,084	\$ 9,171	\$ 104	\$ 30,020

At September 30, 2023, the weighted average amortization period remaining for all of our equity awards was less than two years.

Restricted Stock Units ("RSUs")

At September 30, 2023 and December 31, 2022, there were 585,284 and 806,119 RSUs outstanding, respectively. During the nine months ended September 30, 2023, there were 263,590 RSUs granted, 354,813 RSUs distributed, and 129,612 RSUs forfeited. Unvested RSUs at September 30, 2023 vest through 2027.

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Note 19. Equity Compensation Plans - (continued)

Deferred Stock Units ("DSUs")

At September 30, 2023 and December 31, 2022, there were 4,896,376 and 4,831,338 DSUs outstanding, respectively, of which 2,700,517 and 2,495,787, respectively, had vested. During the nine months ended September 30, 2023, there were 936,206 DSUs granted, 821,046 DSUs distributed, and 50,122 DSUs forfeited. Unvested DSUs at September 30, 2023 vest through 2027.

Performance Stock Units ("PSUs")

At September 30, 2023 and December 31, 2022, the target number of PSUs that were unvested was 2,078,171 and 2,354,002, respectively. Vesting for PSUs generally occurs three years from their respective grant dates based on various total shareholder return performance calculations, as discussed in *Note 19* to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2022.

For 275,831 target PSU awards that were granted in December 2019, the performance vesting period ended on January 1, 2023. These 2019 PSU awards failed to reach a threshold level under their performance-based vesting criteria and resulted in the vesting of no shares of our common stock underlying these PSUs. During the nine months ended September 30, 2023, for PSUs granted in 2021 and 2020, we adjusted the cumulative expected amortization expense down by \$3 million to reflect our revised vesting estimate regarding the vesting of these awards in relation to the book value TSR performance condition for the second-year vesting tranche of the 2021 PSU grant and the third-year vesting tranche of the 2020 PSU grant.

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 September 30, 2023 and December 31, 2022, 739,404 and 657,777 shares had been purchased, respectively, and there remained a negligible amount of uninvested employee contributions in the ESPP at September 30, 2023.

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Note 20. Mortgage Banking Activities, Net

The following table presents the components of Mortgage banking activities, net, recorded in our consolidated statements of income for the three and nine months ended September 30, 2023 and 2022.

Table 20.1 – Mortgage Banking Activities

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Residential Mortgage Banking Activities, Net				
Changes in fair value of:				
Residential loans, at fair value ⁽¹⁾	\$ (2,819)	\$ (22,776)	\$ 5,272	\$ (125,012)
Trading securities ⁽²⁾	(482)	148	2,188	4,249
Risk management derivatives ⁽³⁾	12,158	24,319	10,508	107,573
Other income, net ⁽⁴⁾	107	467	1,422	5,496
Total residential mortgage banking activities, net	8,964	2,158	19,390	(7,694)
Business Purpose Mortgage Banking Activities, Net:				
Changes in fair value of:				
BPL term loans, at fair value ⁽¹⁾	1,600	(19,306)	13,214	(84,493)
BPL bridge loans, at fair value	1,438	(9)	4,808	2,242
Risk management derivatives ⁽³⁾	3,434	24,044	1,295	56,564
Other income, net ⁽⁵⁾	4,004	9,648	13,956	36,214
Total business purpose mortgage banking activities, net	10,476	14,377	33,273	10,527
Mortgage Banking Activities, Net	\$ 19,440	\$ 16,535	\$ 52,663	\$ 2,833

(1) For residential loans, includes changes in fair value for associated loan purchase commitments. For BPL term loans, includes changes in fair value for associated interest rate lock commitments.

(2) Represents fair value changes on trading securities that are being used along 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 repurchases, presented net.

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

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Note 21. Other Income, Net

The following table presents the components of Other income recorded in our consolidated statements of income for the three and nine months ended September 30, 2023 and 2022.

Table 21.1 – Other Income, Net

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
MSR income, net ⁽¹⁾	\$ 1,747	\$ 2,890	\$ 6,173	\$ 12,569
Bridge loan fees ⁽²⁾	1,895	1,489	6,757	3,952
Other ⁽³⁾	(1,296)	(352)	(1,870)	495
Other Income, Net	\$ 2,346	\$ 4,027	\$ 11,060	\$ 17,016

(1) Includes servicing fees and fair value changes for MSRs and related hedges, net.

(2) Includes asset management fees, extension fees, default interest and other fees.

(3) Includes earnings (losses) from equity method investments.

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Note 22. Components of Operating Expenses

Components of our general and administrative expenses, loan acquisition costs, and other expenses for the three and nine months ended September 30, 2023 and 2022 are presented in the following table.

Table 22.1 – Components of Operating Expenses

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
General and Administrative Expenses				
Fixed compensation expense ⁽¹⁾	\$ 12,579	\$ 18,626	\$ 40,724	\$ 45,364
Annual variable compensation expense	3,383	3,521	10,575	8,689
Long-term incentive award expense ^{(1) (2)}	5,013	4,998	19,192	16,190
Systems and consulting	3,108	3,909	9,074	10,796
Office costs	2,131	2,381	6,460	6,489
Accounting and legal	1,307	1,775	3,402	5,026
Corporate costs	959	928	2,845	2,792
Other	1,217	2,106	3,785	6,373
Total General and Administrative Expenses	29,697	38,244	96,057	101,719
Portfolio Management Costs	3,661	1,863	10,271	5,208
Loan Acquisition Costs	1,880	2,426	4,613	10,371
Other Expenses				
Amortization of purchase-related intangible assets	3,107	3,891	9,321	10,731
Other	1,526	370	3,971	1,083
Total Other Expenses	4,633	4,261	13,292	11,814
Total Operating Expenses	\$ 39,871	\$ 46,794	\$ 124,233	\$ 129,112

(1) Includes \$2 million of severance and transition-related expenses for the nine months ended September 30, 2023.

(2) For the three months ended September 30, 2023 and 2022, long-term incentive award expense included \$3 million and \$5 million of expense, respectively, for awards settleable in shares of our common stock, and \$2 million and \$0.1 million of expense, respectively, for awards settleable in cash. For the nine months ended September 30, 2023 and 2022, long-term incentive award expense included \$14 million and \$15 million, respectively, of expense for awards settleable in shares of our common stock, and \$5 million and \$1 million of expense, respectively, for awards settleable in cash.

Long-Term Cash-Based Awards

During the three and nine months ended September 30, 2023, there were \$1 million of long-term cash-based retention awards granted to employees. Cash-based retention awards were granted to certain executive and non-executive employees between 2020 and 2023 that vest over one- to three-year periods, and are subject to continued employment through the vesting periods through 2025. At September 30, 2023, the liability associated with these awards was \$1 million and the unamortized compensation cost of long-term cash-based awards was \$2 million.

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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Note 22. Components of Operating Expenses - (continued)

Cash Settled Deferred Stock Units

During the nine months ended September 30, 2023, there were no cash-settled deferred stock units granted to employees. Cash-settled deferred stock units that were granted in 2020, 2021 and 2022, each vest over four-year periods and are subject to continued employment through the vesting periods through 2026. At September 30, 2023, the liability associated with these awards was \$3 million, and the unamortized compensation cost was \$4 million. The unamortized compensation cost is adjusted for changes in the value of our common stock at the end of each reporting period. These awards are classified as liabilities in Accrued expenses and other liabilities on our consolidated balance sheets, and are being amortized over their respective vesting periods on a straight-line basis, adjusted for changes in the value of our common stock at the end of each reporting period.

Refer to Note 22 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2022, for additional information regarding long-term cash-based awards and cash-settled deferred stock units.

Cash Settled Performance Stock Units

During the nine months ended September 30, 2023, \$6 million of cash-settled performance stock units ("csPSUs") were granted to certain executive and non-executive employees which vest over approximately three years through January 1, 2026. The target number of csPSUs that were granted totaled 663,499 units based on a per unit grant-date fair value of \$9.75. The equivalent number of underlying shares of common stock that vest and that the recipient becomes entitled to receive at the time of vesting will generally range from 0% to 250% of the target number of csPSUs granted, with the target number of csPSUs granted being adjusted to reflect the value of any dividends declared on our common stock during the vesting period. Upon vesting, the recipient will receive the settlement of the vested shares in cash based on the closing market price of our common stock on the final vesting date. These awards are classified as liabilities in Accrued expenses and other liabilities on our consolidated balance sheets, and are being amortized over their respective vesting periods on a straight-line basis, adjusted for changes in the value of the csPSUs at the end of each reporting period. At September 30, 2023, the liability associated with these awards was \$1 million, and unamortized compensation cost of the csPSUs was \$5 million.

The grant date fair value of these csPSUs of \$9.75 per unit was determined through Monte-Carlo simulations using the following assumptions: the common stock closing price at the grant date for Redwood and each member of the comparator group, the average closing price of the common stock price for the 60 trading days beginning January 1, 2023 for Redwood and each member of the comparator group, and the range of performance-based vesting based on absolute TSR over three years from the grant date. For this csPSU grant, an implied volatility assumption of 71% (based on historical volatility), a risk-free rate of 4.23% (the three-year Treasury rate on the grant date), and a 0% dividend yield (the mathematical equivalent to reinvesting the dividends over the three-year performance period as is consistent with the terms of the PSUs) were used.

With respect to the csPSU awards granted during the nine months ended September 30, 2023:

- First, vesting would range from 0% - 250% of two-thirds of the Target csPSUs granted based on the level of book value total shareholder return ("bvTSR") attained over the three-year vesting period, with 100% of this two-thirds of the Target csPSUs vesting if three-year bvTSR is 25%. bvTSR is defined as the percentage by which our book value "per share price" has increased or decreased as of the last day of the three-year vesting period relative to the first day of such vesting period, adjusted to reflect the reinvestment of all dividends declared and/or paid on our common stock.
- Second, vesting would range from 0% - 250% of one-third of the Target csPSUs granted based on Redwood's relative total shareholder return ("rTSR") against a comparator group of companies measured over the three-year vesting period, with 100% of this one-third of the Target csPSUs vesting if three-year rTSR corresponds to 55th percentile rTSR.
- Third, if the aggregate vesting level after steps one and two is greater than 100% of the Target csPSUs, but the Company's absolute total shareholder return ("TSR") is negative over the three-year performance period, vesting would be capped at 100% of Target csPSUs. TSR is defined as the percentage by which our common stock "per share price" has increased or decreased as of the last day of the three-year vesting period relative to the first day of such vesting period, adjusted to reflect the reinvestment of all dividends declared and/or paid on our common stock.

Refer to Note 22 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2022, for additional information regarding long-term cash-based awards and cash-settled deferred stock units.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 23. Taxes

We believe that we have met all requirements for qualification as a REIT for federal income tax purposes. To qualify as a REIT, the Company must distribute at least 90% of its annual REIT taxable income and meet certain other requirements that relate to, among other things, the assets it holds, the income it generates, and the composition of its stockholders. Many requirements for qualification as a REIT are complex and require analysis of particular facts and circumstances. Often there is only limited judicial or administrative interpretive guidance and as such there can be no assurance that the Internal Revenue Service or courts would agree with our various tax positions. If we were to fail to meet all the requirements for qualification as a REIT and the requirements for statutory relief, we would be subject to federal corporate income tax on our taxable income and we would not be able to elect to be taxed as a REIT for four years thereafter. Such an outcome could have a material adverse impact on our consolidated financial statements.

For the nine months ended September 30, 2023 and 2022, we recognized a provision for income taxes of \$1 million and a benefit from income taxes of \$10 million, respectively. The following is a reconciliation of the statutory federal and state tax rates to our effective tax rate at September 30, 2023 and 2022.

Table 23.1 – Reconciliation of Statutory Tax Rate to Effective Tax Rate

	September 30, 2023	September 30, 2022
Federal statutory rate	21.0 %	21.0 %
State taxes, net of Federal tax effect, as applicable	(1.0)%	0.5 %
Differences in taxable (loss) income from GAAP income	(0.6)%	— %
Change in valuation allowance	— %	— %
REIT GAAP income or loss not subject to federal income tax	(22.2)%	(13.4)%
Effective Tax Rate	(2.8)%	8.1 %

We assessed our tax positions for all open tax years (i.e., Federal, 2019 to 2023, and State, 2018 to 2023) at September 30, 2023 and December 31, 2022, and concluded that we had no uncertain tax positions that resulted in material unrecognized tax benefits.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 24. Segment Information

Redwood operates in three segments: Residential Mortgage Banking, Business Purpose Mortgage Banking and Investment Portfolio. The accounting policies of the reportable segments are the same as those described in *Note 3* — Summary of Significant Accounting Policies. 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, 2022.

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.

The following tables present financial information by segment for the three and nine months ended September 30, 2023 and 2022.

Table 24.1 – Business Segment Financial Information

(In Thousands)	Three Months Ended September 30, 2023				
	Residential Mortgage Banking	Business Purpose Mortgage Banking	Investment Portfolio	Corporate/ Other	Total
Interest income	\$ 6,063	\$ 4,618	\$ 162,251	\$ 4,142	\$ 177,074
Interest expense	(4,826)	(3,888)	(131,303)	(16,706)	(156,723)
Net interest income (expense)	1,237	730	30,948	(12,564)	20,351
Non-interest income (loss)					
Mortgage banking activities, net	8,964	10,476	—	—	19,440
Investment fair value changes, net	—	—	(31,315)	(115)	(31,430)
Other income, net	—	1,278	2,622	(1,554)	2,346
Realized gains, net	—	—	26	24	50
Total non-interest income (loss), net	8,964	11,754	(28,667)	(1,645)	(9,594)
General and administrative expenses	(4,521)	(9,402)	(1,340)	(14,434)	(29,697)
Portfolio management costs	—	—	(3,636)	(25)	(3,661)
Loan acquisition costs	(395)	(1,485)	—	—	(1,880)
Other expenses	—	(3,108)	(1,525)	—	(4,633)
(Provision for) Benefit from income taxes	(813)	318	(1,457)	256	(1,696)
Segment Contribution	\$ 4,472	\$ (1,193)	\$ (5,677)	\$ (28,412)	
Net (Loss)					\$ (30,810)
Non-cash amortization (expense), net	\$ (266)	\$ (3,294)	\$ (1,687)	\$ (2,099)	\$ (7,346)

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 24. Segment Information - (continued)

	Nine Months Ended September 30, 2023				
(In Thousands)	Residential Mortgage Banking	Business Purpose Mortgage Banking	Investment Portfolio	Corporate/ Other	Total
Interest income	\$ 14,007	\$ 13,509	\$ 492,514	\$ 14,541	\$ 534,571
Interest expense	(13,392)	(11,599)	(384,610)	(52,086)	(461,687)
Net interest income (expense)	615	1,910	107,904	(37,545)	72,884
Non-interest income (loss)					
Mortgage banking activities, net	19,390	33,273	—	—	52,663
Investment fair value changes, net	1,076	—	(34,166)	(3,063)	(36,153)
Other income, net	—	4,762	8,803	(2,505)	11,060
Realized gains, net	—	—	858	246	1,104
Total non-interest income (loss), net	20,466	38,035	(24,505)	(5,322)	28,674
General and administrative expenses	(13,065)	(34,718)	(3,990)	(44,284)	(96,057)
Portfolio management costs	—	—	(10,233)	(38)	(10,271)
Loan acquisition costs	(719)	(3,894)	—	—	(4,613)
Other expenses	—	(9,323)	(3,969)	—	(13,292)
(Provision for) Benefit from income taxes	(887)	2,427	(3,135)	953	(642)
Segment Contribution	\$ 6,410	\$ (5,563)	\$ 62,072	\$ (86,236)	
Net (Loss)					\$ (23,317)
Non-cash amortization (expense), net	\$ (813)	\$ (10,291)	\$ (6,167)	\$ (6,292)	\$ (23,563)

	Three Months Ended September 30, 2022				
(In Thousands)	Residential Mortgage Banking	Business Purpose Mortgage Banking	Investment Portfolio	Corporate/ Other	Total
Interest income	\$ 9,882	\$ 9,082	\$ 156,882	\$ 1,816	\$ 177,662
Interest expense	(8,083)	(5,971)	(111,876)	(16,797)	(142,727)
Net interest income (expense)	1,799	3,111	45,006	(14,981)	34,935
Non-interest income (loss)					
Mortgage banking activities, net	2,158	14,377	—	—	16,535
Investment fair value changes, net	—	—	(61,780)	4,083	(57,697)
Other income, net	—	399	3,906	(278)	4,027
Realized gains, net	—	—	—	—	—
Total non-interest income (loss), net	2,158	14,776	(57,874)	3,805	(37,135)
General and administrative expenses	(5,735)	(18,535)	(1,639)	(12,335)	(38,244)
Portfolio management costs	—	—	(1,863)	—	(1,863)
Loan acquisition costs	(550)	(1,876)	—	—	(2,426)
Other expenses	—	(3,891)	(370)	—	(4,261)
Benefit from income taxes	1,688	2,559	(5,664)	—	(1,417)
Segment Contribution	\$ (640)	\$ (3,856)	\$ (22,404)	\$ (23,511)	
Net (Loss)					\$ (50,411)
Non-cash amortization (expense), net	\$ (185)	\$ (3,609)	\$ (3,658)	\$ (2,843)	\$ (10,295)

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Note 24. Segment Information - (continued)

(In Thousands)	Nine Months Ended September 30, 2022				
	Residential Mortgage Banking	Business Purpose Mortgage Banking	Investment Portfolio	Corporate/ Other	Total
Interest income	\$ 36,048	\$ 22,509	\$ 471,932	\$ 4,028	\$ 534,517
Interest expense	(23,316)	(12,797)	(331,047)	(38,832)	(405,992)
Net interest income (expense)	12,732	9,712	140,885	(34,804)	128,525
Non-interest income (loss)					
Mortgage banking activities, net	(7,694)	10,527	—	—	2,833
Investment fair value changes, net	—	—	(165,297)	13,508	(151,789)
Other income, net	—	2,028	15,423	(435)	17,016
Realized gains, net	—	—	2,581	—	2,581
Total non-interest income (loss), net	(7,694)	12,555	(147,293)	13,073	(129,359)
General and administrative expenses	(17,918)	(40,076)	(4,468)	(39,257)	(101,719)
Portfolio management costs	—	—	(5,208)	—	(5,208)
Loan acquisition costs	(2,848)	(7,523)	—	—	(10,371)
Other expenses	74	(10,731)	(1,157)	—	(11,814)
Benefit from (provision for) income taxes	8,283	9,009	(6,808)	—	10,484
Segment Contribution	\$ (7,371)	\$ (27,054)	\$ (24,049)	\$ (60,988)	
Net (Loss)					\$ (119,462)
Non-cash amortization (expense), net	\$ (699)	\$ (11,563)	\$ 4,385	\$ (6,428)	\$ (14,305)

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Note 24. Segment Information - (continued)

The following table presents the components of Corporate/Other for the three and nine months ended September 30, 2023 and 2022.

Table 24.2 – Components of Corporate/Other

(In Thousands)	Three Months Ended September 30,					
	2023			2022		
	Legacy Consolidated VIEs ⁽¹⁾	Other	Total	Legacy Consolidated VIEs ⁽¹⁾	Other	Total
Interest income	\$ 2,596	\$ 1,546	\$ 4,142	\$ 1,473	\$ 343	\$ 1,816
Interest expense	(2,487)	(14,219)	(16,706)	(1,486)	(15,311)	(16,797)
Net interest income (expense)	109	(12,673)	(12,564)	(13)	(14,968)	(14,981)
Non-interest income (loss)						
Investment fair value changes, net	(215)	100	(115)	(329)	4,412	4,083
Other income, net	—	(1,554)	(1,554)	—	(278)	(278)
Realized gains, net	—	24	24	—	—	—
Total non-interest income (loss), net	(215)	(1,430)	(1,645)	(329)	4,134	3,805
General and administrative expenses	—	(14,434)	(14,434)	—	(12,335)	(12,335)
Portfolio management costs	—	(25)	(25)	—	—	—
Benefit from income taxes	—	256	256	—	—	—
Total	\$ (106)	\$ (28,306)	\$ (28,412)	\$ (342)	\$ (23,169)	\$ (23,511)
	Nine Months Ended September 30,					
	2023			2022		
	Legacy Consolidated VIEs ⁽¹⁾	Other	Total	Legacy Consolidated VIEs ⁽¹⁾	Other	Total
Interest income	\$ 7,879	\$ 6,662	\$ 14,541	\$ 3,593	\$ 435	\$ 4,028
Interest expense	(7,650)	(44,436)	(52,086)	(3,154)	(35,678)	(38,832)
Net interest income (expense)	229	(37,774)	(37,545)	439	(35,243)	(34,804)
Non-interest income (loss)						
Investment fair value changes, net	(319)	(2,744)	(3,063)	(1,379)	14,887	13,508
Other income, net	—	(2,505)	(2,505)	—	(435)	(435)
Realized gains, net	—	246	246	—	—	—
Total non-interest income, net	(319)	(5,003)	(5,322)	(1,379)	14,452	13,073
General and administrative expenses	—	(44,284)	(44,284)	—	(39,257)	(39,257)
Portfolio management costs	—	(38)	(38)	—	—	—
Benefit from income taxes	—	953	953	—	—	—
Total	\$ (90)	\$ (86,146)	\$ (86,236)	\$ (940)	\$ (60,048)	\$ (60,988)

(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
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Note 24. Segment Information - (continued)

The following table presents supplemental information by segment at September 30, 2023 and December 31, 2022.

Table 24.3 – Supplemental Segment Information

(In Thousands)	Residential Mortgage Banking	Business Purpose Mortgage Banking	Investment Portfolio	Corporate/ Other	Total
September 30, 2023					
Residential loans	\$ 610,946	\$ —	\$ 5,086,239	\$ 150,152	\$ 5,847,337
Business purpose loans	—	102,777	5,146,553	—	5,249,330
Consolidated Agency multifamily loans	—	—	420,554	—	420,554
Real estate securities	9,054	—	120,391	—	129,445
Home equity investments	—	—	431,159	113	431,272
Other investments	—	—	284,507	55,854	340,361
Goodwill	—	23,373	—	—	23,373
Intangible assets	—	31,570	—	—	31,570
Total assets	659,520	197,974	11,701,939	461,705	13,021,138
December 31, 2022					
Residential loans	\$ 628,160	\$ —	\$ 4,800,096	\$ 184,932	\$ 5,613,188
Business purpose loans	—	364,073	4,968,513	—	5,332,586
Consolidated Agency multifamily loans	—	—	424,551	—	424,551
Real estate securities	—	—	240,475	—	240,475
Home equity investments	—	—	403,462	—	403,462
Other investments	—	—	334,420	56,518	390,938
Goodwill	—	23,373	—	—	23,373
Intangible assets	—	40,892	—	—	40,892
Total assets	660,916	487,159	11,303,991	578,833	13,030,899

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 five main sections:

- [Overview](#)
- [Results of Operations](#)
 - [Consolidated Results of Operations](#)
 - [Results of Operations by Segment](#)
 - [Income Taxes](#)
- [Liquidity and Capital Resources](#)
- [Critical Accounting Estimates](#)
- [Market and Other Risks](#)

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 MD&A 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. We make available, free of charge through the investor relations 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 well 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 securities. Our aggregation, origination and investment activities have evolved to incorporate a diverse mix of residential and business purpose housing credit assets. 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 Mortgage Banking, Business Purpose Mortgage Banking, and Investment Portfolio. 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, 2022.

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, opportunities, 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, 2022, 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, and our ability to pay dividends in the future); (ii) statements related to our financial outlook and expectations for 2023 and future years, including statements regarding the economic impacts of inflation, monetary policy, volatility and potential regulatory changes in the banking sector, and shifting sources of liquidity in the residential mortgage market; (iii) statements regarding our progress in developing private capital partnerships that we expect to enhance our liquidity, operating and distribution capabilities going forward; (iv) statements related to our investment portfolio, including that there remains potential upside in our portfolio through market discount, and that at September 30, 2023, our securities portfolio had approximately \$3.26 per share of net discount to par, our expectations to continue de-emphasizing third-party investments and reducing our exposure to this portion of our investment portfolio to optimize overall returns, and our expectations regarding our ability to finance, renew or extend financing for, and expand financing capacity for, our securities, bridge loan, and HEI investments; (v) statements related to opportunities we see for our residential and BPL platforms, our positioning to capture market share, and opportunities to help scale and institutionalize HEI; (vi) 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 third quarter of 2023 and at September 30, 2023, expected fallout and the corresponding volume of residential mortgage loans expected to be available for purchase, total net jumbo loan exposure at September 30, 2023, and residential mortgage loans subject to forward sale commitments; (vii) statements we make regarding future dividends, including with respect to our regular quarterly dividends in 2023; and (viii) 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.

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

- general economic trends and the performance of the housing, real estate, mortgage finance, and broader financial markets;
- changing benchmark interest rates, and the Federal Reserve's actions and statements regarding monetary policy;
- the impact of the COVID-19 pandemic;
- federal and state legislative and regulatory developments and the actions of governmental authorities and entities;
- 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 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

Following the release by the Board of Governors of the Federal Reserve of proposed risk-based capital rules for the U.S. banking system early in the third quarter of 2023, we expected that while the final rules would likely evolve, bank management teams would follow early adoption, driving a fundamental shift in how financial assets are funded. Three months later, those expectations appear to have been validated thus far and our operating businesses continue to make forward progress, largely ahead of plan. This progress has been concurrent with the emergence of fresh demand for our organically created assets from pockets of capital complementary to our traditional distribution channels.

Our relationships with banks have deepened in the last few months as banking business models are reconciled with a future of higher capital requirements and more expensive interest rate risk management. And banks' response to these forthcoming regulatory changes reflects the urgency of the moment. Since March, our Residential team has engaged with depositories from coast to coast, securing and onboarding new partners. We now have active relationships with 185 active loan sellers, including over 70 banks, many of which have commenced lock activity with us in recent weeks. This includes a group of the nation's largest regional banks and large financial institutions, a significant number with assets greater than \$200 billion and extensive mortgage origination footprints. As we always have, Redwood offers these partners the ability to sustain operating activities without diluting the overall customer relationship.

Our total Residential Mortgage Banking lock volume for the third quarter of 2023 was \$1.6 billion, up 189% from the second quarter of 2023 despite significantly higher mortgage rates and an overall decline in residential mortgage loan originations. Our purchase volume was \$814 million, up 344% from the second quarter of 2023. Bank sellers accounted for 50% of our total quarterly purchase activity, up from just 10% in the second quarter of 2023 and a de minimis amount in the first quarter of 2023. Of note, bulk pool activity was a key driver of third quarter purchase volume, much of it seasoned loans acquired at a significant discount to par. Notwithstanding the persistent rise in interest rates, we continue to evaluate bulk pools of residential mortgage loans coming to market, more evidence of the transition in process for many banks seeking to balance pressures on capital, liquidity and net interest margin.

Headwinds to near-term growth, including mortgage rates at 20-year highs and very low overall transaction activity in housing, have us focused on leading indicators over the intermediate term as we position our Residential Mortgage Banking business to further scale volume when market conditions begin to turn more favorable. Those indicators include the quality of new loan seller relationships and a deeper "wallet share" with existing loan sellers. While many of our competitors have scaled back from the prime jumbo mortgage business, we completed our third Sequoia securitization of 2023 in the third quarter, followed closely by our fourth Sequoia securitization early in the fourth quarter. Both transactions generated strong margins and were distributed to a broad base of investors. In a market that is defined by so much volatility, we managed to execute these transactions within our target gain on sale range. Consistent with the momentum we see for the business, we nearly doubled our capital allocation to Residential Mortgage Banking in the third quarter and expect that allocation to grow further in 2024.

Our business-purpose lending ("BPL") business is beginning to observe broader changes in the market as well. Borrowers that have historically sought funding from banks are now covered regularly in our pipeline discussions, and while the overall credit environment calls for continued caution and selectivity, demand from capital partners remains strong for well-underwritten BPL loans to high quality sponsors. While this transition is moving more slowly than in our Residential business, the early indicators are unmistakable. We have been engaged in dialogue with several banks on partnership opportunities that would allow us to access their existing pipelines with the objective of achieving mutually beneficial outcomes. With a life-cycle lending platform that offers both bridge and stabilized term financing, we are well-positioned to capture incremental market share that will continue shifting to private lenders. Our capital markets expertise allowed us to complete an accretive term loan securitization and bulk whole loan sale in the third quarter.

The BPL sector overall continues to manage through macro crosswinds that have impacted sponsor sentiment and reduced transaction volumes across the industry. Our team has been proactively working with borrowers in advance of loan maturities to assess project plans and ensure management towards successful completions. While 90+ day delinquencies across our bridge and term portfolios declined slightly to 4.0% at September 30, 2023, we continue to manage through instances of borrower/sponsor stress, particularly in our bridge portfolio, where certain sponsors have required loan modifications or an infusion of fresh equity from existing or new sponsorship. Though bridge lending continues to be one of our strongest drivers of net interest income, the lumpiness of the portfolio and intermittent nature of workout and modification activity has contributed to recent volatility in our quarterly GAAP earnings.

Overall, we funded \$411 million of BPL loans in the third quarter, a slight increase from second quarter of 2023 volumes. Within Bridge, our build-for-rent (“BFR”) aggregation product has seen increased demand from borrowers and carries a favorable risk profile given the turnkey nature of the homes being financed. Origination of loans secured by multifamily properties continues to be light as more limited capital flows into these types of projects. While we expect volumes for our fixed-rate term loans to remain influenced by benchmark interest rates, our bridge portfolio remains a source for refinances into term loans.

In the third quarter, we formally launched Aspire, our internal home equity investment (“HEI”) platform. After years of investing in and financing HEI, this development was a natural next step in the progression of our support for this nascent but growing sector. Since 2019, Redwood has been a participant in the HEI market, purchasing approximately \$350 million in assets, co-sponsoring the first-ever securitization backed entirely by HEI, and subsequently procuring a dedicated financing facility for the asset class. With our track record of supporting housing accessibility, we believe we have a unique opportunity to help scale and institutionalize HEI in a way that will benefit consumers. We believe the opportunity to help homeowners access the equity in their homes remains the largest addressable market in housing finance. Through Aspire, we can now directly serve this market by offering HEI to customers of our nationwide correspondent network of loan officers, a significant advantage over more traditional, high-cost marketing campaigns.

As we think more holistically about the overall Redwood enterprise and the significant market opportunities we see ahead, evolving our capital structure and procuring long-term private capital partnerships will be a top priority. We continue to observe a secular transition occurring in our markets, with the roles of banks, private credit institutions, and specialty finance companies such as Redwood rapidly evolving. In particular, regulatory crosscurrents are redefining the most efficient holders of real estate-related assets, as well as those who finance and service them. As evidenced by our previously announced Oaktree BPL bridge joint venture, the value proposition that platforms like ours offer institutional private credit investors has become more visible over the past several years. These types of investors include pension funds, life insurance companies, sovereign wealth funds, and others who have accretive capital and a strong demand for our loan products but lack the origination or sourcing capabilities that our platform possesses. Recently, we have engaged with a handful of large private credit investors who are deeply familiar with our company and track record who have shown interest in forging strategic partnerships that we believe could be beneficial to our shareholders.

In keeping with these trends, our long-term strategic focus will be to position our mortgage banking businesses to meet this market opportunity, with ample working capital and access to a deep set of products. Our investment strategy will evolve in kind, with a continued focus on deployment alongside capital partners, in lieu of traditional direct investing. As we did in the third quarter, we also expect to continue de-emphasizing third-party investments and further reduce our exposure to this lower-yielding portion of our investment portfolio to further optimize overall returns.

As we progress towards year-end, we are already starting to see a diminution of market activity consistent with a year ago when market participants, from homebuyers to bond investors, took stock of a volatile environment and decided to save investment capital for the year ahead. If anything, the market is in a more challenging position today than it was then, factoring in the possibility of a U.S government shutdown, along with a geopolitical backdrop that has deteriorated significantly. The additional volatility from geopolitical events will likely continue to pressure our near-term GAAP results, particularly the market valuations of our investment portfolio assets. And while the resiliency of the U.S. economy has surprised even the most ardent optimists, the prospect of an interest rate-driven recession in 2024 still remains a likelihood, in our view. As such, we will continue to prioritize liquidity and exercise caution as we work to ensure our franchise is positioned for the opportunity we see ahead.

Third Quarter Key Financial Results and Metrics

The following table presents key financial metrics for the three and nine months ended September 30, 2023.

Table 1 – Key Financial Results and Metrics

(In Thousands, except per Share Data)	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
Net income (loss) per diluted common share	\$	(0.29)	\$	(0.27)
Annualized GAAP return on common stockholders' equity		(12.3)%		(3.5)%
Dividends per share	\$	0.16	\$	0.55
Book value per share	\$	8.77	\$	8.77
Economic return on book value ⁽¹⁾		(3.6)%		(2.4)%

(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. It does not represent an annualized figure.

Third Quarter Operational Highlights

Residential Mortgage Banking

- Locked \$1.6 billion⁽¹⁾ of jumbo loans, up from \$567 million in the second quarter 2023, and purchased \$815 million of jumbo loans, up from \$184 million in the second quarter 2023
 - 50% of purchase volume in the third quarter 2023 was from depository institutions, up from 10% in the second quarter 2023
 - Achieved gross margins of 80bps during the quarter, within our historical 75bps to 100bps range
- Significantly grew jumbo loan seller network, including over 50 new or re-established relationships with depository institutions
- Distributed \$391 million of jumbo loans through securitization (\$338 million) and whole loan sales (\$54 million)
- Increased capital allocated to Residential Mortgage Banking segment to \$150 million at September 30, 2023, from \$80 million at June 30, 2023

Business Purpose Mortgage Banking

- Funded \$411 million of business purpose lending ("BPL") loans in the third quarter 2023 (74% Bridge and 26% Term), up from \$406 million in the second quarter 2023
- Distributed \$340 million of BPL loans through securitization (\$278 million) and whole loan sales (\$62 million)
- Began selling BPL bridge loans into previously announced joint venture ("JV") with Oaktree Capital Management, L.P. ("Oaktree") and established new dedicated financing line for the JV

Investment Portfolio

- Deployed approximately \$70 million of capital into internally sourced investments, while generating incremental capital from sales of non-strategic third-party assets
- RPL and jumbo securities saw continued declines in 90 day+ delinquencies to 8.6% and 0.9%, respectively; 90 day+ delinquencies for our combined CAFL securities and bridge loan portfolio declined to 4.0%, aided in part by successful loss mitigation resolutions completed during the quarter, and accompanied by an increase in loans transferred to REO⁽²⁾

Financing Highlights

- Unrestricted cash and cash equivalents of \$204 million at September 30, 2023
- Successfully renewed two maturing loan warehouse financing facilities with key counterparties
- Maintained \$2.2 billion of excess financing capacity across warehouse facilities at September 30, 2023

Footnotes to Business Highlights

1. Lock volume does not account for potential fallout from pipeline that typically occurs through the lending process.
2. Calculated as BPL loans in our consolidated CAFL securitizations, bridge loans held for investment, and bridge and term loans held-for-sale with a delinquent payment greater than 90 days divided by the total notional balance of consolidated CAFL securitizations, bridge loans held for investment, and bridge and term loans held for sale.

RESULTS OF OPERATIONS

Within this *Results of Operations* section, we provide commentary that compares results year-over-year for 2023 and 2022. Most tables include a "change" column that shows the amount by which the results from 2023 are greater or less than the results from the respective period in 2022. Unless otherwise specified, references in this section to increases or decreases during the "three-month periods" refer to the change in results for the third quarter of 2023, compared to the third quarter of 2022, and increases or decreases during the "nine-month periods" refer to the change in results for the first nine months of 2023, compared to the first nine months of 2022.

Consolidated Results of Operations

The following table presents the components of our net income for the three and nine months ended September 30, 2023 and 2022.

Table 2 – Net Income (Loss)

(In Thousands, except per Share Data)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
Net Interest Income	\$ 20,351	\$ 34,935	\$ (14,584)	\$ 72,884	\$ 128,525	\$ (55,641)
Non-interest Income (Loss)						
Mortgage banking activities, net	19,440	16,535	2,905	52,663	2,833	49,830
Investment fair value changes, net	(31,430)	(57,697)	26,267	(36,153)	(151,789)	115,636
Other income, net	2,346	4,027	(1,681)	11,060	17,016	(5,956)
Realized gains, net	50	—	50	1,104	2,581	(1,477)
Total non-interest income (loss), net	(9,594)	(37,135)	27,541	28,674	(129,359)	158,033
General and administrative expenses	(29,697)	(38,244)	8,547	(96,057)	(101,719)	5,662
Portfolio management costs	(3,661)	(1,863)	(1,798)	(10,271)	(5,208)	(5,063)
Loan acquisition costs	(1,880)	(2,426)	546	(4,613)	(10,371)	5,758
Other expenses	(4,633)	(4,261)	(372)	(13,292)	(11,814)	(1,478)
Net Income (Loss) Before Income Taxes	(29,114)	(48,994)	19,880	(22,675)	(129,946)	107,271
(Provision for) benefit from income taxes	(1,696)	(1,417)	(279)	(642)	10,484	(11,126)
Net Income (Loss)	(30,810)	(50,411)	19,601	(23,317)	(119,462)	96,145
Other comprehensive income (loss), net	(2,647)	(7,147)	4,500	4,130	(56,008)	60,138
Preferred dividends	(1,750)	—	(1,750)	(4,927)	—	(4,927)
Total Comprehensive Loss Related to Common Stockholders	\$ (35,207)	\$ (57,558)	\$ 22,351	\$ (24,114)	\$ (175,470)	\$ 151,356

Net Interest Income

Net interest income from our investment portfolio decreased by \$14 million and \$33 million during the three and nine-month periods, respectively, contributing to the majority of the overall declines in 2023. During the three and nine months ended September 30, 2023, \$10 million and \$16 million, respectively, of interest income was either reversed (from prior periods) or not recognized (for current periods) for our BPL bridge loans on non-accrual status. Additionally, the benefit of higher average asset balances in 2023 from continued deployment into internally-generated assets during the prior twelve months was more than offset by lower yield maintenance income on our BPL term securities, lower accretion income on our AFS securities, and higher financing costs in 2023. Yield maintenance income decreased \$3 million and \$13 million during the three- and nine-month periods, respectively, as the sharp rise in interest rates throughout 2022 and 2023 diminished incentives for borrowers to refinance. Accretion income on AFS securities decreased \$1 million and \$10 million during the three- and nine-month periods, respectively, as rising interest rates slowed prepayment speeds and changed our expected timing of calls of our available-for-sale securities, which reduced accretion income after the first quarter of 2022. Additionally, steady deployment of capital into HEI throughout the last 18 months, which does not generate net interest income but is partially financed with debt, resulted in a \$4 million and \$10 million increase in interest expense during the three- and nine-month periods, respectively.

Net interest income from Residential and Business Purpose Mortgage Banking operations decreased by \$1 million and \$2 million, respectively, during the three-month periods, and decreased by \$12 million and \$8 million, respectively, during the nine-month periods. These declines were the result of lower average balances of loan inventory and higher financing costs given the rise in benchmark interest rates during the past 12 months. Volume in the residential business was intentionally reduced during 2022 and into the first quarter of 2023, driving the inventory of loans from over \$1 billion at March 31, 2022 to \$27 million at March 31, 2023. Given improving market conditions and new opportunities, we increased our residential loan acquisitions and inventory in the second and third quarters of 2023, and see opportunities to further grow acquisitions in the coming quarters in our residential mortgage banking business.

Corporate net interest expense decreased \$2 million and increased \$3 million during the three and nine-month periods, respectively. In both periods, interest expense increased for our trust preferred securities, which are variable rate and were impacted by higher benchmark interest rates over the past twelve months. For the three-month periods, this increase was more than offset by a decline in interest expense related to our convertible debt, as we repurchased some of our outstanding convertible debt over the past twelve months and repaid one series of our convertible debt that matured in August 2023. Additionally, we earned higher interest income on our cash and cash equivalents during 2023 for both periods, resulting from higher interest rates earned on these balances.

We use a balanced combination of fixed and floating rate debt to finance our fixed and floating rate investments. However, over the past year, continued increases in benchmark interest rates and borrowing spreads negatively impacted our net interest income. Further increases in the federal funds rate or widening of borrowing spreads could result in lower net interest income. Additionally, to the extent interest rates remain elevated or increase further, certain fixed-rate term borrowings that mature in the coming quarters could have to be refinanced at higher interest rates, which could cause a reduction in net interest income. To the extent we add incremental leverage to our investment portfolio, particularly for non-interest earnings assets such as HEI, net interest income could temporarily decrease until proceeds from those financings are redeployed into other investments.

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

Mortgage Banking Activities, Net

Income from Residential Mortgage Banking activities increased \$7 million and \$27 million during the three and nine-month periods, respectively. Income from Business Purpose Mortgage Banking operations decreased \$4 million and increased \$23 million, during the three and nine-month periods respectively. For both mortgage banking businesses, while volumes were much higher during the first nine months of 2022 as compared to the same period in 2023, margins were negative for the first nine months of 2022 overall, as rapidly rising interest rates and widening spreads impacted valuations of our loan inventory.

For the residential business, volumes began to ramp up in the second quarter of 2023 and increased significantly into the third quarter and, as margins improved, production was profitable for these periods. While margins in the second quarter of 2023 increased well above 150 basis points, they normalized within their historical range of 75 to 100 basis points in the third quarter.

At the BPL business, higher margins from improving execution on term securitizations and sales during 2023 drove the improvement in mortgage banking income during the three and nine-month periods, as term spreads tightened more significantly in the first quarter, then stabilized in the second and third quarters of 2023. The benefit from higher margins was partially offset by lower funding volumes in 2023, particularly for the nine-month periods, as rising interest rates decreased demand for loans. Going forward, we expect higher benchmark interest rates will continue to pressure origination volumes, while we continue to see opportunities to refinance our bridge borrowers with term products.

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 their associated interest rate hedges. During the three and nine months ended September 30, 2023, negative investment fair value changes were primarily driven by reductions in the value of our investments in reperforming loan securities (our investments in consolidated Freddie Mac SLST entities), which were negatively impacted primarily by rising interest rates, as well as reductions in the fair value of our overall BPL bridge loan portfolio, including certain non-performing and modified BPL bridge loans, and for the nine months ended September 30, 2023, losses on certain delinquent term loans. The negative fair value changes were partially offset by fair value increases for HEI, servicing investments, IO securities and interest rate hedges, which benefited from rising benchmark interest rates and home price appreciation. Fundamental performance of our residential assets within our Investment Portfolio continues to be driven by strong employment data, embedded equity protection associated with loan seasoning and borrowers motivated to stay current on their low-coupon mortgages.

During the three and nine months ended September 30, 2022, negative investment fair value changes reflected extreme levels of credit spread widening across many of our longer-duration, fixed-rate investments (re-performing loan securities, residential securities and called loans), partially offset by fair value increases in our IO securities and interest rate hedges, which benefited from rising benchmark interest rates.

Additional detail on our investment fair value changes during 2023 is included in the “*Results of Operations by Segment*” section that follows as well as *Table 5.6* of our *Notes to Consolidated Financial Statements* in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Other Income

The decrease in other income for the three and nine-month periods primarily resulted from \$1 million and \$6 million, respectively, of lower income on our MSR investments. MSR income was nominally impacted by fair value changes in 2023 given the MSR's reduced sensitivity to rising interest rates during that period, while MSRs benefited significantly in 2022 as the sharp rise in interest rates caused a slowdown in prepayment speeds and was more impactful to valuations.

Additional detail on our other income is presented in *Table 21.1* of our *Notes to Consolidated Financial Statements* in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Realized Gains, Net

During the nine months ended September 30, 2023, we realized \$2 million of gains from the sale of \$54 million of AFS securities, which was partially offset by \$0.4 million of net losses on early extinguishment of debt, primarily associated with the early extinguishment of securitization debt financing our reperforming loan securities, as well as from the repurchase of \$66 million of our convertible debt. During the three and nine months ended September 30, 2022, we realized gains of zero and \$3 million, respectively, primarily resulting from securities that were called.

General and Administrative Expenses

Beginning in the fourth quarter of 2022, we implemented firm-wide initiatives to rationalize headcount and reduce non-compensation costs, resulting in a net headcount reduction of 28% during the last twelve months and reductions to fixed compensation expense of \$6 million and \$5 million, respectively, for the three and nine-month periods ended September 30, 2023. Additionally, non-compensation expenses were reduced by \$2 million and \$6 million, respectively, for the three- and nine-month periods ended September 30, 2023. During the nine-month periods, these decreases in expenses were partially offset by higher expenses for annual variable compensation and long-term incentive award expenses.

Additional detail on our General and administrative expenses is presented in *Table 22.1* of our *Notes to Consolidated Financial Statements* in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Portfolio Management Costs

The increase in portfolio management costs for the three and nine-month periods resulted from growth in our investment portfolio over the past twelve months. These costs are primarily associated with the management of our BPL bridge loans and also include loan sub-servicing costs.

Loan Acquisition Costs

The decreases in loan acquisition costs for our mortgage banking operations for the three and nine-month periods resulted primarily from lower loan origination and acquisition volumes in our mortgage banking businesses in the 2023 periods, compared to the same periods of 2022.

Provision for Income Taxes

Our provision for income taxes is almost entirely related to activity at our taxable REIT subsidiaries (“TRS”), which primarily includes our mortgage banking activities and MSR investments, as well as certain other investment and hedging activities. The tax provision for the three and nine months ended September 30, 2023 reflect GAAP income earned at our TRS during those periods, resulting primarily from improved mortgage banking results. The tax benefit for the nine months ended September 30, 2022 was primarily the result of GAAP losses from our mortgage banking operations at our TRS during that period.

For additional detail on income taxes, see the “*Taxable Income and Tax Provision*” section that follows.

Other Comprehensive Income (Loss), Net

Other comprehensive loss for the three months ended September 30, 2023 resulted from unrealized losses on our available-for-sale securities, primarily resulting from rising interest rates. For the nine-months ended September 30, 2023, these losses were more than offset by cumulative gains on our available for sale securities, as well as the reclassification of unrealized loss on interest rate agreements into net income (loss). Other comprehensive income for three and nine-months ended September 30, 2022 was primarily related to negative fair value changes on our available-for-sale securities, due to spread widening.

Preferred Dividends

We issued preferred stock in January 2023 and began to declare and pay dividends on that stock in the first quarter of 2023.

Net Interest Income

The following table presents the components of net interest income for the three and nine months ended September 30, 2023 and 2022.

Table 3 – Net Interest Income

(Dollars in Thousands)	Three Months Ended September 30,					
	2023			2022		
	Interest Income/ (Expense)	Average Balance ⁽¹⁾	Yield	Interest Income/ (Expense)	Average Balance ⁽¹⁾	Yield
Interest Income						
Residential loans, held-for-sale	\$ 4,673	\$ 295,050	6.3 %	\$ 11,844	\$ 984,365	4.8 %
Residential loans - HFI at Legacy Sequoia ⁽²⁾	2,594	154,710	6.7 %	1,473	199,264	3.0 %
Residential loans - HFI at Sequoia ⁽²⁾	40,180	3,742,871	4.3 %	31,587	3,468,730	3.6 %
Residential loans - HFI at Freddie Mac SLST ⁽²⁾	15,065	1,370,770	4.4 %	16,098	1,600,215	4.0 %
BPL loans - HFS	4,546	296,131	6.1 %	9,070	535,017	6.8 %
BPL loans - HFI	35,534	1,673,626	8.5 %	24,688	1,257,222	7.9 %
BPL term loans - HFI at CAFL ⁽²⁾	40,564	2,780,552	5.8 %	50,959	2,960,614	6.9 %
BPL bridge loans - HFI at CAFL ⁽²⁾	12,376	499,674	9.9 %	10,480	529,993	7.9 %
Multifamily loans - HFI at Freddie Mac K-Series ⁽²⁾	4,677	419,867	4.5 %	4,762	439,966	4.3 %
Trading securities ⁽³⁾	3,276	50,826	25.8 %	3,924	131,626	11.9 %
Available-for-sale securities	1,835	84,796	8.7 %	3,065	136,203	9.0 %
Other interest income	11,754	962,736	4.9 %	9,712	898,111	4.3 %
Total interest income	177,074	12,331,609	5.7 %	177,662	13,141,326	5.4 %
Interest Expense						
Short-term debt facilities	(20,915)	1,021,941	(8.2)%	(19,436)	1,561,146	(5.0)%
Short-term debt - servicer advance financing	(3,410)	159,993	(8.5)%	(2,606)	225,002	(4.6)%
Promissory notes	(308)	17,865	(6.9)%	(572)	33,302	(6.9)%
Short-term debt - convertible notes, net	(2,690)	181,663	(5.9)%	(1,330)	100,895	(5.3)%
ABS issued - Legacy Sequoia ⁽²⁾	(2,487)	153,588	(6.5)%	(1,486)	198,166	(3.0)%
ABS issued - Sequoia ⁽²⁾	(35,810)	3,613,898	(4.0)%	(27,541)	3,233,716	(3.4)%
ABS issued - Freddie Mac SLST ⁽²⁾	(10,523)	1,084,889	(3.9)%	(12,829)	1,325,930	(3.9)%
ABS issued - Freddie Mac K-Series ⁽²⁾	(4,290)	387,263	(4.4)%	(4,377)	408,164	(4.3)%
ABS issued - CAFL Term ⁽²⁾	(32,964)	2,500,163	(5.3)%	(39,401)	2,599,746	(6.1)%
ABS issued - CAFL Bridge ⁽²⁾	(5,249)	481,246	(4.4)%	(5,276)	475,805	(4.4)%
Long-term debt facilities	(26,855)	1,342,870	(8.0)%	(14,464)	1,148,700	(5.0)%
Long-term debt - corporate	(11,222)	531,376	(8.4)%	(13,409)	761,712	(7.0)%
Total interest expense	(156,723)	11,476,755	(5.5)%	(142,727)	12,072,284	(4.7)%
Net Interest Income	\$ 20,351			\$ 34,935		

Nine Months Ended September 30,

(Dollars in Thousands)	2023			2022		
	Interest Income/ (Expense)	Average Balance ⁽¹⁾	Yield	Interest Income/ (Expense)	Average Balance ⁽¹⁾	Yield
Interest Income						
Residential loans, held-for-sale	\$ 11,133	\$ 246,699	6.0 %	\$ 42,201	\$ 1,406,219	4.0 %
Residential loans - HFI at Legacy Sequoia ⁽²⁾	7,871	163,340	6.4 %	3,592	211,707	2.3 %
Residential loans - HFI at Sequoia ⁽²⁾	112,302	3,644,384	4.1 %	95,608	3,732,108	3.4 %
Residential loans - HFI at Freddie Mac SLST ⁽²⁾	45,831	1,418,494	4.3 %	49,851	1,717,544	3.9 %
BPL loans - HFS	12,392	273,526	6.0 %	22,823	536,366	5.7 %
BPL loans - HFI	114,229	1,619,863	9.4 %	52,226	1,003,673	6.9 %
BPL term loans - HFI at CAFL ⁽²⁾	124,453	2,846,211	5.8 %	173,630	3,070,972	7.5 %
BPL bridge loans - HFI at CAFL ⁽²⁾	37,506	500,348	10.0 %	21,751	412,766	7.0 %
Multifamily loans - HFI at Freddie Mac K-Series ⁽²⁾	13,992	422,563	4.4 %	14,247	451,757	4.2 %
Trading securities ⁽³⁾	10,371	82,486	16.8 %	13,520	151,898	11.9 %
Available-for-sale securities	7,391	110,729	8.9 %	17,252	137,134	16.8 %
Other interest income	37,100	1,050,244	4.7 %	27,816	917,975	4.0 %
Total interest income	534,571	12,378,887	5.8 %	534,517	13,750,119	5.2 %
Interest Expense						
Short-term debt facilities	(69,302)	1,144,228	(8.1)%	(41,081)	1,628,316	(3.4)%
Short-term debt - servicer advance financing	(11,054)	185,048	(8.0)%	(6,110)	241,582	(3.4)%
Promissory notes	(1,042)	20,484	(6.8)%	(572)	11,223	(6.8)%
Short-term debt - convertible notes, net	(6,464)	155,618	(5.5)%	(1,330)	34,001	(5.2)%
ABS issued - Legacy Sequoia ⁽²⁾	(7,650)	162,348	(6.3)%	(3,154)	209,931	(2.0)%
ABS issued - Sequoia ⁽²⁾	(99,859)	3,448,545	(3.9)%	(84,041)	3,491,194	(3.2)%
ABS issued - Freddie Mac SLST ⁽²⁾	(32,392)	1,122,024	(3.8)%	(40,287)	1,424,032	(3.8)%
ABS issued - Freddie Mac K-Series ⁽²⁾	(12,842)	390,307	(4.4)%	(13,099)	419,954	(4.2)%
ABS issued - CAFL Term ⁽²⁾	(100,324)	2,540,276	(5.3)%	(134,244)	2,734,937	(6.5)%
ABS issued - CAFL Bridge ⁽²⁾	(15,814)	479,899	(4.4)%	(10,639)	370,450	(3.8)%
Long-term debt facilities	(68,029)	1,179,131	(7.7)%	(37,664)	1,231,057	(4.1)%
Long-term debt - corporate	(36,915)	614,698	(8.0)%	(33,771)	706,504	(6.4)%
Total interest expense	(461,687)	11,442,606	(5.4)%	(405,992)	12,503,181	(4.3)%
Net Interest Income	\$ 72,884			\$ 128,525		

- (1) Average balances for residential loans held-for-sale and held-for-investment, business purpose loans held-for-sale and held-for-investment, 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, short-term debt, long-term debt and certain ABS issued are calculated based upon amortized historical cost. Average balances for ABS carried at fair value are calculated based upon fair value.
- (2) Interest income and interest expense at "Legacy Sequoia", "Sequoia", "Freddie Mac SLST", "Freddie Mac K-Series", "CAFL Term", and "CAFL Bridge" reflect activity from consolidated variable interest entities. While we consolidate these entities for GAAP reporting purposes, economically, we earn interest income from the securities we own in these entities, which is represented by the net interest income (interest income less interest expense) from these consolidated entities presented in the table above.
- (3) We sold nearly all of our subordinate trading securities over the course of 2023 and our remaining trading securities at September 30, 2023 were interest-only securities, which generate a higher cash interest yield. This interest income is generally offset by a decline in fair value (recognized through investment fair value changes, net on our consolidated statements of income) related to the receipt of cash flows each period, resulting in a lower overall economic yield for these investments.

Results of Operations by Segment

We report on our business using three segments: Residential Mortgage Banking, Business Purpose Mortgage Banking, and Investment Portfolio. For additional information on our segments, refer to *Note 24* 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 nine months ended September 30, 2023 and 2022.

Table 4 – Segment Results Summary

(In Thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
Segment Contribution from:						
Residential Mortgage Banking	\$ 4,472	\$ (640)	\$ 5,112	\$ 6,410	\$ (7,371)	\$ 13,781
Business Purpose Mortgage Banking	(1,193)	(3,856)	2,663	(5,563)	(27,054)	21,491
Investment Portfolio	(5,677)	(22,404)	16,727	62,072	(24,049)	86,121
Corporate/Other	(28,412)	(23,511)	(4,901)	(86,236)	(60,988)	(25,248)
Net Income (Loss)	<u>\$ (30,810)</u>	<u>\$ (50,411)</u>	<u>\$ 19,601</u>	<u>\$ (23,317)</u>	<u>\$ (119,462)</u>	<u>\$ 96,145</u>

The sections that follow provide further detail on our three business segments and their results of operations for the three and nine months ended September 30, 2023.

Corporate/Other

The increase in net expense from Corporate/Other for both the three and nine-month periods was primarily due to the issuance of new convertible debt in June 2022 and from our trust preferred securities, which are variable rate and were impacted by rising benchmark interest rates throughout 2022 and 2023. These increases were partially offset by higher interest income earned on cash and cash equivalents during 2023, resulting from higher interest rates earned on these balances.

Residential Mortgage Banking Segment

This segment consists of a mortgage loan conduit that acquires residential loans from third-party originators for subsequent sale to whole loan buyers, securitization through our SEMT[®] (Sequoia) private-label securitization program, or transfer into our investment portfolio. Subordinate securities that we retain from our Sequoia securitizations (many of which we consolidate for GAAP purposes) are transferred to and held in our Investment Portfolio segment. We typically acquire prime jumbo mortgages and the related mortgage servicing rights on a flow basis from our extensive network of loan sellers. This segment also includes various derivative financial instruments that we utilize to manage certain risks associated with our inventory of residential loans held-for-sale within this segment. This segment's main source of mortgage banking income is net interest income from its inventory of loans held-for-sale, as well as income from mortgage banking activities, which includes valuation increases (or gains) on loans we acquire and subsequently sell, securitize, or transfer into our investment portfolio, and the hedges used to manage risks associated with these activities. Direct operating expenses and tax expenses associated with these activities are also included in this segment.

The following table provides the activity of residential loans held in inventory for sale at our Residential Mortgage Banking business during the three and nine months ended September 30, 2023.

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

(In Thousands)	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Balance at beginning of period	\$ 196,737	\$ 628,160
Acquisitions	814,964	1,050,366
Sales	(53,845)	(91,721)
Transfers between segments ⁽¹⁾	(334,417)	(952,106)
Principal repayments	(5,210)	(24,653)
Changes in fair value, net	(7,283)	900
Balance at End of Period	\$ 610,946	\$ 610,946

(1) Represents the fair value of 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.

During the three and nine months ended September 30, 2023, our residential mortgage loan conduit locked \$1.6 billion and \$2.3 billion of loans (\$1.3 billion and \$1.8 billion adjusted for expected pipeline fallout – i.e., loan purchase commitments), and purchased \$815 million and \$1.05 billion of loans, respectively. During the three and nine months ended September 30, 2023, we distributed \$54 million and \$92 million (unpaid principal balance), respectively, through whole loan sales and during the nine months ended September 30, 2023, we completed three securitizations backed by \$995 million of loans (unpaid principal balance), including one during the third quarter. At September 30, 2023, our residential loan pipeline was comprised of \$659 million (principal value) of loans in inventory on our balance sheet and \$895 million of loans identified for purchase (locked loans, unadjusted for fallout).

The significant increase in lock and purchase volumes from the second to third quarter of 2023 was driven by the onboarding of new depository loan sellers and an increased market share of independent mortgage banks within our seller network, and included increased bulk purchases from certain of these loan sellers. We increased our capital allocation to this segment to \$150 million at September 30, 2023, from \$80 million at June 30, 2023, and could increase it further to accommodate the growth in our flow purchase relationships. As discussed in the business update section of this MD&A, we are continuing to pursue new relationships for purchasing jumbo loans on a flow and/or bulk basis, which could positively contribute to volumes moving forward.

We utilize a combination of capital and our residential loan warehouse facilities to manage our inventory of residential loans held-for-sale. At September 30, 2023, we had residential warehouse facilities outstanding with four different counterparties, with \$1.05 billion of total capacity and \$502 million of available capacity. These included non-marginable facilities (i.e., not subject to margin calls based solely on the lender's determination, in its discretion, of the market value of the underlying collateral that is non-delinquent) with \$500 million of total capacity and marginable facilities with \$550 million of total capacity.

The following table presents key earnings and operating metrics for our Residential Mortgage Banking segment during the three and nine months ended September 30, 2023.

Table 6 – Residential Mortgage Banking Earnings Summary and Operating Metrics

(In Thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
Mortgage banking income (loss)	\$ 10,201	\$ 3,957	\$ 6,244	\$ 21,081	\$ 5,038	\$ 16,043
Operating expenses	(4,916)	(6,285)	1,369	(13,784)	(20,692)	6,908
(Provision for) benefit from income taxes	(813)	1,688	(2,501)	(887)	8,283	(9,170)
Segment Contribution	\$ 4,472	\$ (640)	\$ 5,112	\$ 6,410	\$ (7,371)	\$ 13,781
Loan purchase commitments (loan locks, adjusted for expected fallout)	\$ 1,272,190	\$ 256,044	\$ 1,016,146	\$ 1,777,919	\$ 2,749,910	\$ (971,991)

Residential mortgage banking income presented in the table above is comprised of net interest income from residential loans held-for-sale in inventory and non-interest income, net from this segment (see *Note 20* of our *Notes to Consolidated Financial Statements* in Part I, Item 1 of this Quarterly Report on Form 10-Q for further detail on the composition of mortgage banking activities, net). Operating expenses presented in the table above includes general and administrative expenses, loan acquisition costs and other expenses for this segment.

The increase in contribution from our residential mortgage banking operations during the three and nine-month periods was attributable to higher mortgage banking activities income resulting from positive margins in 2023, compared to negative margins in 2022, which was partially offset by lower net interest margin in 2023, given the inverted yield curve, each as discussed in the preceding *Consolidated Results of Operations* section of this MD&A. Additionally, the net segment contribution in both the three and nine-month periods benefited from lower operating expenses, as we decreased headcount in this segment over the past year, as well as lower loan acquisition costs, given the decrease in volume year-over-year.

Activity at this segment is performed within our taxable REIT subsidiary and subject to federal and state income taxes. The provision for income taxes for the first nine months of 2023 resulted from GAAP income from these operations at our TRS during that period. The benefit from income taxes for the first nine months of 2022 resulted from GAAP losses from these operations at our TRS during that period.

Business Purpose Mortgage Banking Segment

This segment consists of a platform that originates and acquires business purpose lending ("BPL") loans for subsequent securitization, sale, or transfer into our investment portfolio. Business purpose loans are loans to investors in single-family rental and multifamily properties, which we classify as either "term" loans (which include loans with maturities that generally range from 3 to 30 years) or "bridge" loans (which include loans with maturities that generally range between 12 and 36 months). Term loans are mortgage loans secured by residential real estate (primarily 1-4 unit detached or multifamily) that the borrower owns as an investment property and rents to residential tenants. BPL bridge loans are mortgage loans which are generally secured by unoccupied (or in the case of certain multifamily properties, partially occupied) residential or multifamily real estate that the borrower owns as an investment and that is being renovated, rehabilitated or constructed. We typically distribute most of our term loans through our CAFL[®] private-label securitization program, or through whole loan sales, and typically transfer our BPL bridge loans to our Investment Portfolio, where they will either be retained for investment or securitized, or sold as whole loans. This segment also includes various derivative financial instruments that we utilize to manage certain risks associated with our inventory of loans held-for-sale. This segment's main sources of mortgage banking income are net interest income earned on loans while they are held in inventory, origination and other fees on loans, mark-to-market adjustments on loans from the time loans are originated or purchased to when they are sold, securitized or transferred into our investment portfolio, and gains/losses from associated hedges. Direct operating expenses and tax expenses associated with these activities are also included in this segment.

In the second quarter of 2023, we established a joint venture with a global investment manager to invest in BPL bridge loans originated by our CoreVest subsidiary. During the third quarter of 2023, we began to sell loans into the joint venture. In accordance with the terms of the joint venture, we have committed to sell certain BPL bridge loans we originate into the joint venture that meet specified criteria at contractually pre-established prices and will administer the joint venture for ongoing fees. We expect we will sell a portion of our BPL bridge loans to the joint venture while continuing to retain a portion in our investment portfolio (including for inclusion in existing or future revolving bridge loan securitizations) or for sale to other third-party investors.

The following table provides business purpose loan origination activity at Redwood during the three and nine months ended September 30, 2023.

Table 7 – Business Purpose Loans — Funding Activity

(In Thousands)	Three Months Ended September 30, 2023			Nine Months Ended September 30, 2023		
	BPL Term	BPL Bridge ⁽¹⁾	Total	BPL Term	BPL Bridge ⁽¹⁾	Total
Fair value at beginning of period	\$ 269,886	\$ 12,950	\$ 282,836	\$ 358,791	\$ 5,282	\$ 364,073
Fundings	105,777	305,104	410,881	408,477	847,203	1,255,680
Sales	(27,714)	(31,523)	(59,237)	(405,696)	(63,330)	(469,026)
Transfers between segments/other ⁽²⁾	(278,523)	(256,653)	(535,176)	(273,952)	(759,744)	(1,033,696)
Principal repayments	(792)	(505)	(1,297)	(16,975)	(2,708)	(19,683)
Changes in fair value, net	3,515	1,255	4,770	1,504	3,925	5,429
Fair Value at End of Period	\$ 72,149	\$ 30,628	\$ 102,777	\$ 72,149	\$ 30,628	\$ 102,777

(1) We originate BPL bridge loans at our TRS and either transfer them to our REIT or sell them to third parties. Origination fees and any fair value changes on these loans prior to transfer or sale are recognized within Mortgage banking activities, net on our consolidated statements of income. Once the loans are transferred to our REIT, they are classified as held-for-investment, with subsequent fair value changes generally recorded through Investment fair value changes, net on our consolidated statements of income. For BPL bridge loans held at our REIT that are transferred into our CAFL bridge securitizations, we record any changes in fair value from the date of origination or purchase to the time of securitization as Mortgage banking activities, net on our consolidated statements of income. Once loans are transferred into a securitization, any changes in fair value are recorded through Investment fair value changes, net on our consolidated statements of income. For the carrying value and activity of our BPL bridge loans held-for-investment, see the Investment Portfolio section that follows.

(2) For BPL term loans, amounts primarily represent loans transferred into a consolidated securitization reflected within our Investment Portfolio Segment. BPL bridge loan amounts represent the transfer of loans originated or acquired by our Business Purpose Mortgage Banking segment at our TRS and transferred to our Investment Portfolio segment at our REIT, as described in the preceding footnote.

While volumes were down year-over-year due primarily to rising interest rates and lower industry-wide demand, volumes during the first three quarters of 2023 remained relatively steady overall, with a reduction in term loan volume offset by an increase in bridge loan volume. Looking ahead, we expect sustained demand from sponsors seeking fixed-rate bridge loans or term loans with more prepayment flexibility, and will continue to assess our bridge loan portfolio for opportunities to refinance borrowers into term loans.

We utilize a combination of capital and loan warehouse facilities to manage our inventory of business purpose loans that we hold for sale. At September 30, 2023, we had business purpose warehouse facilities outstanding with seven different counterparties, with \$2.94 billion of total capacity (used for both SFR and bridge loans) and \$1.71 billion of available capacity (inclusive of capacity on non-recourse facilities). All of these facilities are non-marginable (i.e., not subject to margin calls based solely on the lender's determination, in its discretion, of the market value of the underlying collateral that is non-delinquent).

The following table presents an earnings summary for our Business Purpose Mortgage Banking segment for the three and nine months ended September 30, 2023 and 2022.

Table 8 – Business Purpose Mortgage Banking Earnings Summary

(In Thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
Mortgage banking income (loss)	\$ 12,484	\$ 17,887	\$ (5,403)	\$ 39,945	\$ 22,267	\$ 17,678
Operating expenses	(13,995)	(24,302)	10,307	(47,935)	(58,330)	10,395
Benefit from income taxes	318	2,559	(2,241)	2,427	9,009	(6,582)
Segment Contribution	\$ (1,193)	\$ (3,856)	\$ 2,663	\$ (5,563)	\$ (27,054)	\$ 21,491

Business purpose mortgage banking income presented in the table above is comprised of net interest income from our loans held-for-sale in inventory, mortgage banking activities, net (see *Note 20* of our *Notes to Consolidated Financial Statements* in Part I, Item 1 of this Quarterly Report on Form 10-Q for further detail on the composition of mortgage banking activities), and other income, net for this segment. Operating expenses presented in the table above includes general and administrative expenses, loan acquisition costs and other expenses (including amortization of purchase intangibles) for this segment.

The improvement in segment contribution from our business purpose mortgage banking operations during the nine-month period was primarily attributable to higher mortgage banking income, as discussed in the preceding *Consolidated Results of Operations* section of this MD&A, as well as lower general and administrative costs, given a reduction in headcount year-over-year, and lower loan acquisition costs, given the decrease in volume year-over-year.

Activity at this segment is performed within our taxable REIT subsidiary and subject to federal and state income taxes. The benefit from income taxes during each of the three- and nine- month periods was due to GAAP losses generated by this segment's operations in those periods.

Investment Portfolio Segment

This segment consists of organic investments sourced through our residential and business purpose mortgage banking operations, including primarily securities retained from our residential and business purpose securitization activities (some of which we consolidate for GAAP purposes) and BPL bridge loans, as well as third-party investments including RMBS issued by third parties, investments in Freddie Mac K-Series multifamily loan securitizations and reperforming loan securitizations (both of which we consolidate for GAAP purposes), servicer advance investments, home equity investments ("HEI"), and other housing-related investments and associated hedges. This segment's main sources of income are net interest income and other income from investments, changes in fair value of investments and associated hedges, and realized gains and losses upon the sale of securities. Direct operating expenses and tax provisions associated with these activities are also included in this segment.

The following table presents details of our Investment Portfolio at September 30, 2023 and December 31, 2022 organized by investments organically created through our mortgage banking segments and those acquired from third-parties. Amounts presented in the table represent our retained economic investments in consolidated Sequoia, CAFL SFR, Freddie Mac SLST, Freddie Mac K-Series, Servicing Investment and HEI securitizations as noted.

Table 9 – Investment Portfolio - Detail of Economic Interests

(In Thousands)	September 30, 2023	December 31, 2022
Organic Residential Investments		
Residential loans at Redwood ⁽¹⁾	\$ —	\$ 152,621
Residential securities at Redwood	105,275	103,089
Residential securities at consolidated Sequoia entities ⁽²⁾	201,004	219,299
Other investments ⁽³⁾	48,285	48,972
Organic Business Purpose Investments		
BPL bridge loans	2,177,336	2,023,529
BPL term loan securities at consolidated CAFL Term entities ⁽⁴⁾	315,932	303,897
Other investments	—	705
Third-Party Investments		
Residential securities at Redwood	5,429	124,567
Residential securities at consolidated Freddie Mac SLST entities ⁽⁵⁾	256,023	322,803
Multifamily securities at Redwood	9,687	12,674
Multifamily securities at consolidated Freddie Mac K-Series entities ⁽⁶⁾	32,904	31,767
Servicing investments ⁽⁷⁾	91,478	90,120
HEI ⁽⁸⁾	316,824	283,897
Other investments	5,824	7,081
Total Segment Investments	\$ 3,566,001	\$ 3,725,021

(1) Balance comprised of loans called from Sequoia securitizations.

(2) Represents our retained economic investment in securities issued by consolidated Sequoia securitization VIEs. For GAAP purposes, we consolidated \$3.77 billion of loans and \$3.57 billion of ABS issued associated with these investments at September 30, 2023. We consolidated \$3.19 billion of loans and \$2.97 billion of ABS issued associated with these investments at December 31, 2022.

(3) Organic residential other investments at September 30, 2023 includes net risk share investments of \$22 million, representing \$28 million of restricted cash and other assets, net of other liabilities of \$6 million.

(4) Represents our retained economic investment in securities issued by consolidated CAFL Term securitization VIEs. For GAAP purposes, we consolidated \$2.97 billion of loans and \$2.65 billion of ABS issued associated with these investments at September 30, 2023. We consolidated \$3.49 billion of loans and \$3.21 billion of ABS issued associated with these investments at December 31, 2022.

(5) Represents our economic investment in securities issued by consolidated Freddie Mac SLST securitization entities. For GAAP purposes, we consolidated \$1.31 billion of loans and \$1.06 billion of ABS issued associated with these investments at September 30, 2023. We consolidated \$1.46 billion of loans and \$1.14 billion of ABS issued associated with these investments at December 31, 2022.

(6) Represents our economic investment in securities issued by consolidated Freddie Mac K-Series securitization entities. For GAAP purposes, we consolidated \$421 million of loans and \$388 million of ABS issued associated with these investments at September 30, 2023. We consolidated \$425 million of loans and \$393 million of ABS issued associated with these investments at December 31, 2022.

(7) Represents our economic investment in consolidated Servicing Investment variable interest entities. At September 30, 2023, for GAAP purposes, we consolidated \$253 million of servicing investments and \$154 million of non-recourse short-term securitization debt, as well as other assets and liabilities for these entities. At December 31, 2022, for GAAP purposes, we consolidated \$301 million of servicing investments and \$207 million of non-recourse short-term securitization debt, as well as other assets and liabilities for these entities.

(8) At September 30, 2023 and December 31, 2022, represents HEI owned at Redwood of \$302 million and \$271 million, respectively, as well as our retained economic investment in securities issued by the consolidated HEI securitization entity of \$15 million. At September 30, 2023, for GAAP purposes, we consolidated \$129 million of HEI and \$93 million of ABS issued, as well as other assets and liabilities for the consolidated HEI securitization entity. At December 31, 2022, for GAAP purposes, we consolidated \$133 million of HEI and \$101 million of ABS issued, as well as other assets and liabilities for the consolidated HEI securitization entity.

The size of our Investment Portfolio decreased slightly during the first nine months of 2023, as sales of non-strategic third-party securities and residential loans was partially offset by incremental investments in BPL bridge loans and HEI. See the *Investments Detail and Activity* section that follows for additional detail on our portfolio investments and their associated borrowings.

The following table presents an earnings summary for our Investment Portfolio segment for the three and nine months ended September 30, 2023 and 2022.

Table 10 – Investment Portfolio Earnings Summary

(In Thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
Net interest income	\$30,948	\$45,006	\$ (14,058)	\$ 107,904	\$ 140,885	\$ (32,981)
Investment fair value changes, net	(31,315)	(61,780)	30,465	(34,166)	(165,297)	131,131
Other income, net	2,622	3,906	(1,284)	8,803	15,423	(6,620)
Realized gains, net	26	—	26	858	2,581	(1,723)
Operating expenses	(6,501)	(3,872)	(2,629)	(18,192)	(10,833)	(7,359)
(Provision for) Benefit from income taxes	(1,457)	(5,664)	4,207	(3,135)	(6,808)	3,673
Segment Contribution	<u>\$ (5,677)</u>	<u>\$ (22,404)</u>	<u>\$ 16,727</u>	<u>\$ 62,072</u>	<u>\$ (24,049)</u>	<u>\$ 86,121</u>

The increase in contribution from the Investment Portfolio during the three and nine-month periods was primarily attributable to smaller negative investment fair value changes in the 2023 periods, as discussed in the *Consolidated Results of Operations* section of this MD&A. These improvements were partially offset by lower net interest income and lower other income, as discussed in the preceding *Consolidated Results of Operations* section of this MD&A.

Investment fair value changes, net is primarily comprised of the change in fair value (both realized and unrealized) of our portfolio investments accounted for under the fair value option and hedges associated with these investments. See *Table 5.6* in Note 5 in Part I, Item 1 of this Quarterly Report on Form 10-Q for further detail on the composition of investment fair value changes (the difference in amounts in the table above and in *Table 5.6* in the notes to our consolidated financial statements relates to fair value changes for investments held at corporate/other).

Despite challenging market technicals, fundamental performance across most of our Investment Portfolio continues to be driven by strong employment data, embedded equity protection via loan seasoning and borrowers motivated to stay current on their low-coupon mortgages. However, the BPL sector overall continues to manage through macro crosswinds that have impacted sponsor sentiment and reduced transaction volumes across the industry. We remain focused on the impact that higher short-term interest rates have on sponsors, notwithstanding overall strength in leasing trends. In anticipation of this impact, our team has continued to work with borrowers well in advance of their loan maturities to assess project plans and ensure they manage towards successful completions. While 90 days+ delinquencies across our bridge and term books declined slightly in the third quarter to 4%, REO balances in the BPL bridge portfolio increased, and we continue to manage through pockets of stress, largely with a handful of sponsor relationships where a combination of rate modifications and fresh equity has been utilized.

Other income, net within this segment is primarily comprised of income from our MSR investments, bridge loan extension fees, and risk share investment income. Details on the composition of Other income, net are included in *Note 21* in Part I, Item 1 of this Quarterly Report on Form 10-Q. Realized gains, net generally result from sales or calls of available-for-sale securities we own. Refer to the analysis of this line item in the *Consolidated Results of Operations* section of this MD&A for an explanation of activity during 2023.

Operating expenses at this segment are primarily attributable to portfolio management costs, which increased \$2 million and \$5 million during the three and nine-month periods, attributable to both an increase in portfolio investments under management year-over-year and higher asset management costs for our bridge loan portfolio. We hold certain of our investments, primarily our MSRs, at our taxable REIT subsidiary. Our provision for income taxes at this segment is primarily driven by the amount of income earned from portfolio assets as well as from gains or losses from hedges held at the TRS and, for the three and nine-month periods, reflects positive net income earned from investment portfolio activities at our taxable REIT subsidiary.

Investments Detail and Activity

This section presents additional details on our investments (both within our Investment Portfolio segment and held at a corporate level) and their activity during the three and nine months ended September 30, 2023.

Real Estate Securities Portfolio

The following table sets forth our real estate securities activity by collateral type for the three and nine months ended September 30, 2023.

Table 11 – Real Estate Securities Activity by Collateral Type ⁽¹⁾

Three Months Ended September 30, 2023 (In Thousands)	Residential		Multifamily	Total
	Senior	Subordinate	Subordinate	
Beginning fair value	\$ 38,064	\$ 116,013	\$ 12,742	\$ 166,819
Acquisitions	—	—	—	—
Sales	(1,026)	(35,223)	(3,524)	(39,773)
Gains on sales and calls, net	—	103	(77)	26
Effect of principal payments ⁽²⁾	—	(163)	—	(163)
Change in fair value, net	4,131	(2,141)	546	2,536
Ending Fair Value ⁽³⁾	\$ 41,169	\$ 78,589	\$ 9,687	\$ 129,445
Nine Months Ended September 30, 2023 (In Thousands)	Residential		Multifamily	Total
	Senior	Subordinate	Subordinate	
Beginning fair value	\$ 28,867	\$ 198,934	\$ 12,674	\$ 240,475
Acquisitions	7,883	1,979	—	9,862
Sales	(1,026)	(133,561)	(3,524)	(138,111)
Gains on sales and calls, net	—	1,579	(77)	1,502
Effect of principal payments ⁽²⁾	(6)	(603)	—	(609)
Change in fair value, net	5,451	10,261	614	16,326
Ending Fair Value ⁽³⁾	\$ 41,169	\$ 78,589	\$ 9,687	\$ 129,445

(1) Amounts presented in this table include securities reported on our balance sheet and do not include securities we own in consolidated entities. See the following table for a presentation of all securities we own, including those in consolidated entities.

(2) 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.

(3) At September 30, 2023, \$9 million of Senior Securities were used as hedges for our Residential Mortgage Banking operations. These Real estate securities are included in our Residential Mortgage Banking segment.

At September 30, 2023, our securities at Redwood (exclusive of securities owned in consolidated entities) consisted of fixed-rate assets (89%), adjustable-rate assets (10%), and hybrid assets that reset within the next year (1%).

The following table sets forth activity in our real estate securities portfolio for the three and nine months ended September 30, 2023, organized by investments organically created through our mortgage banking segments and acquired from third-parties. This table includes both our securities held on balance sheet and our economic interests in securities we own in securitizations we consolidate in accordance with GAAP. Additionally, this table includes securities held both in our Investment Portfolio segment and our Residential Mortgage Banking segment.

Table 12 – Activity of Real Estate Securities Owned at Redwood and in Consolidated Entities

Three Months Ended September 30, 2023 (In Thousands)	Residential Organic		Business Purpose Organic	Third-Party Investments			Total
	Sequoia Securities on Balance Sheet	Consolidated Sequoia Securities	Consolidated CAFL Securities	Consolidated SLST Securities	Consolidated Multifamily Securities	Other Third-Party Securities	
Beginning fair value	\$ 106,915	\$ 218,357	\$ 305,794	\$ 297,587	\$ 32,515	\$ 59,904	\$ 1,021,072
Acquisitions	—	3,911	13,938	—	—	—	17,849
Sales	(926)	(8,962)	—	—	—	(38,847)	(48,735)
Gains on sales and calls, net	—	—	—	—	—	26	26
Effect of principal payments ⁽¹⁾	(116)	(2,460)	—	(8,738)	—	(47)	(11,361)
Change in fair value, net	58	(5,265)	(3,800)	(32,826)	389	2,478	(38,966)
Ending Fair Value ⁽²⁾	\$ 105,931	\$ 205,581	\$ 315,932	\$ 256,023	\$ 32,904	\$ 23,514	\$ 939,885

Nine Months Ended September 30, 2023 (In Thousands)	Residential Organic		Business Purpose Organic	Third-Party Investments			Total
	Sequoia Securities on Balance Sheet	Consolidated Sequoia Securities	Consolidated CAFL Securities	Consolidated SLST Securities	Consolidated Multifamily Securities	Other Third-Party Securities	
Beginning fair value	\$ 103,089	\$ 219,299	\$ 303,897	\$ 322,803	\$ 31,767	\$ 137,386	\$ 1,118,241
Acquisitions	1,700	44,605	13,938	—	—	8,162	68,405
Sales	(926)	(49,715)	—	—	—	(137,185)	(187,826)
Gains on sales and calls, net	—	—	—	—	—	1,502	1,502
Effect of principal payments ⁽¹⁾	(313)	(6,357)	—	(25,692)	—	(296)	(32,658)
Change in fair value, net	2,381	(2,251)	(1,903)	(41,088)	1,137	13,945	(27,779)
Ending Fair Value ⁽²⁾	\$ 105,931	\$ 205,581	\$ 315,932	\$ 256,023	\$ 32,904	\$ 23,514	\$ 939,885

(1) 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 September 30, 2023, \$5 million of Sequoia Securities and \$8 million of Other Third-Party Securities were used as hedges for our Residential Mortgage Banking operations, and were included in our Residential Mortgage Banking segment.

At September 30, 2023, our securities (both those held on our balance sheet and our economic interests in consolidated VIEs) consisted of fixed-rate assets (98%), adjustable-rate assets (2%) and hybrid assets that reset within the next year (<1%).

We directly finance our holdings of real estate securities with a combination of non-recourse debt, non-marginable recourse term debt and marginable debt in the form of repurchase (or “repo”) financing. At September 30, 2023, real estate securities with a fair value of \$401 million (including securities owned in consolidated Sequoia and CAFL securitization entities) were financed with \$127 million of short-term, non-marginable recourse debt and \$162 million of long-term, non-marginable recourse debt through our subordinate securities financing facilities, and real estate securities with a fair value of \$336 million (including securities owned in consolidated securitization entities) were financed with \$238 million of short-term debt incurred through repurchase facilities with five different counterparties, and \$54 million of securities were financed with a short-term financing facility. The remaining \$149 million of our securities, including certain securities we own that were issued by consolidated securitization entities, were financed with capital.

The following table summarizes the credit characteristics of our entire real estate securities portfolio by collateral type at September 30, 2023. This table includes both our securities held on balance sheet and our economic interests in securities we own in securitizations we consolidate in accordance with GAAP.

Table 13 – Credit Statistics of Real Estate Securities Owned at Redwood and in Consolidated Entities

September 30, 2023 (Dollars in Thousands)	Weighted Average Values						
	Market Value - IO Securities	Market Value - Non-IO Securities	Principal Balance - Non-IO Securities	Gross Weighted Average Coupon	90 Day+ Delinquency	3-Month Prepayment Rate	Investment Thickness ⁽¹⁾
Sequoia securities on balance sheet	\$ 32,771	\$ 73,160	\$ 139,694	3.8 %	0.2 %	6 %	7 %
Consolidated Sequoia securities	33,462	172,119	232,896	4.7 %	1.2 %	8 %	39 %
Total Sequoia Securities	66,233	245,279	372,590	4.4 %	0.9 %	7 %	28 %
Consolidated Freddie Mac SLST securities	16,849	239,174	461,596	4.5 %	8.6 %	5 %	28 %
RPL securities on balance sheet	—	—	—	— %	— %	— %	— %
Total RPL Securities	16,849	239,174	461,596	4.5 %	8.6 %	5 %	28 %
Consolidated Freddie Mac K-Series securities	—	32,904	36,468	4.3 %	— %	— %	8 %
Multifamily securities on balance sheet	12	9,675	10,178	5.2 %	— %	46 %	14 %
Total Multifamily Securities	12	42,579	46,646	4.5 %	— %	10 %	9 %
Consolidated CAFL securities	24,244	291,688	437,838	5.4 %	3.7 %	7 %	19 %
Other third-party securities	8,409	5,418	19,473	5.9 %	0.3 %	13 %	5 %
Total Securities ⁽²⁾	\$ 115,747	\$ 824,138	\$ 1,338,143				

(1) Investment thickness represents the average size of the subordinate securities we own as investments in securitizations, relative to the average overall size of the securitizations. For example, if our investment thickness (of first-loss securities) with respect to a particular securitization is 10%, we have exposure to the first 10% of credit losses resulting from loans underlying that securitization. We generally own first loss positions in Sequoia, RPL and CAFL securities. We own both first loss and mezzanine positions (positions credit enhanced by subordinate securities) in multifamily and other third-party securities.

(2) At September 30, 2023, \$5 million of Sequoia Securities and \$8 million of Other Third-Party Securities were used as hedges for our Residential Mortgage Banking operations, and were included in our Residential Mortgage Banking segment.

We primarily target investments that have a sensitivity to housing credit risk, typically sourced through our operating businesses where we control the underwriting and review of underlying collateral. During the third quarter of 2023, our overall securities portfolio continued to demonstrate stable fundamentals, driven by underlying loan seasoning, low 90+ day delinquencies and embedded growth in home prices and rents. Given the seasoned nature of our investments (particularly within our RPL securities and Sequoia securities), many of our residential investments are supported by substantial home price appreciation and borrower equity in the underlying homes. While the level of 90 day+ delinquencies for the BPL term loans underlying our consolidated CAFL securities remained stable from the second to third quarter of 2023, 60 days+ delinquencies since June 30, 2023 increased modestly, which if not resolved, could negatively impact the value of these securities. With a weighted average quarter-end carrying value of 62 cents to face value, we estimate our Investment Portfolio had approximately \$3.26 per share of net discount to par at quarter end. We believe continued credit performance in our underlying securities portfolio could contribute to our ability to realize potential upside in book value over time.

BPL Bridge Loans Held-for-Investment

The following table provides the activity of BPL bridge loans held-for-investment during the three and nine months ended September 30, 2023.

Table 14 – BPL Bridge Loans Held-for-Investment - Activity

(In Thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2023		September 30, 2023	
Fair value at beginning of period	\$	2,160,156	\$	2,023,529
Sales		(2,310)		(2,310)
Transfers between portfolios ⁽¹⁾		256,654		760,235
Transfers to REO		(38,128)		(48,639)
Principal repayments		(182,687)		(533,052)
Changes in fair value, net		(16,349)		(22,427)
Fair Value at End of Period	\$	2,177,336	\$	2,177,336

(1) We originate BPL bridge loans at our TRS and transfer a portion of them to our REIT that we intend to hold for investment. Origination fees and any fair value changes on these loans prior to transfer are recognized within Mortgage banking activities, net on our consolidated statements of income. Once the loans are transferred to our REIT, they are classified as held-for-investment, with subsequent fair value changes generally recorded through Investment fair value changes, net on our consolidated statements of income. For BPL bridge loans held at our REIT that are transferred into our CAFL bridge securitizations, we record any changes in fair value from the date of origination or purchase to the time of securitization as Mortgage banking activities, net on our consolidated statements of income. Once loans are transferred into this securitization, any changes in fair value are recorded through Investment fair value changes, net on our consolidated statements of income.

Our \$2.18 billion of BPL bridge loans held-for-investment at September 30, 2023 were comprised of first-lien, interest-only loans with a weighted average coupon of 10.54% and original maturities of six to 36 months. At origination, the weighted average FICO score of borrowers backing these loans was 745 and the weighted average LTV ratio of these loans was 64%. At September 30, 2023, of the 3,197 loans in this portfolio, 91 of these loans with an aggregate fair value of \$54 million and an aggregate unpaid principal balance of \$61 million were in foreclosure and 101 loans with an aggregate fair value of \$79 million and an unpaid principal balance of \$89 million were 90-or-more days delinquent (certain loans in foreclosure were also at least 90 days delinquent). Additionally, REO associated with bridge loans increased to \$49 million at September 30, 2023, from \$13 million at June 30, 2023 and \$3 million at December 31, 2022.

Changes in the fair value of bridge loans held-for-investment during the nine months ended September 30, 2023, primarily reflect reductions in values for non-accrual bridge loans and bridge loans that were modified during the third quarter of 2023. During the third quarter of 2023, BPL bridge loans with a cumulative unpaid principal balance of \$307 million were subject to modifications of certain terms, including reductions in interest rates (including, in certain cases, deferrals of interest) combined with infusions of fresh capital from either the existing sponsor or third-party sources. The modifications resulted in a weighted average reduction in contractual interest rate on these loans of approximately 2.5%. In addition to loans for which we completed these types of modifications, during the third quarter of 2023, we extended the maturities of loans with approximately \$187 million of unpaid principal balance. While we continue to work proactively with certain borrowers to address the impacts of rising interest rates, elongated project timelines, or other issues, further increases in delinquencies or modifications within our BPL bridge loan portfolio could ultimately result in further decreases in the fair value of our bridge loans held for investment, and further instances of borrower/sponsor stress could lead to realized credit losses. Additionally, an increase in maturity extensions in the BPL bridge portfolio would increase the expected time to repayment with a potential impact on fair values and credit losses. However, given the short duration nature of our bridge loans, maturity extensions have been an expected part of the business, even before market conditions became more challenging. Over the past six months, maturity extensions of BPL bridge loans averaged less than six months.

We generally value delinquent BPL loans at a dollar price that is informed by various market data, including the estimated fair value of the collateral securing a loan, for which we typically receive third-party appraisals, as well as estimated holding costs and sales costs. The amounts we may ultimately recover through the foreclosure of loans and the sale of the underlying collateral or through alternative strategies, such as through loans sales or discounted payoffs, could vary materially from our estimates and could have a material impact on our earnings in future periods.

We finance our BPL bridge loans with a combination of recourse, non-marginable warehouse facilities, non-recourse, non-marginable warehouse facilities, and non-recourse securitization debt. At September 30, 2023, we had: \$70 million of debt incurred through short-term warehouse facilities with two counterparties, which was secured by \$92 million of business purpose bridge loans; \$1.12 billion of debt incurred through long-term facilities with three different counterparties, which was secured by \$1.50 billion of business purpose bridge loans; and \$485 million of securitization debt secured by \$525 million of business purpose bridge loans and \$24 million of restricted cash.

The following table provides the composition of BPL bridge loans held-for-investment by product type as of September 30, 2023 and December 31, 2022.

Table 15 – BPL Bridge Loans Held-for-Investment - By Product Type

(In Thousands)	September 30, 2023	December 31, 2022
Multifamily	\$ 993,983	\$ 1,055,533
Renovate / Build to rent	942,869	736,368
Fix and Flip	91,861	105,157
Other	148,623	126,471
Fair Value at End of Period	\$ 2,177,336	\$ 2,023,529

Residential Loans

The following table provides the activity of residential loans held at our investment portfolio during the three and nine months ended September 30, 2023.

Table 16 – Investment Portfolio Residential Loans - Activity

(In Thousands)	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Fair value at beginning of period	\$ —	\$ 152,621
Acquisitions	—	—
Sales	—	(134,848)
Transfers between portfolios	—	(17,330)
Principal repayments	—	(992)
Changes in fair value, net	—	549
Fair Value at End of Period	\$ —	\$ —

During the first quarter of 2023, we sold the majority of our remaining residential loans in our Investment Portfolio (which were from Sequoia securitizations), and the remaining \$17 million were transferred to our Residential Mortgage Banking segment.

Home Equity Investments

The following table provides the activity of HEI held at our investment portfolio during the three and nine months ended September 30, 2023.

Table 17 – HEI at Investment Portfolio Segment - Activity

Home Equity Investments ⁽¹⁾ (In Thousands)	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
Balance at beginning of period	\$ 427,307	\$ 403,462
New/additional investments	113 113	25,626
Sales/distribution	—	—
Repayments	(9,122)	(26,153)
Changes in fair value, net	12,974	28,337
Balance at End of Period	\$ 431,272	\$ 431,272

(1) Our home equity investments presented in this table as of September 30, 2023, include \$129 million of HEI owned in our consolidated HEI securitization entity and \$302 million of HEI owned directly at Redwood.

Additional details on our HEI are included in *Note 10* of our *Notes to Consolidated Financial Statements*, included in Part I, Item 1 of this Quarterly Report on Form 10-Q. During the three and nine months ended September 30, 2023, positive investment fair value changes primarily reflected improvements in actual and forecasted home price appreciation, relative to previously modeled amounts.

Other Investments

The following table sets forth our other investments activity at our Investment Portfolio segment by significant asset type for the three and nine months ended September 30, 2023.

Table 18 – Other Investments – Activity⁽¹⁾

Three Months Ended September 30, 2023 (In Thousands)	Servicing Investments ⁽²⁾	Strategic Investments	MSRs and Excess Servicing	Other	Total
Balance at beginning of period	\$ 234,304	\$ 54,867	\$ 66,119	\$ 247	\$ 355,537
New/additional investments	—	2,441	—	—	2,441
Sales/distribution/repayments	—	—	—	(13)	(13)
Servicer advances (repayments), net	(18,560)	—	—	—	(18,560)
Changes in fair value, net	4,069	(1,454)	(1,659)	—	956
Other	—	—	—	—	—
Balance at End of Period	\$ 219,813	\$ 55,854	\$ 64,460	\$ 234	\$ 340,361

Nine Months Ended September 30, 2023 (In Thousands)	Servicing Investments ⁽²⁾	Strategic Investments	MSRs and Excess Servicing	Other	Total
Balance at beginning of period	\$ 269,259	\$ 56,518	\$ 64,456	\$ 705	\$ 390,938
New/additional investments	—	4,491	—	—	4,491
Sales/distribution/repayments	—	—	—	(385)	(385)
Servicer advances (repayments), net	(55,828)	—	—	—	(55,828)
Changes in fair value, net	6,382	(5,155)	4	(86)	1,145
Other	—	—	—	—	—
Balance at End of Period	\$ 219,813	\$ 55,854	\$ 64,460	\$ 234	\$ 340,361

Footnotes to Table 18 on prior page

- (1) Tables include all "Other investments" as presented on our consolidated balance sheets. Strategic Investments presented above are held at Corporate/Other, and the remaining other investments are held in our Investment Portfolio segment.
- (2) Our servicing investments are owned through our consolidated Servicing Investment entities. At September 30, 2023, our economic investment in these entities was \$91 million (for GAAP purposes, we consolidated \$253 million of servicing investments, \$154 million of non-recourse short-term securitization debt, as well as other assets and liabilities for these entities).

Additional details on our Other Investments is included in *Note 11* of our *Notes to Consolidated Financial Statements*, included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Income Taxes

Table Income, REIT Status and Dividend Characterization

As a REIT, under the Internal Revenue Code, Redwood is required to distribute to shareholders at least 90% of its annual REIT taxable income, excluding net capital gains, and meet certain other requirements that relate to, among other matters, the assets it holds, the income it generates, and the composition of its stockholders. To the extent Redwood retains REIT taxable income, including net capital gains, it is taxed at corporate tax rates. Redwood also earns taxable income at its taxable REIT subsidiaries (TRS), which it is not required to distribute under the Internal Revenue Code.

In September 2023, our Board of Directors declared regular dividends of \$0.16 per common share and \$0.625 per Series A preferred share for the third quarter of 2023, which were paid on September 29, 2023 and October 16, 2023, respectively. As of September 30, 2023, we expect our full-year dividend distributions to exceed our annual minimum distribution requirements and we believe that we will meet all requirements for qualification as a REIT for federal income tax purposes. Many requirements for qualification as a REIT are complex and require analysis of particular facts and circumstances. Often there is only limited judicial or administrative interpretive guidance and as such there can be no assurance that the Internal Revenue Service or courts would agree with our various tax positions. If we were to fail to meet all the requirements for qualification as a REIT and the requirements for statutory relief, we would be subject to federal corporate income tax on our taxable income and we would not be able to elect to be taxed as a REIT for four years thereafter. Such an outcome could have a material adverse impact on our consolidated financial statements.

While our minimum REIT dividend requirement is generally 90% of our annual REIT taxable income, we carried a \$37 million federal net operating loss carry forward (NOL) into 2023 at our REIT that affords us the ability to retain 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 NOL amount will carry forward into future years.

While the exact amount is uncertain at this time, we currently expect a significant portion of our 2023 common stock 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. We currently expect all of our 2023 preferred stock dividend distributions to be taxable as ordinary income for federal income tax purposes. Under the federal income tax rules applicable to REITs, none of Redwood's 2023 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 2023 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 nine months ended September 30, 2023, we recorded tax provisions of \$2 million and \$1 million, respectively. For the three and nine months ended September 30, 2022, we recorded a tax provision of \$1 million and a benefit from income taxes of \$10 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 tax provision from a benefit from income taxes year-over-year was primarily the result of GAAP income earned at our TRS in 2023 compared to a GAAP loss in 2022.

Realization of our deferred tax assets ("DTAs") is dependent on many factors, including generating sufficient taxable income prior to the expiration of NOL carryforwards (where applicable) 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 "more likely than not" and establish a valuation allowance accordingly. At December 31, 2022, we reported net federal ordinary and capital DTAs with no material valuation allowance recorded against them. As we experienced GAAP losses in 2022 and earned minimal GAAP income during the nine months ended September 30, 2023 at our TRS, we closely analyzed the realizability of our net deferred tax assets in whole and in part. We evaluate our deferred tax assets each period to determine if a valuation allowance is required based on whether it is "more likely than not" that some portion of the deferred tax assets would not be realized. The ultimate realization of these deferred tax assets is dependent upon the generation of sufficient taxable income during future periods. We conduct our evaluation by considering, among other things, all available positive and negative evidence, historical operating results and cumulative earnings analysis, forecasts of future profitability, and the duration of statutory carryforward periods. Based on this analysis, we continue to believe it is more likely than not that we will realize our federal deferred tax assets in future periods as income is earned at our TRS; therefore, there continues to be no material valuation allowance recorded against our net federal DTAs. This evaluation requires significant judgment in assessing the possible need for a valuation allowance and changes to our assumptions could result in a material change in the valuation allowance with a corresponding impact on the provision for income taxes in the period including such change.

If in a future period, based on available evidence, we conclude that it is not more likely than not that our DTAs will be realized, then a valuation allowance would be established with a corresponding charge to GAAP earnings, which would reduce our book value. Such charges could cause a material reduction, up to the full value of our net DTAs for which a valuation allowance has not previously been established, to our GAAP earnings and book value per share for the quarterly and annual periods in which they are established and could have a material and adverse effect on our business, financial results, or liquidity.

Consistent with prior periods, we continued to maintain a valuation allowance against the majority of 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 and we project most of our state DTAs will expire prior to their utilization.

LIQUIDITY AND CAPITAL RESOURCES

Summary

In addition to the proceeds from equity and debt capital-raising transactions, our principal sources of cash and liquidity consist of borrowings under mortgage loan warehouse facilities, secured term financing facilities, securities repurchase agreements, payments of principal and interest we receive from our investment portfolio assets, proceeds from the sale of investment portfolio assets, and cash generated from our mortgage banking operating activities, such as securitization. Our most significant uses of cash are to purchase and originate mortgage loans for our mortgage banking operations and manage hedges associated with those activities, 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 September 30, 2023, our total capital was \$1.79 billion, consisting of (i) \$1.11 billion of equity capital, (ii) \$665 million of convertible notes and long-term debt on our consolidated balance sheet (\$148 million of convertible debt due in 2024, \$162 million of exchangeable debt due in 2025, \$215 million of convertible debt due in 2027 and \$140 million of trust-preferred securities due in 2037), and (iii) \$17 million of promissory notes included in short-term debt.

As of September 30, 2023, our unrestricted cash and cash equivalents were \$204 million. 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 margin calls based solely on the lender's determination, in its discretion, of the market value of the 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 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 mortgage 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 or another credit event related to the mortgage or security being financed, a decline in the value of the underlying asset securing the collateral, an extended dwell time (i.e., period of time financed using a particular financing facility) for certain types of loans, or a change in the interest rate of a specified reference security relative to a base interest rate amount. 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 estimated value of the property securing the mortgage loan that is financed by us under a loan warehouse facility, or following the occurrence of a triggering credit event impacting the financed mortgage loan based on a decline in the market value of the financed mortgage loan (as determined by the lender).

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 (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.

At September 30, 2023, in aggregate, we had \$2.45 billion of recourse debt outstanding, of which \$520 million was marginable and \$1.93 billion was non-marginable.

We are subject to risks relating to our liquidity and capital resources, including risks relating to incurring debt under 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.*"

Repurchase Authorization

In July 2022, our Board of Directors approved an authorization for the repurchase of up to \$125 million of our common stock, and also authorized the repurchase of outstanding debt securities, including convertible and exchangeable debt. This authorization has no expiration date and does not obligate us to acquire any specific number of shares or securities. During the nine months ended September 30, 2023, we did not repurchase any shares of our common stock under this program, and repurchased \$66 million of Redwood's convertible debt. At September 30, 2023, \$101 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.

Cash Flows and Liquidity for the Nine Months Ended September 30, 2023

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

During the nine months ended September 30, 2023, our net cash used in operating activities was \$867 million. This amount includes the net cash utilized during the period from the purchase and sale of residential mortgage loans and the origination, purchase 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. During the first nine months of 2023, excluding cash flows from the purchase, origination, sale and principal payments of loans classified as held-for-sale, and the settlement of associated derivatives (which cumulatively totaled \$896 million of net cash outflows), cash flows from operating activities were positive \$28 million.

Cash Flows from Investing Activities

During the nine months ended September 30, 2023, our net cash provided by investing activities was \$639 million and primarily resulted from proceeds from principal payments on loans held-for-investment and proceeds from sales of securities, in excess of cash deployed into these investments. Because many of our investment securities, loans and HEI 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 and HEI at consolidated securitization entities would generally be used to repay ABS issued by those entities.

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.

As presented in the "*Supplemental Noncash Information*" subsection of our consolidated statements of cash flows, during the nine months ended September 30, 2023, we transferred loans between held-for-sale and held-for-investment classification, which represent significant non-cash transactions that were not included in cash flows from investing activities.

Cash Flows from Financing Activities

During the nine months ended September 30, 2023, our net cash provided by financing activities was \$159 million. This primarily resulted from \$582 million of net borrowings under ABS issued (resulting from the issuance of three Sequoia securitizations and one CAFL term securitization), partially offset by \$437 million of net repayments of short-term debt borrowings, and \$11 million of net repayments under long-term debt facilities. Additionally, in the first quarter of 2023 we raised \$67 million of net proceeds from the issuance of preferred stock, and in the third quarter of 2023 we raised \$33 million through sales of Redwood common stock under our ATM program.

During the nine months ended September 30, 2023, we declared and paid dividends on our common stock of \$0.55 per common share (totaling \$66 million) and declared dividends of \$1.85417 per share and paid dividends of \$1.22917 per share (totaling \$3 million) on our preferred stock. On September 12, 2023, the Board of Directors declared a regular dividend of \$0.16 per share for the third quarter of 2023, which was paid on September 29, 2023 to shareholders of record on September 22, 2023. Additionally, on September 12, 2023, the Board of Directors declared a regular quarterly dividend of \$0.625 per share of preferred stock, payable on October 16, 2023 to stockholders of record on September 29, 2023.

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.

Material Cash Requirements

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.

Our material cash requirements from known contractual and other obligations during the twelve months following September 30, 2023, include maturing short-term debt, interest payments on debt and ABS issued, payments on operating leases, funding commitments for BPL bridge loans and other current payables. Our material cash requirements from known contractual and other obligations beyond the twelve months following September 30, 2023, include maturing long-term debt, interest payments on long-term debt, payments on operating leases and funding commitments for BPL bridge loans, and payments under ABS issued (as described further below under *Liquidity Needs for our Investment Portfolio*).

At September 30, 2023, we had commitments to fund up to \$623 million of additional advances on existing bridge loans. These commitments are generally subject to loan agreements with covenants regarding the financial performance of the borrower and other terms regarding advances that must be met before we fund the commitment (for example, funding is dependent on actual progress on a project and we retain the right to conduct due diligence with respect to each draw request to confirm conditions have been met). A majority of the commitments are for longer-term renovate/build-for-rent loans (which generally have funding caps below their full commitment amount) and are expected to fund over the next several quarters. Additionally, at September 30, 2023, we had \$1.71 billion of available warehouse capacity for business purpose loans and scheduled bridge loan maturities are expected to provide an additional source of cash that can be used to fund our commitments.

For additional information regarding our material cash requirements, see Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022 under the caption *Contractual Obligations*. For additional information on commitments and contingencies as of September 30, 2023 that could impact our liquidity and capital resources, see *Note 17* 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 17* to the Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2022.

Most of our loan warehouse facilities and our servicer advance financing were established with initial one-year terms and are regularly amended on an annual basis to extend the terms for an additional year ahead of their maturity. We renewed several of these facilities during the first nine months of 2023, extinguished others we deemed under-utilized, and have other such facilities with scheduled maturities during the next twelve months. In October of 2023, we successfully extended our residential MSR warehouse facility and servicer advance financing, each for an additional year. While there is no assurance of our ability to renew our other facilities maturing in the next year, given current market conditions we expect to extend these in the normal course of business.

One of our subordinate securities financing facilities matures in September of 2024. This recourse term borrowing is secured by certain securities we retained from Sequoia securitizations we sponsored. While we will continue to evaluate our alternatives with respect to this maturity, we expect we will be able to finance these securities utilizing securities repo financing. However, if market interest rates remain elevated, the cost of this financing would increase our borrowing costs for these assets.

Additionally, one series of our convertible notes is maturing during the 12-month period following September 30, 2023. To the extent we cannot issue new corporate capital (for example, convertible notes, preferred equity or common equity) on favorable terms, or at all, due to adverse market conditions, we will need to utilize capital from other sources, including cash on hand, to repay our convertible debt that is maturing, which will reduce the amount of cash that can be deployed into our business and could reduce the earnings potential of our business. Further, if market rates for corporate capital remain elevated and we choose to issue new corporate capital, it could negatively impact our profitability.

We expect to meet our obligations coming due in less than one year from September 30, 2023, through a combination of cash on hand, payments of principal and interest we receive from our investment portfolio assets, proceeds from the sale of investment portfolio assets, cash generated from our operating activities, incremental borrowings under existing, new or amended financing arrangements, or through the issuance of equity or debt capital. As of September 30, 2023, we had approximately \$340 million of unencumbered assets. Our unencumbered assets consist primarily of bridge loans, HEI, and retained securities from our securitization activities. We are actively engaged in seeking new financing lines or expanded financing capacity for bridge loans and HEI and expect to have demonstrated further progress on these initiatives in the fourth quarter of 2023.

During the first nine months of 2023, the highest balance of our short-term debt outstanding was \$2.03 billion. See *Note 14* in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information on our short-term debt. See *Note 16* in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information on our long-term debt.

Liquidity Needs for our Mortgage Banking Activities

We generally use loan warehouse facilities to finance the residential loans we acquire and the business purpose loans we originate or acquire in our mortgage banking operations while we aggregate the loans for sale or securitization. These facilities may be designated as short-term or long-term for financial reporting purposes, depending on the remaining maturity of the facility or the amount of time individual borrowings may remain outstanding on a facility.

At September 30, 2023, we had residential warehouse facilities outstanding with four different counterparties, with \$1.05 billion of total capacity and \$502 million of available capacity. These included non-marginable facilities with \$500 million of total capacity and marginable facilities with \$550 million of total capacity. At September 30, 2023, we had business purpose warehouse facilities outstanding with five different counterparties, with \$2.94 billion of total capacity and \$1.71 billion of available capacity. All of these BPL financing facilities are non-marginable. We note that several of these facilities used to finance our business purpose mortgage banking loan inventory are also used to finance bridge loans held in our investment portfolio.

All of these facilities have variable interest rates based on SOFR or other commonly used benchmarks and recent policy statements from the Federal Reserve indicate the potential for further increases in the federal funds rate, which would result in higher benchmark rates and interest costs for us under certain of our debt facilities.

As discussed above, several of the facilities we use to finance our mortgage banking loan inventory are short-term in nature and will require renewals. Additionally, because several of our warehouse 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. Additional information regarding risks related to the debt we use to finance our mortgage banking operations can be found under the heading "*Risks Relating to Debt Incurred under Short- and Long-Term Borrowing Facilities*" that follows within this section.

Liquidity Needs for our Investment Portfolio

We use various forms of secured recourse and non-recourse debt to finance assets in our investment portfolio. We distinguish our debt between recourse and non-recourse, as our non-recourse debt has unique characteristics that differentiate it in important ways from our 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.

Our ABS issued is non-recourse and represents debt of securitization entities that we consolidate for GAAP reporting purposes. Our exposure to these entities is primarily through the financial interests we have purchased or retained from these entities (typically subordinate securities and interest only securities). 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. As the debt issued by these entities is not a direct obligation of Redwood, and since the debt generally can remain outstanding for the full term of the loans it is financing within each securitization, this debt effectively provides permanent financing for these assets. See *Notes 4 and 15*, respectively, in Part I, Item 1 of this Quarterly Report on Form 10-Q, for additional information on our principles of consolidation and our asset-backed securities issued.

Additionally, we have non-recourse debt in the form of non-marginable warehouse facilities to finance a portion of our business purpose bridge loan portfolio. While this debt is non-recourse to Redwood, it does have fixed terms with prepayment options that allows us to refinance this debt or ultimately repay it upon maturity. In addition, in connection with our BPL bridge loan joint venture, we established a new, dedicated warehouse facility for the joint venture. This warehouse facility is an obligation of the joint venture, not of Redwood, and it is non-recourse to Redwood (except for customary exceptions for fraud, acts of insolvency, or other "bad acts"). See *Notes 11 and 17* in Part I, Item 1 of this Quarterly Report on Form 10-Q, for additional information regarding our BPL bridge loan joint venture.

The remainder of the debt we use to finance our investments is recourse debt, including our long-term subordinate securities financing facilities, BPL financing facilities and MSR financing facility, as well as our short-term securities repo borrowings and HEI warehouse facility. For securities we have financed, our subordinate securities financing facilities are non-marginable and our repo debt facilities and MSR facility (which also finances certificated MSRs we classify as securities) are marginable. Our BPL financing facilities and HEI warehouse facility are non-marginable.

Delinquencies on BPL bridge loans that are financed through warehouse facilities increased in the first nine months of 2023, and have and are expected to continue to be a required use of our liquidity to the extent the terms of the applicable warehouse facility apply reduced financing advance rates to these loans (“advance rate step-downs”) or these loans become ineligible for financing under the terms of the warehouse facility. At September 30, 2023, we had approximately \$35 million of borrowings on warehouse facilities collateralized by BPL bridge loans that were between 30 and 89 days delinquent, certain of which have already, or may, during or subsequent to the third quarter of 2023, become subject to advance rate step downs or repurchase requirements. Additionally, our liquidity may be impacted to the extent delinquencies on loans financed through CAFL bridge securitizations were elevated above established thresholds for an extended period, which could trigger adverse changes to certain structural terms of these transactions (such as terms relating to the amortization of the issued securities and the revolving availability of financing under these transactions).

We use a balanced combination of fixed and floating rate debt to finance our fixed and floating rate investments. Recent policy statements from the Federal Reserve indicate the potential of further increases in the federal funds rate, which if enacted could result in lower net interest income to the extent our variable rate assets and liabilities are not aligned. Additionally, to the extent interest rates remain elevated or increase further, certain fixed-rate term borrowings that mature in the coming quarters could have to be refinanced at higher interest rates, which could cause a reduction in net interest income. Further, each of our three recourse subordinate securities financing facilities have interest rate step-up provisions, under which if we do not repay the facilities by certain specified dates, the interest rates on those facilities will increase (see *Note 14* and *Note 16* in in Part I, Item 1 of this Quarterly Report on Form 10-Q for further detail on these provisions).

Corporate Debt

In addition to secured recourse and non-recourse debt we use specifically in association with our mortgage banking operations and within our investment portfolio, we also use unsecured recourse debt to finance our overall operations. This is generally in the form of convertible debt securities we issue in the public markets and also includes trust preferred securities and promissory notes. See *Notes 14 and 16* in Part I, Item 1 of this Quarterly Report on Form 10-Q and Part II, Item 8 of our Annual Report on Form 10-K, for additional information on our short-term and long-term debt.

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/or origination of residential and business purpose mortgage loans (including those we acquire or 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 capital 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 1A of our Annual Report on Form 10-K for the year ended December 31, 2022, under the caption(s) “*Risks Relating to Debt Incurred under Short- and Long-Term Borrowing Facilities*,” and “*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.*”

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 HEI warehouse facility, short-term servicer advance financing, a secured, revolving debt facility collateralized by mortgage servicing rights, and subordinate securities financing facilities.

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 by the lender 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 and our short-term securities repurchase facilities, 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. We refer to borrowing facilities with margin call provisions based solely on the lender's determination, in its discretion, of changes in the market value of transferred or pledged assets, as marginable debt. Borrowing facilities that we refer to as non-marginable debt may be subject to a margin call due to delinquency or another credit event related to the mortgage or security being financed, a decline in the value of the underlying asset securing the collateral, or a change in the interest rate of a specified reference security relative to a base interest rate amount. 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 estimated value of the property securing the mortgage loan that is financed by us under a loan warehouse facility, or based on the occurrence of a triggering credit event impacting the financed collateral which is followed by a decline in the market value of the financed collateral (as determined by the lender), in which case 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 mortgage loans) with a value equal to the amount of the decline. Of our active financing arrangements with outstanding balances at September 30, 2023, only our short-term securities repurchase facilities (with \$238 million of borrowings outstanding at September 30, 2023), two of our residential mortgage loan warehouse facilities (with a combined \$234 million of borrowings outstanding at September 30, 2023) and a certificated MSR facility (with \$48 million of borrowings outstanding at September 30, 2023) retain market-value based margin call provisions based solely on the lender's determination of market value and, as such, are considered marginable.

Margin call provisions under these facilities are further described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 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 1A of our Annual Report on Form 10-K for the year ended December 31, 2022 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, 2022 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, 2022 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, 2022 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, 2022 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 September 30, 2023, 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 September 30, 2023 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 September 30, 2023 our level of recourse indebtedness resulted in our being in compliance with these covenants at a level such that we could incur more than \$4 billion in additional recourse indebtedness.

CRITICAL ACCOUNTING 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 and the possible effects of changes in estimates on our consolidated financial statements is included in *Note 2 — Basis of Presentation* and *Note 3 — Summary of Significant Accounting Policies* included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

We have elected the fair value option of accounting for a significant portion of the assets and some of the liabilities on our balance sheet, and the majority of these assets and liabilities utilize Level 3 valuation inputs, which require a significant level of estimation uncertainty. See *Note 5* in Part I, Item 1 of this Quarterly Report on Form 10-Q, for additional information on our assets and liabilities accounted for at fair value at September 30, 2023, including the significant inputs used to estimate their fair values and the impact the changes in their fair values had to our financial condition and results of operations. See *Note 5* in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2022, incorporated herein by reference, for the same information on these assets and liabilities as of December 31, 2022. Periodic fluctuations in the values of these assets and liabilities are inherently volatile and thus can lead to significant period-to-period GAAP earnings volatility.

Additional detail on our critical accounting estimates is included in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2022, under the heading "*Critical Accounting Estimates*."

MARKET AND OTHER 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, 2022.

In addition to the market 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, 2022.

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, 2022, 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, 2022.

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 third quarter of 2023 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 17* 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 17* to the Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2022 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, 2022.

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

During the three months ended September 30, 2023, we did not sell any equity securities that were not registered under the Securities Act of 1933, as amended.

In July 2022, our Board of Directors approved an authorization for the repurchase of up to \$125 million of our common stock, and also authorized the repurchase of outstanding debt securities, including convertible and exchangeable debt. This authorization has no expiration date and does not obligate us to acquire any specific number of shares or securities. During the three months ended September 30, 2023, we did not repurchase any shares of our common stock under this program. At September 30, 2023, \$101 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.

The following table contains information on the shares of our common stock that we purchased or otherwise acquired during the three months ended September 30, 2023.

(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
July 1, 2023 - July 31, 2023	—	\$ —	—	\$ —
August 1, 2023 - August 31, 2023	—	\$ —	—	\$ —
September 1, 2023 - September 30, 2023	—	\$ —	—	\$ —
Total	—	\$ —	—	\$ 101,200,000

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures (Not Applicable)

Item 5. Other Information

During the three months ended September 30, 2023, no director or "officer" (as defined in 17 CFR § 240.16a-1(f)) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Exhibit
3.1	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)
3.1.1	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)
3.1.2	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)
3.1.3	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)
3.1.4	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)
3.1.5	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)
3.1.6	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)
3.1.7	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)
3.1.8	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)
3.1.9	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)
3.1.10	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)
3.1.11	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)
3.1.12	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)
3.1.13	Articles Supplementary of the Registrant, effective January 13, 2023 (incorporated by reference to the Registrant's Form 8-A, Exhibit 3.2, filed on January 13, 2023) (No. 001-13759)
3.2	Amended and Restated Bylaws of the Registrant, as adopted on November 2, 2022 (incorporated by reference to the Registrant's Annual Report on Form 10-K, Exhibit 3.2, filed on March 1, 2023)
10.1*	Fourth Amendment to Redwood Trust, Inc. Amended and Restated Executive Deferred Compensation Plan (filed herewith)
10.2*	Eighth Amended and Restated Employment Agreement, dated as of November 3, 2023, by and between Christopher J. Abate and the Registrant (filed herewith)
10.3*	Sixth Amended and Restated Employment Agreement, dated as of November 3, 2023, by and between Dashiell I. Robinson and the Registrant (filed herewith)
10.4*	Third Amended and Restated Employment Agreement, dated as of November 3, 2023, by and between Brooke E. Carillo and the Registrant (filed herewith)
10.5*	Eighth Amended and Restated Employment Agreement, dated as of November 3, 2023, by and between Andrew P. Stone and the Registrant (filed herewith)
10.6*	Third Amended and Restated Employment Agreement, dated as of November 3, 2023, by and between Sasha G. Macomber and the Registrant (filed herewith)
10.7*	Second Amended and Restated Employment Agreement, dated as of November 3, 2023, by and between Fred J. Matera and the Registrant (filed herewith)
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit Number	Exhibit
101	<p>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 September 30, 2023, is filed in inline XBRL-formatted interactive data files:</p> <ul style="list-style-type: none"> (i) Consolidated Balance Sheets at September 30, 2023 and December 31, 2022; (ii) Consolidated Statements of Income for the three and nine months ended September 30, 2023 and 2022; (iii) Statements of Consolidated Comprehensive Income for the three and nine months ended September 30, 2023 and 2022; (iv) Consolidated Statements of Changes in Stockholders' Equity for the three and nine months ended September 30, 2023 and 2022; (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2023 and 2022; and (vi) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Indicates exhibits that include management contracts or compensatory plan or 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: November 6, 2023

By: /s/ Christopher J. Abate
Christopher J. Abate
Chief Executive Officer
(Principal Executive Officer)

Date: November 6, 2023

By: /s/ Brooke E. Carillo
Brooke E. Carillo
Chief Financial Officer
(Principal Financial Officer)

Date: November 6, 2023

By: /s/ Collin L. Cochrane
Collin L. Cochrane
Chief Accounting Officer
(Principal Accounting Officer)

**FOURTH AMENDMENT TO
REDWOOD TRUST, INC. AMENDED AND RESTATED
EXECUTIVE DEFERRED COMPENSATION PLAN**

THIS FOURTH AMENDMENT (this “Fourth Amendment”) to the Redwood Trust, Inc. Amended and Restated Executive Deferred Compensation Plan, as amended (the “Plan”), is made and adopted by the Board of Directors (the “Board”) of Redwood Trust, Inc., a corporation (the “Company”), effective as of November 2, 2023 (the “Effective Date”). All capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to such terms in the Plan.

RECITALS

WHEREAS, the Company maintains the Plan;

WHEREAS, pursuant to Section 16(a) of the Plan, the Board has the authority to modify or amend the Plan at any time, subject to certain limitations as set forth in Section 16(a) of the Plan;

WHEREAS, the Board believes it is in the best interests of the Company and its stockholders to amend the Plan to increase the limit on the number of shares of the Company’s common stock that may be issued to Directors (as defined in the Plan) pursuant to the Directors’ deferral of cash compensation under the Plan, as set forth herein.

NOW, THEREFORE, BE IT RESOLVED, that the Plan is hereby amended as follows, effective as of the Effective Date:

AMENDMENT

1. Section 6.5 of the Plan is hereby amended and restated as follows:

“6.5 Shares Issuable Pursuant to Director Stock Equivalent Subaccounts. The aggregate number of shares of common stock of the Company which may be issued in respect of Director Stock Equivalent Subaccounts under the Plan (including any DERs or other dividends payable in respect of such Director Stock Equivalent Subaccounts) shall be six hundred thousand (600,000) shares. Any shares distributed pursuant to Director Stock Equivalent Subaccounts under the Plan may consist, in whole or in part, of authorized and unissued common stock, treasury common stock or common stock purchased on the open market.”

2. This Fourth Amendment shall be and is hereby incorporated into and forms a part of the Plan.
3. Except as expressly provided in this Fourth Amendment, all terms and conditions of the Plan shall remain in full force and effect.

(Remainder of page internationally left blank)

* * *

I hereby certify that the foregoing Fourth Amendment was duly adopted by the Board of Directors of Redwood Trust, Inc. on November 2, 2023.

Executed on this 2nd day of November, 2023.

By:

/s/ ANDREW P. STONE

Name: Andrew P. Stone

Title: Executive Vice President, Chief Legal Officer & Secretary

EIGHTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Eighth Amended and Restated Employment Agreement (“Agreement”), effective as of November 3, 2023 (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 Seventh Amended and Restated Employment Agreement by and between the Executive and the Company dated November 3, 2022 (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 the sole 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.

2. Term of Agreement. The term of this Agreement (the “Term”) shall commence on the Effective Date and shall continue through December 31, 2023; provided, however, that (i) on January 1, 2024 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.

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 \$900,000 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 200% of his Base Salary or such greater amount as may subsequently be established by the Board (the “Target Bonus”). During the first ninety (90) days of each calendar year, the Board shall establish the performance goals applicable to such year’s annual bonus opportunity, as well as the framework for awarding an annual bonus that is higher or lesser than the Target Bonus. Such criteria shall be established by the Board, after consultation with the Executive, and pursuant to a process that is consistent with past practice. 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 Board determines in its discretion that 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 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. The 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 periodically. The performance evaluations shall consider and assess the Executive's performance of his duties and responsibilities, the accomplishment of established performance objectives, and/or other factors or criteria that the Board, 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, but generally would occur on an annual basis. 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). 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.

(e) Acknowledgement of Company's Policy for Recovery of Erroneously Awarded Compensation. A copy of the Company's Policy for Recovery of Erroneously Awarded Compensation (the "Erroneously Awarded Compensation Policy") is attached as Exhibit E hereto. The Executive hereby acknowledges such Erroneously Awarded Compensation Policy and agrees to the terms thereof and understands that compensation received by the Executive may be subject to reduction, cancellation, forfeiture and/or recoupment in accordance with, and to the extent necessary, for the Company to comply with the Erroneously Awarded Compensation Policy, notwithstanding any other agreement to the contrary. The Executive further acknowledges and agrees that he is not entitled to indemnification to compensate him for any such reduction, cancellation, forfeiture and/or recoupment of compensation under such Erroneously Awarded Compensation Policy and expressly waives any rights to such indemnification under the Company's organizational documents, under this Agreement, and/or any indemnification agreement between the Executive and the Company, or otherwise.

(f) Erroneous Underpayment of Compensation. With respect to any Incentive Based Compensation (as defined in the Erroneously Awarded Compensation Policy) granted to the Executive during the Term, if a Restatement (as defined in the Erroneously Awarded Compensation Policy) results in an applicable restated Financial Reporting Measure (as defined in the Erroneously Awarded Compensation Policy) being positively impacted (i.e., being increased rather than decreased), the Executive will be entitled to receive additional compensation in an amount equal to the difference between the amount of Incentive Based Compensation the Executive should have received (i.e., based on the restated Financial Reporting Measure) and the amount of Incentive Based Compensation the Executive received (i.e., based on the original, non-restated Financial Reporting Measure) (the "Additional Compensation"). The terms and conditions of any Additional Compensation (including, for example, the methodology for calculation of the amount of the Additional Compensation, and the form of, and vesting and payment terms applicable to, the Additional Compensation) shall be determined by the Board or its Compensation Committee in its sole discretion in a manner consistent with the Erroneously Awarded Compensation Policy (to the extent applicable) and

with any applicable plan, program and/or award agreement governing and/or evidencing such Incentive Based Compensation.

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 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 each calendar year pursuant to the Company's policies applicable to senior executive officers of the Company, as in effect from time to time.

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 the 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, (i) 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, and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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"), the Executive shall have been unable to perform his duties to the Company for six (6) consecutive months, and, within thirty (30) days after written notice is provided to him by the Board, he shall not have resumed the 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 unable to perform his duties to 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, if such a termination for Disability occurs then (i) 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 and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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). Notwithstanding the foregoing provisions of this Section 6(b), if such a termination for Disability occurs within three months prior to, on, or within 24 months following a Change of Control (as defined in Exhibit D attached hereto), and such termination constitutes a Separation from Service (as defined below), then such termination shall be treated for purposes of this Agreement as termination by the Company of the Executive's employment without Cause and as a "CIC Termination", as applicable, pursuant to and as set forth in Section 6(d) and Section 7 below, respectively, and the Executive shall be entitled to the payments, vesting, consideration, and benefits set forth therein in lieu of the payments, vesting, consideration, and benefits set forth in this Section 6(b).

(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, the Board must first provide written notice describing the reason for such termination of employment (and, with respect to subsections (iv), (v) and (vi) 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, including any habitual or repeated neglect of such duties, which failure has caused, or could reasonably be expected to cause, significant injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board 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,

which failure has caused material injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board to the Executive;

(iii) unauthorized use or disclosure of trade secrets or confidential or proprietary information pertaining to Company business, which use or disclosure has caused, or could reasonably be expected to cause significant injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board to the Executive;

(iv) acts or omissions constituting willful misconduct on the part of the Executive in respect of the performance of his fiduciary duty of loyalty to the Company, which failure has caused material injury to the interests, property, operations, business or reputation of the Company;

(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) the Executive's conviction of, or plea of guilty or *nolo contendere* to, a non-vehicular felony, including, without limitation, a non-vehicular felony the elements of which involve fraud, dishonesty, or moral turpitude;

(vii) the Executive's conviction of, or plea of guilty or *nolo contendere* to, a misdemeanor the elements of which involve fraud, dishonesty, or moral turpitude, and which is substantially related to the Executive's employment and duties to the Company; or

(viii) the Executive's commission of a crime the elements of which involve fraud, dishonesty, or moral turpitude, and which has caused, or could reasonably be expected to cause, material injury to the interests, property, operations, business or reputation of the Company.

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 the Executive's employment hereunder at any time without Cause upon 30 days

written notice to the Executive or pay in lieu thereof. In the event of a termination under this Section 6(d), the Executive shall be entitled to the payments, vesting, consideration, and benefits set forth in Section 7.

(e) Termination By The Executive For Good Reason. The Executive shall have the right to terminate the Executive'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 the Executive's responsibilities, title, duties or authority, including, without limitation, (A) the Executive ceasing to serve as the sole chief executive officer of a publicly traded company, reporting directly to the board of directors of such 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 the Executive is not appointed (or after appointment, ceases) to be the sole chief executive officer of the top-tier parent entity of the Company (or its successor), reporting directly to the board of directors of such top-tier parent entity; provided that, for the avoidance of doubt, (I) the appointment of the Executive to a top-tier parent entity that is not publicly traded does not eliminate the Executive's rights under sub-clause (A) above and (II) the appointment of the Executive to serve as, or the change in the Executive's title to, an "executive chairman" or in a similar role does not eliminate the Executive's rights under either sub-clause (A) or sub-clause (B) above;

(ii) A reduction in the Executive's Base Salary or in the Executive's Target Bonus 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 (and for the avoidance of doubt, following a Change of Control, the reference to senior executives of the Company shall include, without limitation, all senior executives of any top tier parent entity of any acquiror of and/or successor to Redwood Trust, Inc.);

(iii) The relocation of the Executive's principal Company office to a location not within the area of Marin County, California (commonly referred to as the "Highway 101 Corridor"), except for required travel away from the Executive's principal Company office on the Company's business to the extent necessary to fulfill the Executive's obligations under Section 1 (provided that any such travel explicitly required by the Company may not exceed thirty (30) days during any calendar year);

(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 (no later than the closing of the applicable transaction) or to otherwise comply with its obligations pursuant to Section 13 below.

Notwithstanding the foregoing, at any time prior to a Change of Control, the Executive will not be deemed to have resigned for Good Reason for purposes of subclause (i) unless (1) the Executive provides the Board with written notice setting forth in reasonable detail the facts and circumstances claimed by the Executive to constitute Good Reason (the "Good Reason Notice") within one hundred twenty (120) days after the date of the occurrence of any event that the Executive knows to constitute Good Reason, (2) the Company fails to cure such acts or omissions within thirty (30) days following its receipt of such notice or prior to a Change of Control, whichever shall occur earlier, 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; provided, however, that if the Executive reasonably believes that circumstances constituting "Good Reason" for the Executive to terminate his/her employment under this Agreement will exist immediately following a Change in Control, then the Executive may provide the Company with a Good Reason Notice no later than five (5) business days prior to the consummation of such Change of Control (and in such event the Company shall not be entitled to a period to cure) and the Executive's resignation for Good Reason, if accepted by the Board, shall be deemed effective and binding on the Company (and any successor thereto) as of such time as may be determined by the Board (provided that any such effective time shall not be earlier than immediately following the consummation of the Change of Control). Following a Change of Control, in order to resign for Good Reason, the Executive must provide a Good Reason Notice, but the Company shall not be entitled to a cure period. In addition, following a Change of Control, the determination of whether to accept the Executive's resignation for Good Reason shall be determined by the "Review Committee" as set forth in sub-section (g) below.

In the event of a termination under this Section 6(e), the Executive shall be entitled to the payments, vesting, consideration, and 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.

(g) Administration of Agreement Upon Change of Control. Notwithstanding anything herein to the contrary, in the event of a Change of Control, prior to and in any event not later than ten (10) days before the consummation of such Change of Control, the Company may designate a committee of two or more members of the Board as constituted immediately prior to the Change of Control (the "Review Committee") for the purpose of making any determination as to whether, solely for purposes of this Agreement, Executive's employment is terminated with or without Cause or if Executive's resignation is with or without Good Reason; provided that, in any Change of Control in which two or more members of the Board as constituted immediately prior to the Change of Control shall continue to act as members of the Board of the Company (or act as members of the board of directors or board of trustees (or otherwise as fiduciaries)) of any successor or parent entity of the Company) following such Change of Control, the Company shall be required to designate such a Review Committee. For the avoidance of doubt, any such Review Committee shall have the sole authority and responsibility to review, and be authorized to accept, in its sole discretion, any Good Reason Notice submitted by the Executive pursuant to Section 6 during the 24-month period following a Change of Control.

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 payments, vesting, consideration, and 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 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 \$7,500,000.

(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 subject to 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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 the 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 cash amount equal to the aggregate imputed or imposed federal, state and local taxes on any such amount in subclause (A), plus any taxes imposed on such cash amount, so that the Executive on an after-tax basis is in the same position as if there had been no imputation or imposition of income on the Executive. 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 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 the Executive's employment under this Section 7.

(c) Release Agreement. (i) As a condition of receiving any of the payments, vesting, consideration and benefits set forth in this Section 7 (other than the payment provided

for in sub-section 7(a)(i)) at any time prior to a Change in Control, the Executive shall be required to execute a mutual release agreement substantially 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 (which form of mutual release agreement the Company, in its sole discretion, may modify to comply with applicable law, and which form of mutual release agreement may be incorporated into a termination agreement or other agreement with the Executive).

(ii) With respect to the Executive's receipt of any of the payments, vesting, consideration and benefits set forth in this Section 7 at the time of, or following, a Change in Control, the Executive shall not be required to execute any type of release or general release agreement in favor of the Company; provided that, in connection with any termination of the Executive's employment by the Company without "Cause" or any termination of the Executive's employment by the Executive for "Good Reason", the Executive has the option to require the Company to enter into and execute a mutual release agreement with the Executive substantially in the form attached hereto as Exhibit A or Exhibit B, as appropriate, and, if so required by the Executive, the Company and the Executive agree that such release agreement must be executed and have become effective in accordance with its terms within 60 days following the termination date.

(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 payments, vesting, consideration, and benefits provided for under Section 7, the Company shall continue to pay the Executive the full compensation (including, without limitation, his Base Salary, annual bonus and equity-based long-term incentive awards) 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, and provide continuing vesting for any compensation, award or benefit with a vesting condition, until 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.

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, the 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 Executive's employment termination date, 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 the 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 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 the Executive; or (B) becomes available to the Executive on a non-confidential basis after the termination or expiration of the 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 the Executive's obligations under this agreement without reference to the Confidential Information, provided such independent development can reasonably be proven by the 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, the 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 the 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 the Executive's employment, the 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) The 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 the Executive is or has been a party. To the extent that the Executive has confidential information or materials of any former employer, the Executive acknowledges that the Company has directed the Executive to not disclose such confidential information or materials to the Company or any of its employees, and that the Company prohibits the Executive from using said confidential information or materials in any work that the Executive may perform for the Company. The Executive agrees that the Executive will not bring with the Executive to the Company, and will not use or disclose any confidential, proprietary information, or trade secrets acquired by the Executive prior to his employment with the Company. The 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 the Executive bring to the Company or use in connection with the 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. The Executive represents that he is not a party to any other agreement that will interfere with his full compliance with this Agreement. The 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 the 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 the Executive to the Company and shall be the sole and exclusive property of the Company, and the Executive shall assign, and hereby does assign, to the Company, the 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 the Executive may have acquired in connection with an invention, discovery or improvement that was developed entirely on the 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 the Executive for the Company.

(g) [RESERVED]

(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.

(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
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. The cost of all 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 and the Company each acknowledge 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. With respect to attorney's fees, the arbitrator shall award to the Executive his attorneys' fees based on a determination of the extent to which the Executive has prevailed as to the material issues raised in determination of the dispute (and, for the avoidance of doubt, regardless of the extent to which the Company has prevailed as to the material issues raised in determination of the dispute, the arbitrator is not authorized to award to the Company any portion of its attorney's fees); and, moreover, to the extent the Executive prevails as to substantially all of the material issues raised in determination of the dispute, the arbitrator shall award to the Executive all of his attorneys' fees. The Company shall pay all JAMS' arbitration fees. 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. Advancement of Executive's Legal Fees. In connection with the resolution of any dispute in accordance with Section 11, the Company shall advance to the Executive all reasonable attorneys' fees of the Executive as they are incurred and reasonably documented by the Executive in respect of any mediation, arbitration or litigation related thereto. The Executive shall not be required to reimburse the Company for any such advances of attorney's fees until a final determination is made with respect to such dispute and, then, the Executive's obligation to repay any such advances shall, (i) in the context of mediation or arbitration, be subject to an affirmative determination of the mediator or arbitrator that the Executive is obligated to repay such advances and (ii) in the context any litigation, be subject to the condition that substantially all of the material issues raised in such litigation have been resolved by a final (non-appealable) judgement in favor of the Company.

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

Agreement, but excluding the plans, programs and equity award agreements under which compensation and benefits are provided pursuant to Sections 3 and 4 hereof (and, to the extent such plans, programs and/or equity award agreements contain more favorable terms, such terms shall continue to apply). 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 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]

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

EXHIBIT A
RELEASE AGREEMENT

Except as otherwise set forth in this Release Agreement, 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 or to the attention of the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency claims of discrimination, harassment, interference with leave rights, and retaliation (provided, however, that the Executive releases the Executive’s right to secure damages or other relief for any such alleged treatment); 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, and in accordance with,

Section 18 of the Executive's Seventh Amended and Restated Employment Agreement with the Company (the "Employment Agreement"), the Company's bylaws or binding resolutions, or applicable law or pursuant to, and in accordance with, any written indemnification agreement between the Executive and the Company or (y) the Company's payment obligations under Section 7 of the Employment Agreement, as well as the Company's other continuing obligations to the Executive under the Employment Agreement, (ii) any right or claim to 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, (iv) Executive's vested equity awards and other awards, or (v) claims relating to or arising out of the Executive's fraud or breach of fiduciary duty.

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 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. Nothing contained herein prevents the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful.

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]

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: _____

EXHIBIT B
RELEASE AGREEMENT

Except as otherwise set forth in this Release Agreement, 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 or to the attention of the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency claims of discrimination, harassment, interference with leave rights, and retaliation (provided, however, that the Executive releases the Executive’s right to secure damages or other relief for any such alleged treatment); 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, and in accordance with, Section 18 of the Executive’s Seventh Amended and Restated

Employment Agreement with the Company(the “Employment Agreement”), the Company’s bylaws or binding resolutions, or applicable law or pursuant to, and in accordance with, any written indemnification agreement between the Executive and the Company or (y) the Company’s payment obligations under Section 7 of the Employment Agreement, as well as the Company’s other continuing obligations to the Executive under the Employment Agreement, (ii) any right or claim to 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, (iv) Executive’s vested equity awards and other awards, or (v) claims relating to or arising out of the Executive’s fraud or breach of fiduciary duty.

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 do so); (C) Executive has forty-five (45) 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; (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. Nothing contained herein prevents the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful.

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]

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: _____

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.

1. 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.

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 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 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.”

EXHIBIT E

COPY OF REDWOOD TRUST, INC.'S POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

The Board of Directors (the “*Board*”) of Redwood Trust, Inc. (the “*Company*”) has adopted this Policy for Recovery of Erroneously Awarded Compensation (the “*Policy*”), effective as of October 2, 2023 (the “*Effective Date*”). Capitalized terms used in this Policy but not otherwise defined herein are defined in Section 11.

1. Persons Subject to Policy

This Policy shall apply to current and former Designated Officers of the Company.

2. Compensation Subject to Policy

This Policy shall apply to Incentive-Based Compensation received on or after the Effective Date. For purposes of this Policy, the date on which Incentive-Based Compensation is “received” shall be determined under the Applicable Rules, which generally provide that Incentive-Based Compensation is “received” in the Company’s fiscal period during which the relevant Financial Reporting Measure is attained or satisfied, without regard to whether the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

3. Recovery of Compensation

In the event that the Company is required to prepare a Restatement, the Company shall recover, reasonably promptly, the portion of any Incentive-Based Compensation that is Erroneously Awarded Compensation, unless the Committee has determined that recovery would be Impracticable. Recovery shall be required in accordance with the preceding sentence regardless of whether the applicable Designated Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Restatement and regardless of whether or when restated financial statements are filed by the Company. For clarity, the recovery of Erroneously Awarded Compensation under this Policy will not give rise to any person’s right to voluntarily terminate employment for “good reason,” or due to a “constructive termination” (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.

4. Manner of Recovery; Limitation on Duplicative Recovery

The Committee shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation, Erroneously Awarded Compensation or time-vesting equity or cash awards, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited

to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

5. Administration

This Policy shall be administered, interpreted and construed by the Committee, which is authorized to make all determinations necessary, appropriate or advisable for such purpose. The Board may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the “Committee” shall be deemed to be references to the Board. Subject to any permitted review by the applicable national securities exchange or association pursuant to the Applicable Rules, all determinations and decisions made by the Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company and its affiliates, equityholders or stockholders, and employees. The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, or to third-party agents of the Company, as permitted under applicable law, including any Applicable Rules.

6. Interpretation

This Policy will be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

7. No Indemnification; No Liability

The Company shall not indemnify or insure any person against the loss of any Erroneously Awarded Compensation pursuant to this Policy, nor shall the Company directly or indirectly pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to purchase to fund such person’s potential obligations under this Policy. None of the Company, an affiliate of the Company or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Policy.

8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to (but without duplication of), any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based or cash-based plan or award agreement thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the “*Other Recovery Arrangements*”). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company.

9. Severability

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

10. Amendment and Termination

The Board or the Committee may amend, modify or terminate this Policy in whole or in part at any time and from time to time in its sole discretion. This Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association.

11. Definitions

“Applicable Rules” means Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder, the listing rules of the national securities exchange or association on which the Company’s securities are listed, and any applicable rules, standards or other guidance adopted by the Securities and Exchange Commission or any national securities exchange or association on which the Company’s securities are listed.

“Committee” means the Compensation Committee of the Board, for so long as it is comprised solely of independent directors (as determined under the Applicable Rules), or in the absence of such a committee or such independence, a majority of the independent directors (or as determined under the Applicable Rules) serving on the Board.

“Designated Officer” means each designated person who serves as an executive officer of the Company, as defined in Rule 10D-1(d) under the Exchange Act.

“Erroneously Awarded Compensation” means the amount of Incentive-Based Compensation received by a current or former Designated Officer that exceeds the amount of Incentive-Based Compensation that would have been received by such current or former Designated Officer based on a restated Financial Reporting Measure, as determined on a pre-tax basis in accordance with the Applicable Rules.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Financial Reporting Measure” means any measure determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures derived wholly or in part from such measures, including GAAP and non-GAAP financial measures, as well as stock or share price and total equityholder or stockholder return.

“GAAP” means United States generally accepted accounting principles.

“Impracticable” means (a) the direct costs paid to third parties to assist in enforcing recovery would exceed the Erroneously Awarded Compensation; provided that the Company has (i) made reasonable attempt(s) to recover the Erroneously Awarded Compensation, (ii) documented such attempt(s), and (iii) provided such documentation to the relevant listing exchange or association or (b) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

“Incentive-Based Compensation” means, with respect to a Restatement, any compensation that is granted, earned, or vested based wholly or in part upon the attainment of one or more Financial Reporting Measures and received by a person: (a) after beginning service as a Designated Officer; (b) who served as a Designated Officer at any time during the performance period for that compensation; (c) while the Company has a class of securities listed

on a national securities exchange or association; and (d) during the applicable Three-Year Period.

“**Restatement**” means an accounting restatement to correct the Company’s material noncompliance with any financial reporting requirement under securities laws, including restatements that correct an error in previously issued financial statements (a) that is material to the previously issued financial statements or (b) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

“**Three-Year Period**” means, with respect to a Restatement, the three completed fiscal years immediately preceding the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare such Restatement, or, if earlier, the date on which a court, regulator or other legally authorized body directs the Company to prepare such Restatement. The “Three-Year Period” also includes any transition period (that results from a change in the Company’s fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence. However, a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.

SIXTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Sixth Amended and Restated Employment Agreement (“Agreement”), effective as of November 3, 2023 (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 Fifth Amended and Restated Employment Agreement by and between the Executive and the Company dated November 3, 2022 (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 the sole 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(s) of residential mortgage business division; and head(s) 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.

2. Term of Agreement. The term of this Agreement (the “Term”) shall commence on the Effective Date and shall continue through December 31, 2023; provided, however, that (i) on January 1, 2024 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.

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 \$850,000 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 190% of his Base Salary or such greater amount as may subsequently be established by the Board (the "Target Bonus"). During the first ninety (90) days of each calendar year, the Board, in consultation with the Chief Executive Officer, shall establish the performance goals applicable to such year's annual bonus opportunity, as well as the framework for awarding an annual bonus that is higher or lesser than the Target Bonus. Such criteria shall be established by the Board, after consultation with the Executive, and pursuant to a process that is consistent with past practice. 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 Board determines in its discretion that 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 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. The 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 periodically. The performance evaluations shall consider and assess the Executive's performance of his duties and responsibilities, the accomplishment of established performance objectives, and/or other factors or criteria that the Board, 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, but generally would occur on an annual basis. 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). 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.

(e) Acknowledgement of Company's Policy for Recovery of Erroneously Awarded Compensation. A copy of the Company's Policy for Recovery of Erroneously Awarded Compensation (the "Erroneously Awarded Compensation Policy") is attached as Exhibit E hereto. The Executive hereby acknowledges such Erroneously Awarded Compensation Policy and agrees to the terms thereof and understands that compensation received by the Executive may be subject to reduction, cancellation, forfeiture and/or recoupment in accordance with, and to the extent necessary, for the Company to comply with the Erroneously Awarded Compensation Policy, notwithstanding any other agreement to the contrary. The Executive further acknowledges and agrees that he is not entitled to indemnification to compensate him for any such reduction, cancellation, forfeiture and/or recoupment of compensation under such Erroneously Awarded Compensation Policy and expressly waives any rights to such indemnification under the Company's organizational documents, under this Agreement, and/or any indemnification agreement between the Executive and the Company, or otherwise.

(f) Erroneous Underpayment of Compensation. With respect to any Incentive Based Compensation (as defined in the Erroneously Awarded Compensation Policy) granted to the Executive during the Term, if a Restatement (as defined in the Erroneously Awarded Compensation Policy) results in an applicable restated Financial Reporting Measure (as defined in the Erroneously Awarded Compensation Policy) being positively impacted (i.e., being increased rather than decreased), the Executive will be entitled to receive additional compensation in an amount equal to the difference between the amount of Incentive Based Compensation the Executive should have received (i.e., based on the restated Financial Reporting Measure) and the amount of Incentive Based Compensation the Executive received (i.e., based on the original, non-restated Financial Reporting Measure) (the "Additional Compensation"). The terms and conditions of any Additional Compensation (including, for example, the methodology for calculation of the amount of the Additional Compensation, and the form of, and vesting and payment terms applicable to, the Additional Compensation) shall be determined by the Board or its Compensation Committee in its sole discretion in a manner consistent with the Erroneously Awarded Compensation Policy (to the extent applicable) and with any applicable plan, program and/or award agreement governing and/or evidencing such Incentive Based Compensation.

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 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 each calendar year pursuant to the Company's policies applicable to senior executive officers of the Company, as in effect from time to time.

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 the 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, (i) 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, and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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"), the Executive shall have been unable to perform his duties to the Company for six (6) consecutive months, and, within thirty (30) days after written notice is provided to him by the Board, he shall not have resumed the 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 unable to perform his duties to 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, if such a termination for Disability occurs then (i) 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 and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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). Notwithstanding the foregoing provisions of this Section 6(b), if such a termination for Disability occurs within three months prior to, on, or within 24 months following a Change of Control (as defined in Exhibit D attached hereto), and such termination constitutes a Separation from Service (as defined below), then such termination shall be treated for purposes of this Agreement as termination by the Company of the Executive's employment without Cause and as a "CIC Termination", as applicable, pursuant to and as set forth in Section 6(d) and Section 7 below, respectively, and the Executive shall be entitled to the payments, vesting, consideration, and benefits set forth therein in lieu of the payments, vesting, consideration, and benefits set forth in this Section 6(b).

(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, the Board must first provide written notice describing the reason for such termination of employment (and, with respect to subsections (iv), (v) and (vi) 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, including any habitual or repeated neglect of such duties, which failure has caused, or could reasonably be expected to cause, significant injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board 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, which failure has caused material injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board to the Executive;

(iii) unauthorized use or disclosure of trade secrets or confidential or proprietary information pertaining to Company business, which use or disclosure has caused, or could reasonably be expected to cause significant injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board to the Executive;

(iv) acts or omissions constituting willful misconduct on the part of the Executive in respect of the performance of his fiduciary duty of loyalty to the Company, which failure has caused material injury to the interests, property, operations, business or reputation of the Company;

(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) the Executive's conviction of, or plea of guilty or *nolo contendere* to, a non-vehicular felony, including, without limitation, a non-vehicular felony the elements of which involve fraud, dishonesty, or moral turpitude;

(vii) the Executive's conviction of, or plea of guilty or *nolo contendere* to, a misdemeanor the elements of which involve fraud, dishonesty, or moral turpitude, and which is substantially related to the Executive's employment and duties to the Company; or

(viii) the Executive's commission of a crime the elements of which involve fraud, dishonesty, or moral turpitude, and which has caused, or could reasonably be expected to cause, material injury to the interests, property, operations, business or reputation of the Company.

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 the Executive's employment hereunder at any time without Cause upon 30 days written notice to the Executive or pay in lieu thereof. In the event of a termination under this Section 6(d), the Executive shall be entitled to the payments, vesting, consideration, and benefits set forth in Section 7.

(e) Termination By The Executive For Good Reason. The Executive shall have the right to terminate the Executive'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 the Executive's responsibilities, title, duties or authority, including, without limitation, (A) the Executive ceasing to serve as the sole 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 the Executive is not appointed (or after appointment, ceases) to be the sole 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 the Executive to a top-tier parent entity that is not publicly traded does not eliminate the Executive's rights under sub-clause (A) above;

(ii) A reduction in the Executive's Base Salary or in the Executive's Target Bonus 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 (and for the avoidance of doubt, following a Change of Control, the reference to senior executives of the Company shall include, without limitation, all senior executives of any top tier parent entity of any acquiror of and/or successor to Redwood Trust, Inc.);

(iii) The relocation of the Executive's principal Company office to a location not within the area of Marin County, California (commonly referred to as the "Highway 101 Corridor"), except for required travel away from the Executive's principal Company office on the Company's business to the extent necessary to fulfill the Executive's obligations under Section 1 (provided that any such travel explicitly required by the Company may not exceed thirty (30) days during any calendar year);

(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 (no later than the closing of the applicable transaction) or to otherwise comply with its obligations pursuant to Section 13 below.

Notwithstanding the foregoing, at any time prior to a Change of Control, the Executive will not be deemed to have resigned for Good Reason for purposes of subclause (i) unless (1) the Executive provides the Board with written notice setting forth in reasonable detail the facts and circumstances claimed by the Executive to constitute Good Reason (the "Good Reason Notice") within one hundred twenty (120) days after the date of the occurrence of any event that the Executive knows to constitute Good Reason, (2) the Company fails to cure such acts or omissions within thirty (30) days following its receipt of such notice or prior to a Change of Control, whichever shall occur earlier, 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; provided, however, that if the Executive reasonably believes that circumstances constituting "Good Reason" for the Executive to terminate his/her employment under this Agreement will exist immediately following a Change in Control, then the Executive may provide the Company with a Good Reason Notice no later than five (5) business days prior to the consummation of such Change of Control (and in such event the Company shall not be entitled to a period to cure) and the Executive's resignation for Good Reason, if accepted by the Board, shall be deemed effective and binding on the Company (and any successor thereto) as of such time as may be determined by the Board (provided that any such effective time shall not be earlier than immediately following the consummation of the Change of Control). Following a Change of Control, in order to resign for Good Reason, the Executive must provide a Good Reason Notice, but the Company shall not be entitled to a cure period. In addition, following a Change of Control, the determination of whether to accept the Executive's resignation for Good Reason shall be determined by the "Review Committee" as set forth in sub-section (g) below.

In the event of a termination under this Section 6(e), the Executive shall be entitled to the payments, vesting, consideration, and 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.

(g) Administration of Agreement Upon Change of Control. Notwithstanding anything herein to the contrary, in the event of a Change of Control, prior to and in any event not later than ten (10) days before the consummation of such Change of Control, the Company may designate a committee of two or more members of the Board as constituted immediately prior to the Change of Control (the "Review Committee") for the purpose of making any determination as to whether, solely for purposes of this Agreement, Executive's employment is terminated with or without Cause or if Executive's resignation is with or without Good Reason; provided that, in any Change of Control in which two or more members of the Board as constituted immediately prior to the Change of Control shall continue to act as members of the Board of the Company (or act as members of the board of directors or board of trustees (or otherwise as fiduciaries)) of any successor or parent entity of the Company) following such Change of Control, the Company shall be required to designate such a Review Committee. For the avoidance of doubt, any such Review Committee shall have the sole authority and responsibility to review, and be authorized to accept, in its sole discretion, any Good Reason Notice submitted by the Executive pursuant to Section 6 during the 24-month period following a Change of Control.

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 payments, vesting, consideration, and 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 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 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 \$5,500,000.

(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 subject to 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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 the 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 cash amount equal to the aggregate imputed or imposed federal, state and local taxes on any such amount in subclause (A), plus any taxes imposed on such cash amount, so that the Executive on an after-tax basis is in the same position as if there had been no imputation or imposition of income on the Executive. 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 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.

(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 the Executive's employment under this Section 7.

(c) Release Agreement. (i) As a condition of receiving any of the payments, vesting, consideration and benefits set forth in this Section 7 (other than the payment provided for in sub-section 7(a)(i)) at any time prior to a Change in Control, the Executive shall be required to execute a mutual release agreement substantially 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 (which form of mutual release agreement the Company, in its sole discretion, may modify to comply with

applicable law, and which form of mutual release agreement may be incorporated into a termination agreement or other agreement with the Executive).

(ii) With respect to the Executive's receipt of any of the payments, vesting, consideration and benefits set forth in this Section 7 at the time of, or following, a Change in Control, the Executive shall not be required to execute any type of release or general release agreement in favor of the Company; provided that, in connection with any termination of the Executive's employment by the Company without "Cause" or any termination of the Executive's employment by the Executive for "Good Reason", the Executive has the option to require the Company to enter into and execute a mutual release agreement with the Executive substantially in the form attached hereto as Exhibit A or Exhibit B, as appropriate, and, if so required by the Executive, the Company and the Executive agree that such release agreement must be executed and have become effective in accordance with its terms within 60 days following the termination date.

(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 payments, vesting, consideration, and benefits provided for under Section 7, the Company shall continue to pay the Executive the full compensation (including, without limitation, his Base Salary, annual bonus and equity-based long-term incentive awards) 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, and provide continuing vesting for any compensation, award or benefit with a vesting condition, until 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.

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, the 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 Executive's employment termination date, 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 the 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 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 the Executive; or (B) becomes available to the Executive on a non-confidential basis after the termination or expiration of the 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 the Executive's obligations under this agreement without reference to the Confidential Information, provided such independent development can reasonably be proven by the 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, the 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 the 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 the Executive's employment, the 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) The 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 the Executive is or has been a party. To the extent that the Executive has confidential information or

materials of any former employer, the Executive acknowledges that the Company has directed the Executive to not disclose such confidential information or materials to the Company or any of its employees, and that the Company prohibits the Executive from using said confidential information or materials in any work that the Executive may perform for the Company. The Executive agrees that the Executive will not bring with the Executive to the Company, and will not use or disclose any confidential, proprietary information, or trade secrets acquired by the Executive prior to his employment with the Company. The 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 the Executive bring to the Company or use in connection with the 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. The Executive represents that he is not a party to any other agreement that will interfere with his full compliance with this Agreement. The 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 the 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 the Executive to the Company and shall be the sole and exclusive property of the Company, and the Executive shall assign, and hereby does assign, to the Company, the 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 the Executive may have acquired in connection with an invention, discovery or improvement that was developed entirely on the 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 the Executive for the Company.

(g) [RESERVED]

(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.

(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: 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

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. The cost of all 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 and the Company each acknowledge 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. With respect to attorney's fees, the arbitrator shall award to the Executive his attorneys' fees based on a determination of the extent to which the Executive has prevailed as to the material issues raised in determination of the dispute (and, for the avoidance of doubt, regardless of the extent to which the Company has prevailed as to the material issues raised in determination of the dispute, the arbitrator is not authorized to award to the Company any portion of its attorney's fees); and, moreover, to the extent the Executive prevails as to substantially all of the material issues raised in determination of the dispute, the arbitrator shall award to the Executive all of his attorneys' fees. The Company shall pay all JAMS' arbitration fees. 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. Advancement of Executive's Legal Fees. In connection with the resolution of any dispute in accordance with Section 11, the Company shall advance to the Executive all reasonable attorneys' fees of the Executive as they are incurred and reasonably documented by the Executive in respect of any mediation, arbitration or litigation related thereto. The Executive shall not be required to reimburse the Company for any such advances of attorney's fees until a final determination is made with respect to such dispute and, then, the Executive's obligation to repay any such advances shall, (i) in the context of mediation or arbitration, be subject to an affirmative determination of the mediator or arbitrator that the Executive is obligated to repay such advances and (ii) in the context any litigation, be subject to the condition that substantially all of the material issues raised in such litigation have been resolved by a final (non-appealable) judgement in favor of the Company.

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 Agreement, but excluding the plans, programs and equity award agreements under which compensation and benefits are provided pursuant to Sections 3 and 4 hereof (and, to the extent such plans, programs and/or equity award agreements contain more favorable terms, such terms shall continue to apply). 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 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]

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

EXHIBIT A
RELEASE AGREEMENT

Except as otherwise set forth in this Release Agreement, 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 or to the attention of the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency claims of discrimination, harassment, interference with leave rights, and retaliation (provided, however, that the Executive releases the Executive’s right to secure damages or other relief for any such alleged treatment); 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, and in accordance with, Section 18 of the Executive's Seventh Amended and Restated Employment Agreement with the Company (the "Employment Agreement"), the Company's bylaws or binding resolutions, or applicable law or pursuant to, and in accordance with, any written indemnification agreement between the Executive and the Company or (y) the Company's payment obligations under Section 7 of the Employment Agreement, as well as the Company's other continuing obligations to the Executive under the Employment Agreement, (ii) any right or claim to 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, (iv) Executive's vested equity awards and other awards, or (v) claims relating to or arising out of the Executive's fraud or breach of fiduciary duty.

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 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. Nothing contained herein prevents the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful.

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]

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, 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 or to the attention of the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency claims of discrimination, harassment, interference with leave rights, and retaliation (provided, however, that the Executive releases the Executive’s right to secure damages or other relief for any such alleged treatment); 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, and in accordance with, Section 18 of the Executive’s Seventh Amended and Restated Employment Agreement with the Company(the “Employment Agreement”), the Company’s

bylaws or binding resolutions, or applicable law or pursuant to, and in accordance with, any written indemnification agreement between the Executive and the Company or (y) the Company's payment obligations under Section 7 of the Employment Agreement, as well as the Company's other continuing obligations to the Executive under the Employment Agreement, (ii) any right or claim to 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, (iv) Executive's vested equity awards and other awards, or (v) claims relating to or arising out of the Executive's fraud or breach of fiduciary duty.

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 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; (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. Nothing contained herein prevents the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful.

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]

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: _____
Dashuell 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.

1. 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.

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 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 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.”

EXHIBIT E

COPY OF REDWOOD TRUST, INC.'S POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

The Board of Directors (the “*Board*”) of Redwood Trust, Inc. (the “*Company*”) has adopted this Policy for Recovery of Erroneously Awarded Compensation (the “*Policy*”), effective as of October 2, 2023 (the “*Effective Date*”). Capitalized terms used in this Policy but not otherwise defined herein are defined in Section 11.

1. Persons Subject to Policy

This Policy shall apply to current and former Designated Officers of the Company.

2. Compensation Subject to Policy

This Policy shall apply to Incentive-Based Compensation received on or after the Effective Date. For purposes of this Policy, the date on which Incentive-Based Compensation is “received” shall be determined under the Applicable Rules, which generally provide that Incentive-Based Compensation is “received” in the Company’s fiscal period during which the relevant Financial Reporting Measure is attained or satisfied, without regard to whether the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

3. Recovery of Compensation

In the event that the Company is required to prepare a Restatement, the Company shall recover, reasonably promptly, the portion of any Incentive-Based Compensation that is Erroneously Awarded Compensation, unless the Committee has determined that recovery would be Impracticable. Recovery shall be required in accordance with the preceding sentence regardless of whether the applicable Designated Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Restatement and regardless of whether or when restated financial statements are filed by the Company. For clarity, the recovery of Erroneously Awarded Compensation under this Policy will not give rise to any person’s right to voluntarily terminate employment for “good reason,” or due to a “constructive termination” (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.

4. Manner of Recovery; Limitation on Duplicative Recovery

The Committee shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation, Erroneously Awarded Compensation or time-vesting equity or cash awards, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited

to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

5. Administration

This Policy shall be administered, interpreted and construed by the Committee, which is authorized to make all determinations necessary, appropriate or advisable for such purpose. The Board may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the “Committee” shall be deemed to be references to the Board. Subject to any permitted review by the applicable national securities exchange or association pursuant to the Applicable Rules, all determinations and decisions made by the Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company and its affiliates, equityholders or stockholders, and employees. The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, or to third-party agents of the Company, as permitted under applicable law, including any Applicable Rules.

6. Interpretation

This Policy will be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

7. No Indemnification; No Liability

The Company shall not indemnify or insure any person against the loss of any Erroneously Awarded Compensation pursuant to this Policy, nor shall the Company directly or indirectly pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to purchase to fund such person’s potential obligations under this Policy. None of the Company, an affiliate of the Company or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Policy.

8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to (but without duplication of), any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based or cash-based plan or award agreement thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the “*Other Recovery Arrangements*”). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company.

9. Severability

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

10. Amendment and Termination

The Board or the Committee may amend, modify or terminate this Policy in whole or in part at any time and from time to time in its sole discretion. This Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association.

11. **Definitions**

“**Applicable Rules**” means Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder, the listing rules of the national securities exchange or association on which the Company’s securities are listed, and any applicable rules, standards or other guidance adopted by the Securities and Exchange Commission or any national securities exchange or association on which the Company’s securities are listed.

“**Committee**” means the Compensation Committee of the Board, for so long as it is comprised solely of independent directors (as determined under the Applicable Rules), or in the absence of such a committee or such independence, a majority of the independent directors (or as determined under the Applicable Rules) serving on the Board.

“**Designated Officer**” means each designated person who serves as an executive officer of the Company, as defined in Rule 10D-1(d) under the Exchange Act.

“**Erroneously Awarded Compensation**” means the amount of Incentive-Based Compensation received by a current or former Designated Officer that exceeds the amount of Incentive-Based Compensation that would have been received by such current or former Designated Officer based on a restated Financial Reporting Measure, as determined on a pre-tax basis in accordance with the Applicable Rules.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Financial Reporting Measure**” means any measure determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures derived wholly or in part from such measures, including GAAP and non-GAAP financial measures, as well as stock or share price and total equityholder or stockholder return.

“**GAAP**” means United States generally accepted accounting principles.

“**Impracticable**” means (a) the direct costs paid to third parties to assist in enforcing recovery would exceed the Erroneously Awarded Compensation; provided that the Company has (i) made reasonable attempt(s) to recover the Erroneously Awarded Compensation, (ii) documented such attempt(s), and (iii) provided such documentation to the relevant listing exchange or association or (b) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

“**Incentive-Based Compensation**” means, with respect to a Restatement, any compensation that is granted, earned, or vested based wholly or in part upon the attainment of one or more Financial Reporting Measures and received by a person: (a) after beginning service as a Designated Officer; (b) who served as a Designated Officer at any time during the performance period for that compensation; (c) while the Company has a class of securities listed on a national securities exchange or association; and (d) during the applicable Three-Year Period.

“Restatement” means an accounting restatement to correct the Company’s material noncompliance with any financial reporting requirement under securities laws, including restatements that correct an error in previously issued financial statements (a) that is material to the previously issued financial statements or (b) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

“Three-Year Period” means, with respect to a Restatement, the three completed fiscal years immediately preceding the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare such Restatement, or, if earlier, the date on which a court, regulator or other legally authorized body directs the Company to prepare such Restatement. The “Three-Year Period” also includes any transition period (that results from a change in the Company’s fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence. However, a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.

THIRD AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Third Amended and Restated Employment Agreement (“Agreement”), effective as of November 3, 2023 (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 Second Amended and Restated Employment Agreement by and between the Executive and the Company dated November 3, 2022 (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 the sole 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.

2. Term of Agreement. The term of this Agreement (the “Term”) shall commence on the Effective Date and shall continue through December 31, 2023; provided, however, that (i) on January 1, 2024 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.

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 \$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 her Base Salary or such greater amount as may subsequently be established by the Board (the “Target Bonus”). During the first ninety (90) days of each calendar year, the Board, in consultation with the Chief Executive Officer, shall establish the performance goals applicable to such year’s annual bonus opportunity, as well as the framework for awarding an annual bonus that is higher or lesser than the Target Bonus. Such criteria shall be established by the Board, after consultation with the Executive, and pursuant to a process that is consistent with past practice. 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 Board determines in its discretion that 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 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. The 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 periodically. The performance evaluations shall consider and assess the Executive's performance of her duties and responsibilities, the accomplishment of established performance objectives, and/or other factors or criteria that the Board, 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, but generally would occur on an annual basis. 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). 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.

(e) Acknowledgement of Company's Policy for Recovery of Erroneously Awarded Compensation. A copy of the Company's Policy for Recovery of Erroneously Awarded Compensation (the "Erroneously Awarded Compensation Policy") is attached as Exhibit E hereto. The Executive hereby acknowledges such Erroneously Awarded Compensation Policy and agrees to the terms thereof and understands that compensation received by the Executive may be subject to reduction, cancellation, forfeiture and/or recoupment in accordance with, and to the extent necessary, for the Company to comply with the Erroneously Awarded Compensation Policy, notwithstanding any other agreement to the contrary. The Executive further acknowledges and agrees that she is not entitled to indemnification to compensate her for any such reduction, cancellation, forfeiture and/or recoupment of compensation under such Erroneously Awarded Compensation Policy and expressly waives any rights to such indemnification under the Company's organizational documents, under this Agreement, and/or any indemnification agreement between the Executive and the Company, or otherwise.

(f) Erroneous Underpayment of Compensation. With respect to any Incentive Based Compensation (as defined in the Erroneously Awarded Compensation Policy) granted to the Executive during the Term, if a Restatement (as defined in the Erroneously Awarded Compensation Policy) results in an applicable restated Financial Reporting Measure (as defined in the Erroneously Awarded Compensation Policy) being positively impacted (i.e., being increased rather than decreased), the Executive will be entitled to receive additional compensation in an amount equal to the difference between the amount of Incentive Based Compensation the Executive should have received (i.e., based on the restated Financial Reporting Measure) and the amount of Incentive Based Compensation the Executive received (i.e., based on the original, non-restated Financial Reporting Measure) (the "Additional Compensation"). The terms and conditions of any Additional Compensation (including, for example, the methodology for calculation of the amount of the Additional Compensation, and the form of, and vesting and payment terms applicable to, the Additional Compensation) shall be determined by the Board or its Compensation Committee in its sole discretion in a manner consistent with the Erroneously Awarded Compensation Policy (to the extent applicable) and

with any applicable plan, program and/or award agreement governing and/or evidencing such Incentive Based Compensation.

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 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 each calendar year pursuant to the Company's policies applicable to senior executive officers of the Company, as in effect from time to time.

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 the 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, (i) 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, and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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"), the Executive shall have been unable to perform her duties to the Company for six (6) consecutive months, and, within thirty (30) days after written notice is provided to her by the Board, she shall not have resumed the 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 Executive is unable to perform her duties to 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, if such a termination for Disability occurs then (i) 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 and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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). Notwithstanding the foregoing provisions of this Section 6(b), if such a termination for Disability occurs within three months prior to, on, or within 24 months following a Change of Control (as defined in Exhibit D attached hereto), and such termination constitutes a Separation from Service (as defined below), then such termination shall be treated for purposes of this Agreement as termination by the Company of the Executive's employment without Cause and as a "CIC Termination", as applicable, pursuant to and as set forth in Section 6(d) and Section 7 below, respectively, and the Executive shall be entitled to the payments, vesting, consideration, and benefits set forth therein in lieu of the payments, vesting, consideration, and benefits set forth in this Section 6(b).

(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, the Board must first provide written notice describing the reason for such termination of employment (and, with respect to subsections (iv), (v) and (vi) 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, including any habitual or repeated neglect of such duties, which failure has caused, or could reasonably be expected to cause, significant injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board 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,

which failure has caused material injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board to the Executive;

(iii) unauthorized use or disclosure of trade secrets or confidential or proprietary information pertaining to Company business, which use or disclosure has caused, or could reasonably be expected to cause significant injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board to the Executive;

(iv) acts or omissions constituting willful misconduct on the part of the Executive in respect of the performance of her fiduciary duty of loyalty to the Company, which failure has caused material injury to the interests, property, operations, business or reputation of the Company;

(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) the Executive's conviction of, or plea of guilty or *nolo contendere* to, a non-vehicular felony, including, without limitation, a non-vehicular felony the elements of which involve fraud, dishonesty, or moral turpitude;

(vii) the Executive's conviction of, or plea of guilty or *nolo contendere* to, a misdemeanor the elements of which involve fraud, dishonesty, or moral turpitude, and which is substantially related to the Executive's employment and duties to the Company; or

(viii) the Executive's commission of a crime the elements of which involve fraud, dishonesty, or moral turpitude, and which has caused, or could reasonably be expected to cause, material injury to the interests, property, operations, business or reputation of the Company.

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 the Executive's employment hereunder at any time without Cause upon 30 days

written notice to the Executive or pay in lieu thereof. In the event of a termination under this Section 6(d), the Executive shall be entitled to the payments, vesting, consideration, and benefits set forth in Section 7.

(e) Termination By The Executive For Good Reason. The Executive shall have the right to terminate the Executive'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 the Executive's responsibilities, title, duties or authority, including, without limitation, (A) the Executive ceasing to serve as the sole 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 the Executive is not appointed (or after appointment, ceases) to be the sole 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 the Executive to a top-tier parent entity that is not publicly traded does not eliminate the Executive's rights under sub-clause (A) above;

(ii) A reduction in the Executive's Base Salary or in the Executive's Target Bonus 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 (and for the avoidance of doubt, following a Change of Control, the reference to senior executives of the Company shall include, without limitation, all senior executives of any top tier parent entity of any acquiror of and/or successor to Redwood Trust, Inc.);

(iii) The relocation of the Executive's principal Company office to a location not within the area of Marin County, California (commonly referred to as the "Highway 101 Corridor"), except for required travel away from the Executive's principal Company office on the Company's business to the extent necessary to fulfill the Executive's obligations under Section 1 (provided that any such travel explicitly required by the Company may not exceed thirty (30) days during any calendar year);

(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 (no later than the closing of the applicable transaction) or to otherwise comply with its obligations pursuant to Section 13 below.

Notwithstanding the foregoing, at any time prior to a Change of Control, the Executive will not be deemed to have resigned for Good Reason for purposes of subclause (i) unless (1) the Executive provides the Board with written notice setting forth in reasonable detail the facts and circumstances claimed by the Executive to constitute Good Reason (the "Good Reason Notice") within one hundred twenty (120) days after the date of the occurrence of any event that the Executive knows to constitute Good Reason, (2) the Company fails to cure such acts or omissions within thirty (30) days following its receipt of such notice or prior to a Change of Control, whichever shall occur earlier, 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; provided, however, that if the Executive reasonably believes that circumstances constituting "Good Reason" for the Executive to terminate his/her employment under this Agreement will exist immediately following a Change in Control, then the Executive may provide the Company with a Good Reason Notice no later than five (5) business days prior to the consummation of such Change of Control (and in such event the Company shall not be entitled to a period to cure) and the Executive's resignation for Good Reason, if accepted by the Board, shall be deemed effective and binding on the Company (and any successor thereto) as of such time as may be determined by the Board (provided that any such effective time shall not be earlier than immediately following the consummation of the Change of Control). Following a Change of Control, in order to resign for Good Reason, the Executive must provide a Good Reason Notice, but the Company shall not be entitled to a cure period. In addition, following a Change of Control, the determination of whether to accept the Executive's resignation for Good Reason shall be determined by the "Review Committee" as set forth in sub-section (g) below.

In the event of a termination under this Section 6(e), the Executive shall be entitled to the payments, vesting, consideration, and 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.

(g) Administration of Agreement Upon Change of Control. Notwithstanding anything herein to the contrary, in the event of a Change of Control, prior to and in any event not later than ten (10) days before the consummation of such Change of Control, the Company may designate a committee of two or more members of the Board as constituted immediately prior to the Change of Control (the "Review Committee") for the purpose of making any determination as to whether, solely for purposes of this Agreement, Executive's employment is terminated with or without Cause or if Executive's resignation is with or without Good Reason; provided that, in any Change of Control in which two or more members of the Board as constituted immediately prior to the Change of Control shall continue to act as members of the Board of the Company (or act as members of the board of directors or board of trustees (or otherwise as fiduciaries)) of any successor or parent entity of the Company) following such Change of Control, the Company shall be required to designate such a Review Committee. For the avoidance of doubt, any such Review Committee shall have the sole authority and responsibility to review, and be authorized to accept, in its sole discretion, any Good Reason Notice submitted by the Executive pursuant to Section 6 during the 24-month period following a Change of Control.

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 payments, vesting, consideration, and 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 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 \$5,000,000.

(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 subject to 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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, fifteen (15) months) following the date of the 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 cash amount equal to the aggregate imputed or imposed federal, state and local taxes on any such amount in subclause (A), plus any taxes imposed on such cash amount, so that the Executive on an after-tax basis is in the same position as if there had been no imputation or imposition of income on the Executive. 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 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 the Executive’s employment under this Section 7.

(c) Release Agreement. (i) As a condition of receiving any of the payments, vesting, consideration and benefits set forth in this Section 7 (other than the payment provided for in sub-section 7(a)(i)) at any time prior to a Change in Control, the Executive shall be

required to execute a mutual release agreement substantially 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 (which form of mutual release agreement the Company, in its sole discretion, may modify to comply with applicable law, and which form of mutual release agreement may be incorporated into a termination agreement or other agreement with the Executive).

(ii) With respect to the Executive's receipt of any of the payments, vesting, consideration and benefits set forth in this Section 7 at the time of, or following, a Change in Control, the Executive shall not be required to execute any type of release or general release agreement in favor of the Company; provided that, in connection with any termination of the Executive's employment by the Company without "Cause" or any termination of the Executive's employment by the Executive for "Good Reason", the Executive has the option to require the Company to enter into and execute a mutual release agreement with the Executive substantially in the form attached hereto as Exhibit A or Exhibit B, as appropriate, and, if so required by the Executive, the Company and the Executive agree that such release agreement must be executed and have become effective in accordance with its terms within 60 days following the termination date.

(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 payments, vesting, consideration, and benefits provided for under Section 7, the Company shall continue to pay the Executive the full compensation (including, without limitation, her Base Salary, annual bonus and equity-based long-term incentive awards) 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, and provide continuing vesting for any

compensation, award or benefit with a vesting condition, until 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.

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, the 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 Executive's employment termination date, 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 the 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 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 the Executive; or (B) becomes available to the Executive on a non-confidential basis after the termination or expiration of the 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 the Executive's obligations under this agreement without reference to the Confidential Information, provided such independent development can reasonably be proven by the 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, the 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 the 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 the Executive's employment, the 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) The 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 the Executive is or has been a party. To the extent that the Executive has confidential information or materials of any former employer, the Executive acknowledges that the Company has directed the Executive to not disclose such confidential information or materials to the Company or any of its employees, and that the Company prohibits the Executive from using said confidential information or materials in any work that the Executive may perform for the Company. The Executive agrees that the Executive will not bring with the Executive to the Company, and will not use or disclose any confidential, proprietary information, or trade secrets acquired by the Executive prior to her employment with the Company. The 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 the Executive bring to the Company or use in connection with the 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. The Executive represents that she is not a party to any other agreement that will interfere with her full compliance with this Agreement. The 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 the 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 the Executive to the Company and shall be the sole and exclusive property of the Company, and the Executive shall assign, and hereby does assign, to the Company, the 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 the Executive may have acquired in connection with an invention, discovery or improvement that was developed entirely on the 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 the Executive for the Company.

(g) [RESERVED]

(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.

(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 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. The cost of all 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 and the Company each acknowledge 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. With respect to attorney's fees, the arbitrator shall award to the Executive her attorneys' fees based on a determination of the extent to which the Executive has prevailed as to the material issues raised in determination of the dispute (and, for the avoidance of doubt, regardless of the extent to which the Company has prevailed as to the material issues raised in determination of the dispute, the arbitrator is not authorized to award to the Company any portion of its attorney's fees); and, moreover, to the extent the Executive prevails as to substantially all of the material issues raised in determination of the dispute, the arbitrator shall award to the Executive all of her attorneys' fees. The Company shall pay all JAMS' arbitration fees. 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. Advancement of Executive's Legal Fees. In connection with the resolution of any dispute in accordance with Section 11, the Company shall advance to the Executive all reasonable attorneys' fees of the Executive as they are incurred and reasonably documented by the Executive in respect of any mediation, arbitration or litigation related thereto. The Executive shall not be required to reimburse the Company for any such advances of attorney's fees until a final determination is made with respect to such dispute and, then, the Executive's obligation to repay any such advances shall, (i) in the context of mediation or arbitration, be subject to an affirmative determination of the mediator or arbitrator that the Executive is obligated to repay such advances and (ii) in the context any litigation, be subject to the condition that substantially all of the material issues raised in such litigation have been resolved by a final (non-appealable) judgement in favor of the Company.

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 Agreement, but excluding the plans, programs and equity award agreements under which compensation and benefits are provided pursuant to Sections 3 and 4 hereof (and, to the extent such plans, programs and/or equity award agreements contain more favorable terms, such terms shall continue to apply). 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 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]

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

EXHIBIT A
RELEASE AGREEMENT

Except as otherwise set forth in this Release Agreement, 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 or to the attention of the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency claims of discrimination, harassment, interference with leave rights, and retaliation (provided, however, that the Executive releases the Executive’s right to secure damages or other relief for any such alleged treatment); 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, and in accordance with, Section 18 of the Executive’s Seventh Amended and

Restated Employment Agreement with the Company(the “Employment Agreement”), the Company’s bylaws or binding resolutions, or applicable law or pursuant to, and in accordance with, any written indemnification agreement between the Executive and the Company or (y) the Company’s payment obligations under Section 7 of the Employment Agreement, as well as the Company’s other continuing obligations to the Executive under the Employment Agreement, (ii) any right or claim to 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, (iv) Executive’s vested equity awards and other awards, or (v) claims relating to or arising out of the Executive’s fraud or breach of fiduciary duty.

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 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 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 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. Nothing contained herein prevents the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful.

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]

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: _____

EXHIBIT B
RELEASE AGREEMENT

Except as otherwise set forth in this Release Agreement, 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 or to the attention of the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency claims of discrimination, harassment, interference with leave rights, and retaliation (provided, however, that the Executive releases the Executive’s right to secure damages or other relief for any such alleged treatment); 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, and in accordance with, Section 18 of the Executive’s Seventh Amended and Restated

Employment Agreement with the Company(the “Employment Agreement”), the Company’s bylaws or binding resolutions, or applicable law or pursuant to, and in accordance with, any written indemnification agreement between the Executive and the Company or (y) the Company’s payment obligations under Section 7 of the Employment Agreement, as well as the Company’s other continuing obligations to the Executive under the Employment Agreement, (ii) any right or claim to 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, (iv) Executive’s vested equity awards and other awards, or (v) claims relating to or arising out of the Executive’s fraud or breach of fiduciary duty.

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 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 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 do so); (C) Executive has forty-five (45) 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; (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. Nothing contained herein prevents the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful.

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]

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: _____

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.

1. 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.

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) 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.”

EXHIBIT E

COPY OF REDWOOD TRUST, INC.'S POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

The Board of Directors (the “*Board*”) of Redwood Trust, Inc. (the “*Company*”) has adopted this Policy for Recovery of Erroneously Awarded Compensation (the “*Policy*”), effective as of October 2, 2023 (the “*Effective Date*”). Capitalized terms used in this Policy but not otherwise defined herein are defined in Section 11.

1. Persons Subject to Policy

This Policy shall apply to current and former Designated Officers of the Company.

2. Compensation Subject to Policy

This Policy shall apply to Incentive-Based Compensation received on or after the Effective Date. For purposes of this Policy, the date on which Incentive-Based Compensation is “received” shall be determined under the Applicable Rules, which generally provide that Incentive-Based Compensation is “received” in the Company’s fiscal period during which the relevant Financial Reporting Measure is attained or satisfied, without regard to whether the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

3. Recovery of Compensation

In the event that the Company is required to prepare a Restatement, the Company shall recover, reasonably promptly, the portion of any Incentive-Based Compensation that is Erroneously Awarded Compensation, unless the Committee has determined that recovery would be Impracticable. Recovery shall be required in accordance with the preceding sentence regardless of whether the applicable Designated Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Restatement and regardless of whether or when restated financial statements are filed by the Company. For clarity, the recovery of Erroneously Awarded Compensation under this Policy will not give rise to any person’s right to voluntarily terminate employment for “good reason,” or due to a “constructive termination” (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.

4. Manner of Recovery; Limitation on Duplicative Recovery

The Committee shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation, Erroneously Awarded Compensation or time-vesting equity or cash awards, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited

to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

5. Administration

This Policy shall be administered, interpreted and construed by the Committee, which is authorized to make all determinations necessary, appropriate or advisable for such purpose. The Board may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the “Committee” shall be deemed to be references to the Board. Subject to any permitted review by the applicable national securities exchange or association pursuant to the Applicable Rules, all determinations and decisions made by the Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company and its affiliates, equityholders or stockholders, and employees. The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, or to third-party agents of the Company, as permitted under applicable law, including any Applicable Rules.

6. Interpretation

This Policy will be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

7. No Indemnification; No Liability

The Company shall not indemnify or insure any person against the loss of any Erroneously Awarded Compensation pursuant to this Policy, nor shall the Company directly or indirectly pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to purchase to fund such person’s potential obligations under this Policy. None of the Company, an affiliate of the Company or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Policy.

8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to (but without duplication of), any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based or cash-based plan or award agreement thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the “*Other Recovery Arrangements*”). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company.

9. Severability

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

10. Amendment and Termination

The Board or the Committee may amend, modify or terminate this Policy in whole or in part at any time and from time to time in its sole discretion. This Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association.

11. **Definitions**

“**Applicable Rules**” means Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder, the listing rules of the national securities exchange or association on which the Company’s securities are listed, and any applicable rules, standards or other guidance adopted by the Securities and Exchange Commission or any national securities exchange or association on which the Company’s securities are listed.

“**Committee**” means the Compensation Committee of the Board, for so long as it is comprised solely of independent directors (as determined under the Applicable Rules), or in the absence of such a committee or such independence, a majority of the independent directors (or as determined under the Applicable Rules) serving on the Board.

“**Designated Officer**” means each designated person who serves as an executive officer of the Company, as defined in Rule 10D-1(d) under the Exchange Act.

“**Erroneously Awarded Compensation**” means the amount of Incentive-Based Compensation received by a current or former Designated Officer that exceeds the amount of Incentive-Based Compensation that would have been received by such current or former Designated Officer based on a restated Financial Reporting Measure, as determined on a pre-tax basis in accordance with the Applicable Rules.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Financial Reporting Measure**” means any measure determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures derived wholly or in part from such measures, including GAAP and non-GAAP financial measures, as well as stock or share price and total equityholder or stockholder return.

“**GAAP**” means United States generally accepted accounting principles.

“**Impracticable**” means (a) the direct costs paid to third parties to assist in enforcing recovery would exceed the Erroneously Awarded Compensation; provided that the Company has (i) made reasonable attempt(s) to recover the Erroneously Awarded Compensation, (ii) documented such attempt(s), and (iii) provided such documentation to the relevant listing exchange or association or (b) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

“**Incentive-Based Compensation**” means, with respect to a Restatement, any compensation that is granted, earned, or vested based wholly or in part upon the attainment of one or more Financial Reporting Measures and received by a person: (a) after beginning service as a Designated Officer; (b) who served as a Designated Officer at any time during the performance period for that compensation; (c) while the Company has a class of securities listed on a national securities exchange or association; and (d) during the applicable Three-Year Period.

“Restatement” means an accounting restatement to correct the Company’s material noncompliance with any financial reporting requirement under securities laws, including restatements that correct an error in previously issued financial statements (a) that is material to the previously issued financial statements or (b) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

“Three-Year Period” means, with respect to a Restatement, the three completed fiscal years immediately preceding the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare such Restatement, or, if earlier, the date on which a court, regulator or other legally authorized body directs the Company to prepare such Restatement. The “Three-Year Period” also includes any transition period (that results from a change in the Company’s fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence. However, a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.

EIGHTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Eighth Amended and Restated Employment Agreement (“Agreement”), effective as of November 3, 2023 (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 Seventh Amended and Restated Employment Agreement by and between the Executive and the Company dated November 3, 2022 (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 sole 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.

2. Term of Agreement. The term of this Agreement (the “Term”) shall commence on the Effective Date and shall continue through December 31, 2023; provided, however, that (i) on January 1, 2024 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.

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 \$450,000 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 150% of his Base Salary or such greater amount as may subsequently be established by the Board (the “Target Bonus”). During the first ninety (90) days of each calendar year, the Board, in consultation with the Chief Executive Officer, shall establish the performance goals applicable to such year’s annual bonus opportunity, as well as the framework for awarding an annual bonus that is higher or lesser than the Target Bonus. Such criteria shall be established by the Board, after consultation with the Executive, and pursuant to a process that is consistent with past practice. 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 Board determines in its discretion that 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 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. The 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 periodically. The performance evaluations shall consider and assess the Executive's performance of his duties and responsibilities, the accomplishment of established performance objectives, and/or other factors or criteria that the Board, 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, but generally would occur on an annual basis. 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). 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.

(e) Acknowledgement of Company's Policy for Recovery of Erroneously Awarded Compensation. A copy of the Company's Policy for Recovery of Erroneously Awarded Compensation (the "Erroneously Awarded Compensation Policy") is attached as Exhibit E hereto. The Executive hereby acknowledges such Erroneously Awarded Compensation Policy and agrees to the terms thereof and understands that compensation received by the Executive may be subject to reduction, cancellation, forfeiture and/or recoupment in accordance with, and to the extent necessary, for the Company to comply with the Erroneously Awarded Compensation Policy, notwithstanding any other agreement to the contrary. The Executive further acknowledges and agrees that he is not entitled to indemnification to compensate him for any such reduction, cancellation, forfeiture and/or recoupment of compensation under such Erroneously Awarded Compensation Policy and expressly waives any rights to such indemnification under the Company's organizational documents, under this Agreement, and/or any indemnification agreement between the Executive and the Company, or otherwise.

(f) Erroneous Underpayment of Compensation. With respect to any Incentive Based Compensation (as defined in the Erroneously Awarded Compensation Policy) granted to the Executive during the Term, if a Restatement (as defined in the Erroneously Awarded Compensation Policy) results in an applicable restated Financial Reporting Measure (as defined in the Erroneously Awarded Compensation Policy) being positively impacted (i.e., being increased rather than decreased), the Executive will be entitled to receive additional compensation in an amount equal to the difference between the amount of Incentive Based Compensation the Executive should have received (i.e., based on the restated Financial Reporting Measure) and the amount of Incentive Based Compensation the Executive received (i.e., based on the original, non-restated Financial Reporting Measure) (the "Additional Compensation"). The terms and conditions of any Additional Compensation (including, for example, the methodology for calculation of the amount of the Additional Compensation, and the form of, and vesting and payment terms applicable to, the Additional Compensation) shall be determined by the Board or its Compensation Committee in its sole discretion in a manner consistent with the Erroneously Awarded Compensation Policy (to the extent applicable) and

with any applicable plan, program and/or award agreement governing and/or evidencing such Incentive Based Compensation.

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 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 each calendar year pursuant to the Company's policies applicable to senior executive officers of the Company, as in effect from time to time.

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 the 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, (i) 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, and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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"), the Executive shall have been unable to perform his duties to the Company for six (6) consecutive months, and, within thirty (30) days after written notice is provided to him by the Board, he shall not have resumed the 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 unable to perform his duties to 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, if such a termination for Disability occurs then (i) 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 and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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). Notwithstanding the foregoing provisions of this Section 6(b), if such a termination for Disability occurs within three months prior to, on, or within 24 months following a Change of Control (as defined in Exhibit D attached hereto), and such termination constitutes a Separation from Service (as defined below), then such termination shall be treated for purposes of this Agreement as termination by the Company of the Executive's employment without Cause and as a "CIC Termination", as applicable, pursuant to and as set forth in Section 6(d) and Section 7 below, respectively, and the Executive shall be entitled to the payments, vesting, consideration, and benefits set forth therein in lieu of the payments, vesting, consideration, and benefits set forth in this Section 6(b).

(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, the Board must first provide written notice describing the reason for such termination of employment (and, with respect to subsections (iv), (v) and (vi) 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, including any habitual or repeated neglect of such duties, which failure has caused, or could reasonably be expected to cause, significant injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board 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,

which failure has caused material injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board to the Executive;

(iii) unauthorized use or disclosure of trade secrets or confidential or proprietary information pertaining to Company business, which use or disclosure has caused, or could reasonably be expected to cause significant injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board to the Executive;

(iv) acts or omissions constituting willful misconduct on the part of the Executive in respect of the performance of his fiduciary duty of loyalty to the Company, which failure has caused material injury to the interests, property, operations, business or reputation of the Company;

(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) the Executive's conviction of, or plea of guilty or *nolo contendere* to, a non-vehicular felony, including, without limitation, a non-vehicular felony the elements of which involve fraud, dishonesty, or moral turpitude;

(vii) the Executive's conviction of, or plea of guilty or *nolo contendere* to, a misdemeanor the elements of which involve fraud, dishonesty, or moral turpitude, and which is substantially related to the Executive's employment and duties to the Company; or

(viii) the Executive's commission of a crime the elements of which involve fraud, dishonesty, or moral turpitude, and which has caused, or could reasonably be expected to cause, material injury to the interests, property, operations, business or reputation of the Company.

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 the Executive's employment hereunder at any time without Cause upon 30 days

written notice to the Executive or pay in lieu thereof. In the event of a termination under this Section 6(d), the Executive shall be entitled to the payments, vesting, consideration, and benefits set forth in Section 7.

(e) Termination By The Executive For Good Reason. The Executive shall have the right to terminate the Executive'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 the Executive's responsibilities, title, duties or authority, including, without limitation, (A) the Executive ceasing to serve as the sole 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 the Executive is not appointed (or after appointment, ceases) to be the sole 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 the Executive to a top-tier parent entity that is not publicly traded does not eliminate the Executive's rights under sub-clause (A) above;

(ii) A reduction in the Executive's Base Salary or in the Executive's Target Bonus 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 (and for the avoidance of doubt, following a Change of Control, the reference to senior executives of the Company shall include, without limitation, all senior executives of any top tier parent entity of any acquiror of and/or successor to Redwood Trust, Inc.);

(iii) The relocation of the Executive's principal Company office to a location not within the area of Marin County, California (commonly referred to as the "Highway 101 Corridor"), except for required travel away from the Executive's principal Company office on the Company's business to the extent necessary to fulfill the Executive's obligations under Section 1 (provided that any such travel explicitly required by the Company may not exceed thirty (30) days during any calendar year);

(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 (no later than the closing of the applicable transaction) or to otherwise comply with its obligations pursuant to Section 13 below.

Notwithstanding the foregoing, at any time prior to a Change of Control, the Executive will not be deemed to have resigned for Good Reason for purposes of subclause (i) unless (1) the Executive provides the Board with written notice setting forth in reasonable detail the facts and circumstances claimed by the Executive to constitute Good Reason (the "Good Reason Notice") within one hundred twenty (120) days after the date of the occurrence of any event that the Executive knows to constitute Good Reason, (2) the Company fails to cure such acts or omissions within thirty (30) days following its receipt of such notice or prior to a Change of Control, whichever shall occur earlier, 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; provided, however, that if the Executive reasonably believes that circumstances constituting "Good Reason" for the Executive to terminate his/her employment under this Agreement will exist immediately following a Change in Control, then the Executive may provide the Company with a Good Reason Notice no later than five (5) business days prior to the consummation of such Change of Control (and in such event the Company shall not be entitled to a period to cure) and the Executive's resignation for Good Reason, if accepted by the Board, shall be deemed effective and binding on the Company (and any successor thereto) as of such time as may be determined by the Board (provided that any such effective time shall not be earlier than immediately following the consummation of the Change of Control). Following a Change of Control, in order to resign for Good Reason, the Executive must provide a Good Reason Notice, but the Company shall not be entitled to a cure period. In addition, following a Change of Control, the determination of whether to accept the Executive's resignation for Good Reason shall be determined by the "Review Committee" as set forth in sub-section (g) below.

In the event of a termination under this Section 6(e), the Executive shall be entitled to the payments, vesting, consideration, and 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.

(g) Administration of Agreement Upon Change of Control. Notwithstanding anything herein to the contrary, in the event of a Change of Control, prior to and in any event not later than ten (10) days before the consummation of such Change of Control, the Company may designate a committee of two or more members of the Board as constituted immediately prior to the Change of Control (the "Review Committee") for the purpose of making any determination as to whether, solely for purposes of this Agreement, Executive's employment is terminated with or without Cause or if Executive's resignation is with or without Good Reason; provided that, in any Change of Control in which two or more members of the Board as constituted immediately prior to the Change of Control shall continue to act as members of the Board of the Company (or act as members of the board of directors or board of trustees (or otherwise as fiduciaries)) of any successor or parent entity of the Company) following such Change of Control, the Company shall be required to designate such a Review Committee. For the avoidance of doubt, any such Review Committee shall have the sole authority and responsibility to review, and be authorized to accept, in its sole discretion, any Good Reason Notice submitted by the Executive pursuant to Section 6 during the 24-month period following a Change of Control.

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 payments, vesting, consideration, and 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.

(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 \$2,000,000.

(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 subject to 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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 the 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 cash amount equal to the aggregate imputed or imposed federal, state and local taxes on any such amount in subclause (A), plus any taxes imposed on such cash amount, so that the Executive on an after-tax basis is in the same position as if there had been no imputation or imposition of income on the Executive. 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

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 the Executive's employment under this Section 7.

(c) Release Agreement. (i) As a condition of receiving any of the payments, vesting, consideration and benefits set forth in this Section 7 (other than the payment provided for in sub-section 7(a)(i)) at any time prior to a Change in Control, the Executive shall be required to execute a mutual release agreement substantially 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 (which form of mutual release agreement the Company, in its sole discretion, may modify to comply with applicable law, and which form of mutual release agreement may be incorporated into a termination agreement or other agreement with the Executive).

(ii) With respect to the Executive's receipt of any of the payments, vesting, consideration and benefits set forth in this Section 7 at the time of, or following, a Change in Control, the Executive shall not be required to execute any type of release or general release agreement in favor of the Company; provided that, in connection with any termination of the Executive's employment by the Company without "Cause" or any termination of the Executive's employment by the Executive for "Good Reason", the Executive has the option to require the Company to enter into and execute a mutual release agreement with the Executive substantially in the form attached hereto as Exhibit A or Exhibit B, as appropriate, and, if so required by the Executive, the Company and the Executive agree that such release agreement must be executed and have become effective in accordance with its terms within 60 days following the termination date.

(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 payments, vesting, consideration, and benefits provided for under Section 7, the Company shall continue to pay the Executive the full compensation (including, without limitation, his Base Salary, annual bonus and equity-based long-term incentive awards) 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, and provide continuing vesting for any compensation, award or benefit with a vesting condition, until 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.

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, the 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 Executive’s employment termination date, 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 the 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 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 the Executive; or (B) becomes available to the Executive on a non-confidential basis after the termination or expiration of the 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 the Executive’s obligations under this agreement without reference to the Confidential Information, provided such independent development can reasonably be proven by the 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, the 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 the 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 the Executive's employment, the 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) The 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 the Executive is or has been a party. To the extent that the Executive has confidential information or materials of any former employer, the Executive acknowledges that the Company has directed the Executive to not disclose such confidential information or materials to the Company or any of its employees, and that the Company prohibits the Executive from using said confidential information or materials in any work that the Executive may perform for the Company. The Executive agrees that the Executive will not bring with the Executive to the Company, and will not use or disclose any confidential, proprietary information, or trade secrets acquired by the Executive prior to his employment with the Company. The 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 the Executive bring to the Company or use in connection with the 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. The Executive represents that he is not a party to any other agreement that will interfere with his full compliance with this Agreement. The 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 the 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 the Executive to the Company and shall be the sole and exclusive property of the Company, and the Executive shall assign, and hereby does assign, to the Company, the 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 the Executive may have acquired in connection with an invention, discovery or improvement that was developed entirely on the 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 the Executive for the Company.

(g) [RESERVED]

(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.

(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 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. The cost of all 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 and the Company each acknowledge 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. With respect to attorney's fees, the arbitrator shall award to the Executive his attorneys' fees based on a determination of the extent to which the Executive has prevailed as to the material issues raised in determination of the dispute (and, for the avoidance of doubt, regardless of the extent to which the Company has prevailed as to the material issues raised in determination of the dispute, the arbitrator is not authorized to award to the Company any portion of its attorney's fees); and, moreover, to the extent the Executive prevails as to substantially all of the material issues raised in determination of the dispute, the arbitrator shall award to the Executive all of his attorneys' fees. The Company shall pay all JAMS' arbitration fees. 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. Advancement of Executive's Legal Fees. In connection with the resolution of any dispute in accordance with Section 11, the Company shall advance to the Executive all reasonable attorneys' fees of the Executive as they are incurred and reasonably documented by the Executive in respect of any mediation, arbitration or litigation related thereto. The Executive shall not be required to reimburse the Company for any such advances of attorney's fees until a final determination is made with respect to such dispute and, then, the Executive's obligation to repay any such advances shall, (i) in the context of mediation or arbitration, be subject to an affirmative determination of the mediator or arbitrator that the Executive is obligated to repay such advances and (ii) in the context any litigation, be subject to the condition that substantially

all of the material issues raised in such litigation have been resolved by a final (non-appealable) judgement in favor of the Company.

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 Agreement, but excluding the plans, programs and equity award agreements under which compensation and benefits are provided pursuant to Sections 3 and 4 hereof (and, to the extent such plans, programs and/or equity award agreements contain more favorable terms, such terms shall continue to apply). 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 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]

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

EXHIBIT A
RELEASE AGREEMENT

Except as otherwise set forth in this Release Agreement, 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 or to the attention of the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency claims of discrimination, harassment, interference with leave rights, and retaliation (provided, however, that the Executive releases the Executive’s right to secure damages or other relief for any such alleged treatment); 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, and in accordance with, Section 18 of the Executive's Seventh Amended and Restated Employment Agreement with the Company (the "Employment Agreement"), the Company's bylaws or binding resolutions, or applicable law or pursuant to, and in accordance with, any written indemnification agreement between the Executive and the Company or (y) the Company's payment obligations under Section 7 of the Employment Agreement, as well as the Company's other continuing obligations to the Executive under the Employment Agreement, (ii) any right or claim to 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, (iv) Executive's vested equity awards and other awards, or (v) claims relating to or arising out of the Executive's fraud or breach of fiduciary duty.

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 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. Nothing contained herein prevents the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful.

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) 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 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. Nothing contained herein prevents the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful.

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]

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: _____

EXHIBIT B
RELEASE AGREEMENT

Except as otherwise set forth in this Release Agreement, 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 or to the attention of the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency claims of discrimination, harassment, interference with leave rights, and retaliation (provided, however, that the Executive releases the Executive’s right to secure damages or other relief for any such alleged treatment); 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, and in accordance with, Section 18 of the Executive’s Seventh Amended and Restated

Employment Agreement with the Company(the “Employment Agreement”), the Company’s bylaws or binding resolutions, or applicable law or pursuant to, and in accordance with, any written indemnification agreement between the Executive and the Company or (y) the Company’s payment obligations under Section 7 of the Employment Agreement, as well as the Company’s other continuing obligations to the Executive under the Employment Agreement, (ii) any right or claim to 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, (iv) Executive’s vested equity awards and other awards, or (v) claims relating to or arising out of the Executive’s fraud or breach of fiduciary duty.

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 do so); (C) Executive has forty-five (45) 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; (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. Nothing contained herein prevents the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful.

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]

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: _____

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.

1. 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.

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 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 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.”

EXHIBIT E

COPY OF REDWOOD TRUST, INC.'S POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

The Board of Directors (the “*Board*”) of Redwood Trust, Inc. (the “*Company*”) has adopted this Policy for Recovery of Erroneously Awarded Compensation (the “*Policy*”), effective as of October 2, 2023 (the “*Effective Date*”). Capitalized terms used in this Policy but not otherwise defined herein are defined in Section 11.

1. Persons Subject to Policy

This Policy shall apply to current and former Designated Officers of the Company.

2. Compensation Subject to Policy

This Policy shall apply to Incentive-Based Compensation received on or after the Effective Date. For purposes of this Policy, the date on which Incentive-Based Compensation is “received” shall be determined under the Applicable Rules, which generally provide that Incentive-Based Compensation is “received” in the Company’s fiscal period during which the relevant Financial Reporting Measure is attained or satisfied, without regard to whether the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

3. Recovery of Compensation

In the event that the Company is required to prepare a Restatement, the Company shall recover, reasonably promptly, the portion of any Incentive-Based Compensation that is Erroneously Awarded Compensation, unless the Committee has determined that recovery would be Impracticable. Recovery shall be required in accordance with the preceding sentence regardless of whether the applicable Designated Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Restatement and regardless of whether or when restated financial statements are filed by the Company. For clarity, the recovery of Erroneously Awarded Compensation under this Policy will not give rise to any person’s right to voluntarily terminate employment for “good reason,” or due to a “constructive termination” (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.

4. Manner of Recovery; Limitation on Duplicative Recovery

The Committee shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation, Erroneously Awarded Compensation or time-vesting equity or cash awards, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited

to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

5. Administration

This Policy shall be administered, interpreted and construed by the Committee, which is authorized to make all determinations necessary, appropriate or advisable for such purpose. The Board may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the “Committee” shall be deemed to be references to the Board. Subject to any permitted review by the applicable national securities exchange or association pursuant to the Applicable Rules, all determinations and decisions made by the Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company and its affiliates, equityholders or stockholders, and employees. The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, or to third-party agents of the Company, as permitted under applicable law, including any Applicable Rules.

6. Interpretation

This Policy will be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

7. No Indemnification; No Liability

The Company shall not indemnify or insure any person against the loss of any Erroneously Awarded Compensation pursuant to this Policy, nor shall the Company directly or indirectly pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to purchase to fund such person’s potential obligations under this Policy. None of the Company, an affiliate of the Company or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Policy.

8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to (but without duplication of), any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based or cash-based plan or award agreement thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the “*Other Recovery Arrangements*”). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company.

9. Severability

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

10. Amendment and Termination

The Board or the Committee may amend, modify or terminate this Policy in whole or in part at any time and from time to time in its sole discretion. This Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association.

11. **Definitions**

“**Applicable Rules**” means Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder, the listing rules of the national securities exchange or association on which the Company’s securities are listed, and any applicable rules, standards or other guidance adopted by the Securities and Exchange Commission or any national securities exchange or association on which the Company’s securities are listed.

“**Committee**” means the Compensation Committee of the Board, for so long as it is comprised solely of independent directors (as determined under the Applicable Rules), or in the absence of such a committee or such independence, a majority of the independent directors (or as determined under the Applicable Rules) serving on the Board.

“**Designated Officer**” means each designated person who serves as an executive officer of the Company, as defined in Rule 10D-1(d) under the Exchange Act.

“**Erroneously Awarded Compensation**” means the amount of Incentive-Based Compensation received by a current or former Designated Officer that exceeds the amount of Incentive-Based Compensation that would have been received by such current or former Designated Officer based on a restated Financial Reporting Measure, as determined on a pre-tax basis in accordance with the Applicable Rules.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Financial Reporting Measure**” means any measure determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures derived wholly or in part from such measures, including GAAP and non-GAAP financial measures, as well as stock or share price and total equityholder or stockholder return.

“**GAAP**” means United States generally accepted accounting principles.

“**Impracticable**” means (a) the direct costs paid to third parties to assist in enforcing recovery would exceed the Erroneously Awarded Compensation; provided that the Company has (i) made reasonable attempt(s) to recover the Erroneously Awarded Compensation, (ii) documented such attempt(s), and (iii) provided such documentation to the relevant listing exchange or association or (b) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

“**Incentive-Based Compensation**” means, with respect to a Restatement, any compensation that is granted, earned, or vested based wholly or in part upon the attainment of one or more Financial Reporting Measures and received by a person: (a) after beginning service as a Designated Officer; (b) who served as a Designated Officer at any time during the performance period for that compensation; (c) while the Company has a class of securities listed on a national securities exchange or association; and (d) during the applicable Three-Year Period.

“Restatement” means an accounting restatement to correct the Company’s material noncompliance with any financial reporting requirement under securities laws, including restatements that correct an error in previously issued financial statements (a) that is material to the previously issued financial statements or (b) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

“Three-Year Period” means, with respect to a Restatement, the three completed fiscal years immediately preceding the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare such Restatement, or, if earlier, the date on which a court, regulator or other legally authorized body directs the Company to prepare such Restatement. The “Three-Year Period” also includes any transition period (that results from a change in the Company’s fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence. However, a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.

THIRD AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Third Amended and Restated Employment Agreement (“Agreement”), effective as of November 3, 2023 (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 Second Amended and Restated Employment Agreement by and between the Executive and the Company dated November 3, 2022 (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 sole 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.

2. Term of Agreement. The term of this Agreement (the “Term”) shall commence on the Effective Date and shall continue through December 31, 2023; provided, however, that (i) on January 1, 2024 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.

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 \$450,000 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 150% of her Base Salary or such greater amount as may subsequently be established by the Board (the “Target Bonus”). During the first ninety (90) days of each calendar year, the Board, in consultation with the Chief Executive Officer, shall establish the performance goals applicable to such year’s annual bonus opportunity, as well as the framework for awarding an annual bonus that is higher or lesser than the Target Bonus. Such criteria shall be established by the Board, after consultation with the Executive, and pursuant to a process that is consistent with past practice. 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 Board determines in its discretion that 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 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. The 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 periodically. The performance evaluations shall consider and assess the Executive's performance of her duties and responsibilities, the accomplishment of established performance objectives, and/or other factors or criteria that the Board, 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, but generally would occur on an annual basis. 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). 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.

(e) Acknowledgement of Company's Policy for Recovery of Erroneously Awarded Compensation. A copy of the Company's Policy for Recovery of Erroneously Awarded Compensation (the "Erroneously Awarded Compensation Policy") is attached as Exhibit E hereto. The Executive hereby acknowledges such Erroneously Awarded Compensation Policy and agrees to the terms thereof and understands that compensation received by the Executive may be subject to reduction, cancellation, forfeiture and/or recoupment in accordance with, and to the extent necessary, for the Company to comply with the Erroneously Awarded Compensation Policy, notwithstanding any other agreement to the contrary. The Executive further acknowledges and agrees that she is not entitled to indemnification to compensate her for any such reduction, cancellation, forfeiture and/or recoupment of compensation under such Erroneously Awarded Compensation Policy and expressly waives any rights to such indemnification under the Company's organizational documents, under this Agreement, and/or any indemnification agreement between the Executive and the Company, or otherwise.

(f) Erroneous Underpayment of Compensation. With respect to any Incentive Based Compensation (as defined in the Erroneously Awarded Compensation Policy) granted to the Executive during the Term, if a Restatement (as defined in the Erroneously Awarded Compensation Policy) results in an applicable restated Financial Reporting Measure (as defined in the Erroneously Awarded Compensation Policy) being positively impacted (i.e., being increased rather than decreased), the Executive will be entitled to receive additional compensation in an amount equal to the difference between the amount of Incentive Based Compensation the Executive should have received (i.e., based on the restated Financial Reporting Measure) and the amount of Incentive Based Compensation the Executive received (i.e., based on the original, non-restated Financial Reporting Measure) (the "Additional Compensation"). The terms and conditions of any Additional Compensation (including, for example, the methodology for calculation of the amount of the Additional Compensation, and the form of, and vesting and payment terms applicable to, the Additional Compensation) shall be determined by the Board or its Compensation Committee in its sole discretion in a manner consistent with the Erroneously Awarded Compensation Policy (to the extent applicable) and

with any applicable plan, program and/or award agreement governing and/or evidencing such Incentive Based Compensation.

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 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 each calendar year pursuant to the Company's policies applicable to senior executive officers of the Company, as in effect from time to time.

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 the 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, (i) 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, and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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"), the Executive shall have been unable to perform her duties to the Company for six (6) consecutive months, and, within thirty (30) days after written notice is provided to her by the Board, she shall not have resumed the 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 Executive is unable to perform her duties to 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, if such a termination for Disability occurs then (i) 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 and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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). Notwithstanding the foregoing provisions of this Section 6(b), if such a termination for Disability occurs within three months prior to, on, or within 24 months following a Change of Control (as defined in Exhibit D attached hereto), and such termination constitutes a Separation from Service (as defined below), then such termination shall be treated for purposes of this Agreement as termination by the Company of the Executive's employment without Cause and as a "CIC Termination", as applicable, pursuant to and as set forth in Section 6(d) and Section 7 below, respectively, and the Executive shall be entitled to the payments, vesting, consideration, and benefits set forth therein in lieu of the payments, vesting, consideration, and benefits set forth in this Section 6(b).

(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, the Board must first provide written notice describing the reason for such termination of employment (and, with respect to subsections (iv), (v) and (vi) 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, including any habitual or repeated neglect of such duties, which failure has caused, or could reasonably be expected to cause, significant injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board 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,

which failure has caused material injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board to the Executive;

(iii) unauthorized use or disclosure of trade secrets or confidential or proprietary information pertaining to Company business, which use or disclosure has caused, or could reasonably be expected to cause significant injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board to the Executive;

(iv) acts or omissions constituting willful misconduct on the part of the Executive in respect of the performance of her fiduciary duty of loyalty to the Company, which failure has caused material injury to the interests, property, operations, business or reputation of the Company;

(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) the Executive's conviction of, or plea of guilty or *nolo contendere* to, a non-vehicular felony, including, without limitation, a non-vehicular felony the elements of which involve fraud, dishonesty, or moral turpitude;

(vii) the Executive's conviction of, or plea of guilty or *nolo contendere* to, a misdemeanor the elements of which involve fraud, dishonesty, or moral turpitude, and which is substantially related to the Executive's employment and duties to the Company; or

(viii) the Executive's commission of a crime the elements of which involve fraud, dishonesty, or moral turpitude, and which has caused, or could reasonably be expected to cause, material injury to the interests, property, operations, business or reputation of the Company.

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 the Executive's employment hereunder at any time without Cause upon 30 days

written notice to the Executive or pay in lieu thereof. In the event of a termination under this Section 6(d), the Executive shall be entitled to the payments, vesting, consideration, and benefits set forth in Section 7.

(e) Termination By The Executive For Good Reason. The Executive shall have the right to terminate the Executive'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 the Executive's responsibilities, title, duties or authority, including, without limitation, (A) the Executive ceasing to serve as the sole 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 sole 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 the Executive to a top-tier parent entity that is not publicly traded does not eliminate the Executive's rights under sub-clause (A) above;

(ii) A reduction in the Executive's Base Salary or in the Executive's Target Bonus 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 (and for the avoidance of doubt, following a Change of Control, the reference to senior executives of the Company shall include, without limitation, all senior executives of any top tier parent entity of any acquiror of and/or successor to Redwood Trust, Inc.);

(iii) The relocation of the Executive's principal Company office to a location not within the area of Marin County, California (commonly referred to as the "Highway 101 Corridor"), except for required travel away from the Executive's principal Company office on the Company's business to the extent necessary to fulfill the Executive's obligations under Section 1 (provided that any such travel explicitly required by the Company may not exceed thirty (30) days during any calendar year);

(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 (no later than the closing of the applicable transaction) or to otherwise comply with its obligations pursuant to Section 13 below.

Notwithstanding the foregoing, at any time prior to a Change of Control, the Executive will not be deemed to have resigned for Good Reason for purposes of subclause (i) unless (1) the Executive provides the Board with written notice setting forth in reasonable detail the facts and circumstances claimed by the Executive to constitute Good Reason (the "Good Reason Notice") within one hundred twenty (120) days after the date of the occurrence of any event that the Executive knows to constitute Good Reason, (2) the Company fails to cure such acts or omissions within thirty (30) days following its receipt of such notice or prior to a Change of Control, whichever shall occur earlier, 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; provided, however, that if the Executive reasonably believes that circumstances constituting "Good Reason" for the Executive to terminate his/her employment under this Agreement will exist immediately following a Change in Control, then the Executive may provide the Company with a Good Reason Notice no later than five (5) business days prior to the consummation of such Change of Control (and in such event the Company shall not be entitled to a period to cure) and the Executive's resignation for Good Reason, if accepted by the Board, shall be deemed effective and binding on the Company (and any successor thereto) as of such time as may be determined by the Board (provided that any such effective time shall not be earlier than immediately following the consummation of the Change of Control). Following a Change of Control, in order to resign for Good Reason, the Executive must provide a Good Reason Notice, but the Company shall not be entitled to a cure period. In addition, following a Change of Control, the determination of whether to accept the Executive's resignation for Good Reason shall be determined by the "Review Committee" as set forth in sub-section (g) below.

In the event of a termination under this Section 6(e), the Executive shall be entitled to the payments, vesting, consideration, and 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.

(g) Administration of Agreement Upon Change of Control. Notwithstanding anything herein to the contrary, in the event of a Change of Control, prior to and in any event not later than ten (10) days before the consummation of such Change of Control, the Company may designate a committee of two or more members of the Board as constituted immediately prior to the Change of Control (the "Review Committee") for the purpose of making any determination as to whether, solely for purposes of this Agreement, Executive's employment is terminated with or without Cause or if Executive's resignation is with or without Good Reason; provided that, in any Change of Control in which two or more members of the Board as constituted immediately prior to the Change of Control shall continue to act as members of the Board of the Company (or act as members of the board of directors or board of trustees (or otherwise as fiduciaries)) of any successor or parent entity of the Company) following such Change of Control, the Company shall be required to designate such a Review Committee. For the avoidance of doubt, any such Review Committee shall have the sole authority and responsibility to review, and be authorized to accept, in its sole discretion, any Good Reason Notice submitted by the Executive pursuant to Section 6 during the 24-month period following a Change of Control.

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 payments, vesting, consideration, and 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 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 \$2,000,000.

(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 subject to 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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 the 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 cash amount equal to the aggregate imputed or imposed federal, state and local taxes on any such amount in subclause (A), plus any taxes imposed on such cash amount, so that the Executive on an after-tax basis is in the same position as if there had been no imputation or imposition of income on the Executive. 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 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 the Executive's employment under this Section 7.

(c) Release Agreement. (i) As a condition of receiving any of the payments, vesting, consideration and benefits set forth in this Section 7 (other than the payment provided for in sub-section 7(a)(i)) at any time prior to a Change in Control, the Executive shall be required to execute a mutual release agreement substantially 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 (which form of mutual release agreement the Company, in its sole discretion, may modify to comply with applicable law, and which form of mutual release agreement may be incorporated into a termination agreement or other agreement with the Executive).

(ii) With respect to the Executive's receipt of any of the payments, vesting, consideration and benefits set forth in this Section 7 at the time of, or following, a Change in Control, the Executive shall not be required to execute any type of release or general release agreement in favor of the Company; provided that, in connection with any termination of the Executive's employment by the Company without "Cause" or any termination of the Executive's employment by the Executive for "Good Reason", the Executive has the option to require the Company to enter into and execute a mutual release agreement with the Executive substantially in the form attached hereto as Exhibit A or Exhibit B, as appropriate, and, if so required by the Executive, the Company and the Executive agree that such release agreement must be executed and have become effective in accordance with its terms within 60 days following the termination date.

(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 payments, vesting, consideration, and benefits provided for under Section 7, the Company shall continue to pay the Executive the full compensation (including, without limitation, her Base Salary, annual bonus and equity-based long-term incentive awards) 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, and provide continuing vesting for any compensation, award or benefit with a vesting condition, until 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.

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, the 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 Executive's employment termination date, 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 the 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 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 the Executive; or (B) becomes available to the Executive on a non-confidential basis after the termination or expiration of the 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 the Executive's obligations under this agreement without reference to the Confidential Information, provided such independent development can reasonably be proven by the 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, the 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 the 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 the Executive's employment, the 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) The 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 the Executive is or has been a party. To the extent that the Executive has confidential information or materials of any former employer, the Executive acknowledges that the Company has directed the Executive to not disclose such confidential information or materials to the Company or any of its employees, and that the Company prohibits the Executive from using said confidential information or materials in any work that the Executive may perform for the Company. The Executive agrees that the Executive will not bring with the Executive to the Company, and will not use or disclose any confidential, proprietary information, or trade secrets acquired by the Executive prior to her employment with the Company. The 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 the Executive bring to the Company or use in connection with the 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. The Executive represents that she is not a party to any other agreement that will interfere with her full compliance with this Agreement. The 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 the 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 the Executive to the Company and shall be the sole and exclusive property of the Company, and the Executive shall assign, and hereby does assign, to the Company, the 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 the Executive may have acquired in connection with an invention, discovery or improvement that was developed entirely on the 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 the Executive for the Company.

(g) [RESERVED]

(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.

(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
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. The cost of all 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 and the Company each acknowledge 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. With respect to attorney's fees, the arbitrator shall award to the Executive her attorneys' fees based on a determination of the extent to which the Executive has prevailed as to the material issues raised in determination of the dispute (and, for the avoidance of doubt, regardless of the extent to which the Company has prevailed as to the material issues raised in determination of the dispute, the arbitrator is not authorized to award to the Company any portion of its attorney's fees); and, moreover, to the extent the Executive prevails as to substantially all of the material issues raised in determination of the dispute, the arbitrator shall award to the Executive all of her attorneys' fees. The Company shall pay all JAMS' arbitration fees. 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. Advancement of Executive's Legal Fees. In connection with the resolution of any dispute in accordance with Section 11, the Company shall advance to the Executive all reasonable attorneys' fees of the Executive as they are incurred and reasonably documented by the Executive in respect of any mediation, arbitration or litigation related thereto. The Executive shall not be required to reimburse the Company for any such advances of attorney's fees until a final determination is made with respect to such dispute and, then, the Executive's obligation to repay any such advances shall, (i) in the context of mediation or arbitration, be subject to an affirmative determination of the mediator or arbitrator that the Executive is obligated to repay such advances and (ii) in the context any litigation, be subject to the condition that substantially all of the material issues raised in such litigation have been resolved by a final (non-appealable) judgement in favor of the Company.

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 Agreement, but excluding the plans, programs and equity award agreements under which compensation and benefits are provided pursuant to Sections 3 and 4 hereof (and, to the extent such plans, programs and/or equity award agreements contain more favorable terms, such terms shall continue to apply). 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 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]

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

EXHIBIT A
RELEASE AGREEMENT

Except as otherwise set forth in this Release Agreement, **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 or to the attention of the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency claims of discrimination, harassment, interference with leave rights, and retaliation (provided, however, that the Executive releases the Executive’s right to secure damages or other relief for any such alleged treatment); 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, and in accordance with, Section 18 of the Executive’s Seventh Amended and

Restated Employment Agreement with the Company(the “Employment Agreement”), the Company’s bylaws or binding resolutions, or applicable law or pursuant to, and in accordance with, any written indemnification agreement between the Executive and the Company or (y) the Company’s payment obligations under Section 7 of the Employment Agreement, as well as the Company’s other continuing obligations to the Executive under the Employment Agreement, (ii) any right or claim to 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, (iv) Executive’s vested equity awards and other awards, or (v) claims relating to or arising out of the Executive’s fraud or breach of fiduciary duty.

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 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 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 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 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. Nothing contained herein prevents the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful.

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]

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: _____

EXHIBIT B
RELEASE AGREEMENT

Except as otherwise set forth in this Release Agreement, 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 or to the attention of the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency claims of discrimination, harassment, interference with leave rights, and retaliation (provided, however, that the Executive releases the Executive’s right to secure damages or other relief for any such alleged treatment); 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, and in accordance with, Section 18 of the Executive’s Seventh Amended and Restated Employment Agreement with the

Company(the "Employment Agreement"), the Company's bylaws or binding resolutions, or applicable law or pursuant to, and in accordance with, any written indemnification agreement between the Executive and the Company or (y) the Company's payment obligations under Section 7 of the Employment Agreement, as well as the Company's other continuing obligations to the Executive under the Employment Agreement, (ii) any right or claim to 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, (iv) Executive's vested equity awards and other awards, or (v) claims relating to or arising out of the Executive's fraud or breach of fiduciary duty.

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 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 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 do so); (C) Executive has forty-five (45) 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; (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. Nothing contained herein prevents the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful.

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]

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: _____

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.

1. 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.

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 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 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.”

EXHIBIT E

COPY OF REDWOOD TRUST, INC.'S POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

The Board of Directors (the “*Board*”) of Redwood Trust, Inc. (the “*Company*”) has adopted this Policy for Recovery of Erroneously Awarded Compensation (the “*Policy*”), effective as of October 2, 2023 (the “*Effective Date*”). Capitalized terms used in this Policy but not otherwise defined herein are defined in Section 11.

1. Persons Subject to Policy

This Policy shall apply to current and former Designated Officers of the Company.

2. Compensation Subject to Policy

This Policy shall apply to Incentive-Based Compensation received on or after the Effective Date. For purposes of this Policy, the date on which Incentive-Based Compensation is “received” shall be determined under the Applicable Rules, which generally provide that Incentive-Based Compensation is “received” in the Company’s fiscal period during which the relevant Financial Reporting Measure is attained or satisfied, without regard to whether the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

3. Recovery of Compensation

In the event that the Company is required to prepare a Restatement, the Company shall recover, reasonably promptly, the portion of any Incentive-Based Compensation that is Erroneously Awarded Compensation, unless the Committee has determined that recovery would be Impracticable. Recovery shall be required in accordance with the preceding sentence regardless of whether the applicable Designated Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Restatement and regardless of whether or when restated financial statements are filed by the Company. For clarity, the recovery of Erroneously Awarded Compensation under this Policy will not give rise to any person’s right to voluntarily terminate employment for “good reason,” or due to a “constructive termination” (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.

4. Manner of Recovery; Limitation on Duplicative Recovery

The Committee shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation, Erroneously Awarded Compensation or time-vesting equity or cash awards, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited

to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

5. Administration

This Policy shall be administered, interpreted and construed by the Committee, which is authorized to make all determinations necessary, appropriate or advisable for such purpose. The Board may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the “Committee” shall be deemed to be references to the Board. Subject to any permitted review by the applicable national securities exchange or association pursuant to the Applicable Rules, all determinations and decisions made by the Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company and its affiliates, equityholders or stockholders, and employees. The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, or to third-party agents of the Company, as permitted under applicable law, including any Applicable Rules.

6. Interpretation

This Policy will be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

7. No Indemnification; No Liability

The Company shall not indemnify or insure any person against the loss of any Erroneously Awarded Compensation pursuant to this Policy, nor shall the Company directly or indirectly pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to purchase to fund such person’s potential obligations under this Policy. None of the Company, an affiliate of the Company or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Policy.

8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to (but without duplication of), any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based or cash-based plan or award agreement thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the “*Other Recovery Arrangements*”). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company.

9. Severability

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

10. Amendment and Termination

The Board or the Committee may amend, modify or terminate this Policy in whole or in part at any time and from time to time in its sole discretion. This Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association.

11. **Definitions**

“**Applicable Rules**” means Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder, the listing rules of the national securities exchange or association on which the Company’s securities are listed, and any applicable rules, standards or other guidance adopted by the Securities and Exchange Commission or any national securities exchange or association on which the Company’s securities are listed.

“**Committee**” means the Compensation Committee of the Board, for so long as it is comprised solely of independent directors (as determined under the Applicable Rules), or in the absence of such a committee or such independence, a majority of the independent directors (or as determined under the Applicable Rules) serving on the Board.

“**Designated Officer**” means each designated person who serves as an executive officer of the Company, as defined in Rule 10D-1(d) under the Exchange Act.

“**Erroneously Awarded Compensation**” means the amount of Incentive-Based Compensation received by a current or former Designated Officer that exceeds the amount of Incentive-Based Compensation that would have been received by such current or former Designated Officer based on a restated Financial Reporting Measure, as determined on a pre-tax basis in accordance with the Applicable Rules.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Financial Reporting Measure**” means any measure determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures derived wholly or in part from such measures, including GAAP and non-GAAP financial measures, as well as stock or share price and total equityholder or stockholder return.

“**GAAP**” means United States generally accepted accounting principles.

“**Impracticable**” means (a) the direct costs paid to third parties to assist in enforcing recovery would exceed the Erroneously Awarded Compensation; provided that the Company has (i) made reasonable attempt(s) to recover the Erroneously Awarded Compensation, (ii) documented such attempt(s), and (iii) provided such documentation to the relevant listing exchange or association or (b) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

“**Incentive-Based Compensation**” means, with respect to a Restatement, any compensation that is granted, earned, or vested based wholly or in part upon the attainment of one or more Financial Reporting Measures and received by a person: (a) after beginning service as a Designated Officer; (b) who served as a Designated Officer at any time during the performance period for that compensation; (c) while the Company has a class of securities listed on a national securities exchange or association; and (d) during the applicable Three-Year Period.

“Restatement” means an accounting restatement to correct the Company’s material noncompliance with any financial reporting requirement under securities laws, including restatements that correct an error in previously issued financial statements (a) that is material to the previously issued financial statements or (b) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

“Three-Year Period” means, with respect to a Restatement, the three completed fiscal years immediately preceding the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare such Restatement, or, if earlier, the date on which a court, regulator or other legally authorized body directs the Company to prepare such Restatement. The “Three-Year Period” also includes any transition period (that results from a change in the Company’s fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence. However, a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.

SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Second Amended and Restated Employment Agreement (“Agreement”), effective as of November 3, 2023 (the “Effective Date”), is entered into by and between **Fred J. Matera** (the “Executive”) and **Redwood Trust, Inc.**, a Maryland corporation (the “Company”), and amends and restates in its entirety that certain Amended and Restated Employment Agreement by and between the Executive and the Company dated February 24, 2023 (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 the sole Chief Investment Officer of the Company, reporting to the Chief Executive Officer of the Company, with responsibilities, duties and authority customary for such position and with a principal Company office of Executive in Englewood, Colorado. 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.

2. Term of Agreement. The term of this Agreement (the “Term”) shall commence on the Effective Date and shall continue through December 31, 2023; provided, however, that (i) on January 1, 2024 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.

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 \$775,000 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 or such greater amount as may subsequently be established by the Board (the “Target Bonus”). During the first ninety (90) days of each calendar year, the Board, in consultation with the Chief Executive Officer, shall establish the performance goals applicable to such year’s annual bonus opportunity, as well as the framework for awarding an annual bonus that is higher or lesser than the Target Bonus. Such criteria shall be established by the Board, after consultation with the Executive, and pursuant to a process that is consistent with past practice. 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 Board determines in its discretion that 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 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. The 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 periodically. The performance evaluations shall consider and assess the Executive's performance of his duties and responsibilities, the accomplishment of established performance objectives, and/or other factors or criteria that the Board, 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, but generally would occur on an annual basis. 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). 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.

(e) Acknowledgement of Company's Policy for Recovery of Erroneously Awarded Compensation. A copy of the Company's Policy for Recovery of Erroneously Awarded Compensation (the "Erroneously Awarded Compensation Policy") is attached as Exhibit E hereto. The Executive hereby acknowledges such Erroneously Awarded Compensation Policy and agrees to the terms thereof and understands that compensation received by the Executive may be subject to reduction, cancellation, forfeiture and/or recoupment in accordance with, and to the extent necessary, for the Company to comply with the Erroneously Awarded Compensation Policy, notwithstanding any other agreement to the contrary. The Executive further acknowledges and agrees that he is not entitled to indemnification to compensate him for any such reduction, cancellation, forfeiture and/or recoupment of compensation under such Erroneously Awarded Compensation Policy and expressly waives any rights to such indemnification under the Company's organizational documents, under this Agreement, and/or any indemnification agreement between the Executive and the Company, or otherwise.

(f) Erroneous Underpayment of Compensation. With respect to any Incentive Based Compensation (as defined in the Erroneously Awarded Compensation Policy) granted to the Executive during the Term, if a Restatement (as defined in the Erroneously Awarded Compensation Policy) results in an applicable restated Financial Reporting Measure (as defined in the Erroneously Awarded Compensation Policy) being positively impacted (i.e., being increased rather than decreased), the Executive will be entitled to receive additional compensation in an amount equal to the difference between the amount of Incentive Based Compensation the Executive should have received (i.e., based on the restated Financial Reporting Measure) and the amount of Incentive Based Compensation the Executive received (i.e., based on the original, non-restated Financial Reporting Measure) (the "Additional Compensation"). The terms and conditions of any Additional Compensation (including, for example, the methodology for calculation of the amount of the Additional Compensation, and the form of, and vesting and payment terms applicable to, the Additional Compensation) shall be determined by the Board or its Compensation Committee in its sole discretion in a manner consistent with the Erroneously Awarded Compensation Policy (to the extent applicable) and

with any applicable plan, program and/or award agreement governing and/or evidencing such Incentive Based Compensation.

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 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 each calendar year pursuant to the Company's policies applicable to senior executive officers of the Company, as in effect from time to time.

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 the 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, (i) 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, and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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"), the Executive shall have been unable to perform his duties to the Company for six (6) consecutive months, and, within thirty (30) days after written notice is provided to him by the Board, he shall not have resumed the 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 unable to perform his duties to 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, if such a termination for Disability occurs then (i) 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 and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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). Notwithstanding the foregoing provisions of this Section 6(b), if such a termination for Disability occurs within three months prior to, on, or within 24 months following a Change of Control (as defined in Exhibit D attached hereto), and such termination constitutes a Separation from Service (as defined below), then such termination shall be treated for purposes of this Agreement as termination by the Company of the Executive's employment without Cause and as a "CIC Termination", as applicable, pursuant to and as set forth in Section 6(d) and Section 7 below, respectively, and the Executive shall be entitled to the payments, vesting, consideration, and benefits set forth therein in lieu of the payments, vesting, consideration, and benefits set forth in this Section 6(b).

(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, the Board must first provide written notice describing the reason for such termination of employment (and, with respect to subsections (iv), (v) and (vi) 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, including any habitual or repeated neglect of such duties, which failure has caused, or could reasonably be expected to cause, significant injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board 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,

which failure has caused material injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board to the Executive;

(iii) unauthorized use or disclosure of trade secrets or confidential or proprietary information pertaining to Company business, which use or disclosure has caused, or could reasonably be expected to cause significant injury to the interests, property, operations, business or reputation of the Company, and which failure shall continue to be uncured for thirty (30) days after written notice thereof by the Board to the Executive;

(iv) acts or omissions constituting willful misconduct on the part of the Executive in respect of the performance of his fiduciary duty of loyalty to the Company, which failure has caused material injury to the interests, property, operations, business or reputation of the Company;

(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) the Executive's conviction of, or plea of guilty or *nolo contendere* to, a non-vehicular felony, including, without limitation, a non-vehicular felony the elements of which involve fraud, dishonesty, or moral turpitude;

(vii) the Executive's conviction of, or plea of guilty or *nolo contendere* to, a misdemeanor the elements of which involve fraud, dishonesty, or moral turpitude, and which is substantially related to the Executive's employment and duties to the Company; or

(viii) the Executive's commission of a crime the elements of which involve fraud, dishonesty, or moral turpitude, and which has caused, or could reasonably be expected to cause, material injury to the interests, property, operations, business or reputation of the Company.

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 the Executive's employment hereunder at any time without Cause upon 30 days

written notice to the Executive or pay in lieu thereof. In the event of a termination under this Section 6(d), the Executive shall be entitled to the payments, vesting, consideration, and benefits set forth in Section 7.

(e) Termination By The Executive For Good Reason. The Executive shall have the right to terminate the Executive'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 the Executive's responsibilities, title, duties or authority, including, without limitation, (A) the Executive ceasing to serve as the sole chief investment 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 the Executive is not appointed (or after appointment, ceases) to be the sole chief investment officer of the top-tier parent entity of the Company (or its successor); provided that, for the avoidance of doubt, the appointment of the Executive to a top-tier parent entity that is not publicly traded does not eliminate the Executive's rights under sub-clause (A) above;

(ii) A reduction in the Executive's Base Salary or in the Executive's Target Bonus 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 (and for the avoidance of doubt, following a Change of Control, the reference to senior executives of the Company shall include, without limitation, all senior executives of any top tier parent entity of any acquiror of and/or successor to Redwood Trust, Inc.);

(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 office in Englewood, Colorado), except for required travel away from the Executive's principal Company office on the Company's business to the extent necessary to fulfill the Executive's obligations under Section 1 (provided that any such travel explicitly required by the Company may not exceed thirty (30) days during any calendar year);

(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 (no later than the closing of the applicable transaction) or to otherwise comply with its obligations pursuant to Section 13 below.

Notwithstanding the foregoing, at any time prior to a Change of Control, the Executive will not be deemed to have resigned for Good Reason for purposes of subclause (i) unless (1) the Executive provides the Board with written notice setting forth in reasonable detail the facts and circumstances claimed by the Executive to constitute Good Reason (the "Good Reason Notice") within one hundred twenty (120) days after the date of the occurrence of any event that the Executive knows to constitute Good Reason, (2) the Company fails to cure such acts or omissions within thirty (30) days following its receipt of such notice or prior to a Change of Control, whichever shall occur earlier, 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; provided, however, that if the Executive reasonably believes that circumstances constituting "Good Reason" for the Executive to terminate his/her employment under this Agreement will exist immediately following a Change in Control, then the Executive may provide the Company with a Good Reason Notice no later than five (5) business days prior to the consummation of such Change of Control (and in such event the Company shall not be entitled to a period to cure) and the Executive's resignation for Good Reason, if accepted by the Board, shall be deemed effective and binding on the Company (and any successor thereto) as of such time as may be determined by the Board (provided that any such effective time shall not be earlier than immediately following the consummation of the Change of Control). Following a Change of Control, in order to resign for Good Reason, the Executive must provide a Good Reason Notice, but the Company shall not be entitled to a cure period. In addition, following a Change of Control, the determination of whether to accept the Executive's resignation for Good Reason shall be determined by the "Review Committee" as set forth in sub-section (g) below.

In the event of a termination under this Section 6(e), the Executive shall be entitled to the payments, vesting, consideration, and 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.

(g) Administration of Agreement Upon Change of Control. Notwithstanding anything herein to the contrary, in the event of a Change of Control, prior to and in any event not later than ten (10) days before the consummation of such Change of Control, the Company may designate a committee of two or more members of the Board as constituted immediately prior to the Change of Control (the "Review Committee") for the purpose of making any determination as to whether, solely for purposes of this Agreement, Executive's employment is terminated with or without Cause or if Executive's resignation is with or without Good Reason; provided that, in any Change of Control in which two or more members of the Board as constituted immediately prior to the Change of Control shall continue to act as members of the Board of the Company (or act as members of the board of directors or board of trustees (or otherwise as fiduciaries)) of any successor or parent entity of the Company) following such Change of Control, the Company shall be required to designate such a Review Committee. For the avoidance of doubt, any such Review Committee shall have the sole authority and responsibility to review, and be authorized to accept, in its sole discretion, any Good Reason Notice submitted by the Executive pursuant to Section 6 during the 24-month period following a Change of Control.

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 payments, vesting, consideration, and 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 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 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 \$5,000,000.

(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 subject to 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 subject to 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 (i.e., shall be eligible to vest following application of actual performance achievement to the number of target shares in the same manner as applicable to active officers or employees of the Company who hold similar awards), 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 the 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 cash amount equal to the aggregate imputed or imposed federal, state and local taxes on any such amount in subclause (A), plus any taxes imposed on such cash amount, so that the Executive on an after-tax basis is in the same position as if there had been no imputation or imposition of income on the Executive. 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 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.

(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 the Executive's employment under this Section 7.

(c) Release Agreement. (i) As a condition of receiving any of the payments, vesting, consideration and benefits set forth in this Section 7 (other than the payment provided for in sub-section 7(a)(i)) at any time prior to a Change in Control, the Executive shall be required to execute a mutual release agreement substantially 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 (which form of mutual release agreement the Company, in its sole discretion, may modify to comply with applicable law, and which form of mutual release agreement may be incorporated into a termination agreement or other agreement with the Executive).

(ii) With respect to the Executive's receipt of any of the payments, vesting, consideration and benefits set forth in this Section 7 at the time of, or following, a Change in Control, the Executive shall not be required to execute any type of release or general release agreement in favor of the Company; provided that, in connection with any termination of the Executive's employment by the Company without "Cause" or any termination of the Executive's employment by the Executive for "Good Reason", the Executive has the option to require the Company to enter into and execute a mutual release agreement with the Executive substantially in the form attached hereto as Exhibit A or Exhibit B, as appropriate, and, if so required by the Executive, the Company and the Executive agree that such release agreement must be executed and have become effective in accordance with its terms within 60 days following the termination date.

(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 payments, vesting, consideration, and benefits provided for under Section 7, the Company shall continue to pay the Executive the full compensation (including, without limitation, his Base Salary, annual bonus and equity-based long-term incentive awards) 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, and provide continuing vesting for any compensation, award or benefit with a vesting condition, until 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.

9. Restrictive Covenant Provisions.

(a) Noncompetition.

(i) Noncompetition While Employed by the Company. 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, consultant, independent contractor, advisor or employee of, any business enterprise or other 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.

(ii) Noncompetition Following Employment by the Company. The Executive promises and agrees that for a period of six (6) months after the termination of his employment with the Company (regardless of the reason for such termination), 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 (A) as a stockholder, partner, or other equity holder in (other than as a passive owner of 1.99% or less of the outstanding equity interests of any entity) any Restricted Business, or (B) as an officer, director, consultant, independent contractor, advisor, or employee of, any Restricted Business.

For purposes of this Agreement, a "Restricted Business" means any business engaged in acquiring, originating, financing, securitizing, selling, servicing, or investing in: residential or business purpose mortgage loans (including without limitation, second lien residential mortgage loans); assets backed by, related to, or derived from residential or business purpose mortgage loans; or other assets that are related to residential or business

purpose real estate or ownership interests in, or payment obligations relating to, residential or business purpose real estate, including, without limitation, home equity investments and/or home appreciation investments (or providing advisory or consulting services with respect to any of the foregoing), in each case, in the geographic regions that are addressed by the business activities of the Company and its subsidiaries and affiliates during the Term of this Agreement or as the date of any termination of the Executive's employment with the Company (regardless of the reason for such termination), as applicable.

(b) Non-Solicitation of Employees, Customers, Clients and Counterparties.

(i) Non-Solicitation of Employees. The Executive agrees that he will not directly or indirectly solicit, hire, or employ (or assist, aid, or counsel any other person, firm or organization in soliciting, hiring, or employing) any of the Company's employees (or employees of any of the Company's subsidiaries or affiliates) to work for any business enterprise or other organization for a period of twelve (12) months following the termination of the Executive's employment with the Company (regardless of the reason for such termination); provided, the Executive shall not be prohibited from soliciting for employment, hiring, or employing any employee of the Company (or of any of its subsidiaries or affiliates), as the case may be, pursuant to a general employment advertisement or solicitation from a head hunter or other placement professional not specifically directed at such employees.

(ii) Non-Solicitation of Customers, Clients and Counterparties. The Executive agrees that for a period of six (6) months following the termination of the Executive's employment with the Company (regardless of the reason for such termination) he will not directly or indirectly (A) solicit (or assist, aid, or counsel any other person, firm or organization in soliciting) the sale or distribution of products, services, or solutions for any Restricted Business, to any client, customer or counterparty (or prospective client, customer or counterparty) of the Company or any of its subsidiaries or affiliates or (B) induce, encourage, attempt to induce, or attempt to encourage (or assist, aid, or counsel any other person, firm or organization with any of the foregoing) any client, customer or counterparty (or prospective client, customer or counterparty) of the Company or any of its subsidiaries or affiliates to cease doing business with the Company or any of its subsidiaries or affiliates, terminate its business relationship with the Company or any of its subsidiaries or affiliates, or transfer any portion or all of its business away

from the Company or any of its subsidiaries or affiliates. For purposes of this sub-section (ii), the term “prospective client, customer or counterparty” is defined as any individual or entity who was solicited, directly or indirectly, by the Executive or any employee of the Company or any of its subsidiaries or affiliates with the Executive’s knowledge or assistance to engage in business with the Company or any of its subsidiaries or affiliates within the one (1) year period preceding the termination of the Executive’s employment with the Company.

Moreover, at all times following the termination of the Executive’s employment with the Company (regardless of the reason for such termination), the Executive shall not use any trade secret or Confidential Information (as defined below) of the Company or any of its subsidiaries or affiliates to directly or indirectly (I) solicit (or assist, aid, or counsel any other person, firm or organization in soliciting) the sale or distribution of products, services, or solutions for any business enterprise or other organization, to any client, customer or counterparty (or prospective client, customer or counterparty) of the Company or any of its subsidiaries or affiliates or (II) induce, encourage, attempt to induce, or attempt to encourage (or assist, aid, or counsel any other person, firm or organization with any of the foregoing) any client, customer or counterparty (or prospective client, customer or counterparty) of the Company or any of its subsidiaries or affiliates to cease doing business with the Company or any of its subsidiaries or affiliates, terminate its business relationship with the Company or any of its subsidiaries or affiliates, or transfer any portion or all of its business away from the Company or any of its subsidiaries or affiliates.

(c) Duty To Avoid Conflict Of Interest. During his employment by the Company, the 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.

(d) 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.

(e) Confidential And Proprietary Information.

(1) It is hereby acknowledged that the 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 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 the Executive; or (B) becomes available to the Executive on a non-confidential basis after the termination or expiration of the 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 the Executive's obligations under this agreement without reference to the Confidential Information, provided such independent development can reasonably be proven by the 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, the 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 the 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 the Executive's employment, the 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) The 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 the Executive is or has been a party. To the extent that the Executive has confidential information or materials of any former employer, the Executive acknowledges that the Company has directed the Executive to not disclose such confidential information or materials to the Company or any of its employees, and that the Company prohibits the Executive from using said confidential information or materials in any work that the Executive may perform for the Company. The Executive agrees that the Executive will not bring with the Executive to the Company, and will not use or disclose any confidential, proprietary information, or trade secrets acquired by the Executive prior to his employment with the Company. The 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 the Executive bring to the Company or use in connection with the 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. The Executive represents that he is not a party to any other agreement that will interfere with his full compliance with this Agreement. The 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 the 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 the Executive to the Company and shall be the sole and exclusive property of the Company, and the Executive shall assign, and hereby does assign, to the Company, the 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 the Executive may have acquired in connection with an invention, discovery or improvement that was developed entirely on the 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 the Executive for the Company.

(g) [RESERVED]

(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.

(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: Fred J. Matera
c/o Redwood Trust, Inc.
8310 S. Valley Highway
Englewood, CO 80112
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 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 Denver, Colorado 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. The cost of all 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 Denver, Colorado conducted by JAMS or its successor, under the then applicable rules of JAMS.

The Executive and the Company each acknowledge 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. With respect to attorney's fees, the arbitrator shall award to the Executive his attorneys' fees based on a determination of the extent to which the Executive has prevailed as to the material issues raised in determination of the dispute (and, for the avoidance of doubt, regardless of the extent to which the Company has prevailed as to the material issues raised in determination of the dispute, the arbitrator is not authorized to award to the Company any portion of its attorney's fees); and, moreover, to the extent the Executive prevails as to substantially all of the material issues raised in determination of the dispute, the arbitrator shall award to the Executive all of his attorneys' fees. The Company shall pay all JAMS' arbitration fees. 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. Advancement of Executive's Legal Fees. In connection with the resolution of any dispute in accordance with Section 11, the Company shall advance to the Executive all reasonable attorneys' fees of the Executive as they are incurred and reasonably documented by the Executive in respect of any mediation, arbitration or litigation related thereto. The Executive shall not be required to reimburse the Company for any such advances of attorney's fees until a final determination is made with respect to such dispute and, then, the Executive's obligation to repay any such advances shall, (i) in the context of mediation or arbitration, be subject to an affirmative determination of the mediator or arbitrator that the Executive is obligated to repay such advances and (ii) in the context any litigation, be subject to the condition that substantially all of the material issues raised in such litigation have been resolved by a final (non-appealable) judgement in favor of the Company.

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 Colorado.

15. Entire Agreement; Headings; Temporary Assignment to New York, NY. 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 (and, to the extent such plans, programs and/or equity award agreements contain more favorable terms, such terms shall continue to apply). 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.

The Executive and the Company entered into a Letter Agreement dated October 1, 2023 relating to the Executive's temporary assignment to New York, New York. The terms of such Letter Agreement are set forth in Exhibit F attached hereto and are incorporated herein; the terms set forth in such Letter Agreement and in Exhibit F attached hereto include amendments to this Agreement, as well as provisions that are additive to the subject matter contained in this Agreement, and to such extent constitute a modification of this Agreement and such terms are neither superseded by, nor does the subject matter of such terms supersede, this Agreement.

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 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.

EXHIBIT A
RELEASE AGREEMENT

Except as otherwise set forth in this Release Agreement, Fred J. Matera (“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 or to the attention of the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency claims of discrimination, harassment, interference with leave rights, and retaliation (provided, however, that the Executive releases the Executive’s right to secure damages or other relief for any such alleged treatment); 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, and in accordance with, Section 18 of the Executive’s Seventh Amended and

Restated Employment Agreement with the Company(the “Employment Agreement”), the Company’s bylaws or binding resolutions, or applicable law or pursuant to, and in accordance with, any written indemnification agreement between the Executive and the Company or (y) the Company’s payment obligations under Section 7 of the Employment Agreement, as well as the Company’s other continuing obligations to the Executive under the Employment Agreement, (ii) any right or claim to 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, (iv) Executive’s vested equity awards and other awards, or (v) claims relating to or arising out of the Executive’s fraud or breach of fiduciary duty.

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 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. Nothing contained herein prevents the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful.

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]

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: _____
Fred J. Matera

Date: _____

COMPANY

Name: _____

Date: _____

EXHIBIT B
RELEASE AGREEMENT

Except as otherwise set forth in this Release Agreement, Fred J. Matera (“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 or to the attention of the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency claims of discrimination, harassment, interference with leave rights, and retaliation (provided, however, that the Executive releases the Executive’s right to secure damages or other relief for any such alleged treatment); 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, and in accordance with, Section 18 of the Executive’s Seventh Amended and Restated

Employment Agreement with the Company(the “Employment Agreement”), the Company’s bylaws or binding resolutions, or applicable law or pursuant to, and in accordance with, any written indemnification agreement between the Executive and the Company or (y) the Company’s payment obligations under Section 7 of the Employment Agreement, as well as the Company’s other continuing obligations to the Executive under the Employment Agreement, (ii) any right or claim to 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, (iv) Executive’s vested equity awards and other awards, or (v) claims relating to or arising out of the Executive’s fraud or breach of fiduciary duty.

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 do so); (C) Executive has forty-five (45) 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; (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. Nothing contained herein prevents the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful.

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]

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: _____
Fred J. Matera

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.

1. 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.

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) 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.”

EXHIBIT E

COPY OF REDWOOD TRUST, INC.'S POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED COMPENSATION

The Board of Directors (the “*Board*”) of Redwood Trust, Inc. (the “*Company*”) has adopted this Policy for Recovery of Erroneously Awarded Compensation (the “*Policy*”), effective as of October 2, 2023 (the “*Effective Date*”). Capitalized terms used in this Policy but not otherwise defined herein are defined in Section 11.

1. Persons Subject to Policy

This Policy shall apply to current and former Designated Officers of the Company.

2. Compensation Subject to Policy

This Policy shall apply to Incentive-Based Compensation received on or after the Effective Date. For purposes of this Policy, the date on which Incentive-Based Compensation is “received” shall be determined under the Applicable Rules, which generally provide that Incentive-Based Compensation is “received” in the Company’s fiscal period during which the relevant Financial Reporting Measure is attained or satisfied, without regard to whether the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

3. Recovery of Compensation

In the event that the Company is required to prepare a Restatement, the Company shall recover, reasonably promptly, the portion of any Incentive-Based Compensation that is Erroneously Awarded Compensation, unless the Committee has determined that recovery would be Impracticable. Recovery shall be required in accordance with the preceding sentence regardless of whether the applicable Designated Officer engaged in misconduct or otherwise caused or contributed to the requirement for the Restatement and regardless of whether or when restated financial statements are filed by the Company. For clarity, the recovery of Erroneously Awarded Compensation under this Policy will not give rise to any person’s right to voluntarily terminate employment for “good reason,” or due to a “constructive termination” (or any similar term of like effect) under any plan, program or policy of or agreement with the Company or any of its affiliates.

4. Manner of Recovery; Limitation on Duplicative Recovery

The Committee shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation, Erroneously Awarded Compensation or time-vesting equity or cash awards, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited

to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

5. Administration

This Policy shall be administered, interpreted and construed by the Committee, which is authorized to make all determinations necessary, appropriate or advisable for such purpose. The Board may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the “Committee” shall be deemed to be references to the Board. Subject to any permitted review by the applicable national securities exchange or association pursuant to the Applicable Rules, all determinations and decisions made by the Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company and its affiliates, equityholders or stockholders, and employees. The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, or to third-party agents of the Company, as permitted under applicable law, including any Applicable Rules.

6. Interpretation

This Policy will be interpreted and applied in a manner that is consistent with the requirements of the Applicable Rules, and to the extent this Policy is inconsistent with such Applicable Rules, it shall be deemed amended to the minimum extent necessary to ensure compliance therewith.

7. No Indemnification; No Liability

The Company shall not indemnify or insure any person against the loss of any Erroneously Awarded Compensation pursuant to this Policy, nor shall the Company directly or indirectly pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to purchase to fund such person’s potential obligations under this Policy. None of the Company, an affiliate of the Company or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Policy.

8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to (but without duplication of), any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based or cash-based plan or award agreement thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the “*Other Recovery Arrangements*”). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company.

9. Severability

The provisions in this Policy are intended to be applied to the fullest extent of the law; provided, however, to the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

10. Amendment and Termination

The Board or the Committee may amend, modify or terminate this Policy in whole or in part at any time and from time to time in its sole discretion. This Policy will terminate automatically when the Company does not have a class of securities listed on a national securities exchange or association.

11. Definitions

“**Applicable Rules**” means Section 10D of the Exchange Act, Rule 10D-1 promulgated thereunder, the listing rules of the national securities exchange or association on which the Company’s securities are listed, and any applicable rules, standards or other guidance adopted by the Securities and Exchange Commission or any national securities exchange or association on which the Company’s securities are listed.

“**Committee**” means the Compensation Committee of the Board, for so long as it is comprised solely of independent directors (as determined under the Applicable Rules), or in the absence of such a committee or such independence, a majority of the independent directors (or as determined under the Applicable Rules) serving on the Board.

“**Designated Officer**” means each designated person who serves as an executive officer of the Company, as defined in Rule 10D-1(d) under the Exchange Act.

“**Erroneously Awarded Compensation**” means the amount of Incentive-Based Compensation received by a current or former Designated Officer that exceeds the amount of Incentive-Based Compensation that would have been received by such current or former Designated Officer based on a restated Financial Reporting Measure, as determined on a pre-tax basis in accordance with the Applicable Rules.

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended.

“**Financial Reporting Measure**” means any measure determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures derived wholly or in part from such measures, including GAAP and non-GAAP financial measures, as well as stock or share price and total equityholder or stockholder return.

“**GAAP**” means United States generally accepted accounting principles.

“**Impracticable**” means (a) the direct costs paid to third parties to assist in enforcing recovery would exceed the Erroneously Awarded Compensation; provided that the Company has (i) made reasonable attempt(s) to recover the Erroneously Awarded Compensation, (ii) documented such attempt(s), and (iii) provided such documentation to the relevant listing exchange or association or (b) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

“**Incentive-Based Compensation**” means, with respect to a Restatement, any compensation that is granted, earned, or vested based wholly or in part upon the attainment of one or more Financial Reporting Measures and received by a person: (a) after beginning service as a Designated Officer; (b) who served as a Designated Officer at any time during the performance period for that compensation; (c) while the Company has a class of securities listed

on a national securities exchange or association; and (d) during the applicable Three-Year Period.

“**Restatement**” means an accounting restatement to correct the Company’s material noncompliance with any financial reporting requirement under securities laws, including restatements that correct an error in previously issued financial statements (a) that is material to the previously issued financial statements or (b) that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

“**Three-Year Period**” means, with respect to a Restatement, the three completed fiscal years immediately preceding the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare such Restatement, or, if earlier, the date on which a court, regulator or other legally authorized body directs the Company to prepare such Restatement. The “Three-Year Period” also includes any transition period (that results from a change in the Company’s fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence. However, a transition period between the last day of the Company’s previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.

EXHIBIT F

TERMS RELATING TO THE EXECUTIVE'S TEMPORARY ASSIGNMENT TO NEW YORK, NEW YORK

The Company and the Executive have agreed to the Executive (“you”) fulfilling a temporary assignment to the Company’s office in New York, New York (the “Temporary Assignment”) for the period from October 1, 2023 to September 30, 2024 (the “Temporary Assignment Period”). The terms set forth below (i) set out certain terms of your employment relating to the Temporary Assignment, which are in addition to those set forth in the Agreement to which this Exhibit F are attached (the “Employment Agreement”) and (ii) amends the terms of the Employment Agreement only to the extent explicitly set forth below, including as set forth under the heading “Amendments to Your Employment Agreement”. Capitalized terms used but not defined in this Exhibit F will have the meanings set forth in the Employment Agreement. The terms set forth in this Exhibit F are effective as of October 1, 2023.

1. Temporary Assignment. To provide temporary senior leadership for the Company’s office in New York, New York you accept the Temporary Assignment and agree to reside in the New York City area and maintain your principal Company office at the Company’s office in New York City for the duration of the Temporary Assignment Period. Aside from your paid time off (“PTO”) and ordinary course business travel required in connection with fulfilling your duties and responsibilities to the Company, you agree to regularly be present at, and work from, the Company’s New York City office in accordance with the Company’s in-office work policy. At the conclusion of the Temporary Assignment Period, the Company’s Englewood, Colorado office will resume as your then going-forward principal Company office, unless otherwise mutually agreed and documented in an amendment to the Employment Agreement.

2. Temporary Assignment Stipend. The Company will assist you with costs related to the Temporary Assignment by providing you with a cash payment of \$77,500 (the “Temporary Assignment Stipend”). The Temporary Assignment Stipend will be paid to you within 15 business days following October 1, 2023 (and will be reported as ordinary income to you for income tax purposes and be subject to applicable taxes and withholdings), and is intended to assist you with the cost of apartment hunting trips, moving expenses, the rental or purchase of furnishings, and any other travel or other expense relating to the Temporary Assignment. You will not be required to document use of the Temporary Assignment Stipend and the Temporary Assignment Stipend will be retained by you even if your actual such costs are less than the Temporary Assignment Stipend.

You and the Company acknowledge and agree that the Temporary Assignment Stipend will not be fully earned unless you are continuously employed by the Company through September 30, 2024 as follows: in the event that during the Temporary Assignment Period, either (i) you voluntarily terminate your employment with the Company without “Good Reason” (including any retirement) or (ii) the Company terminates your employment with the Company for “Cause”, then you are required to repay to the Company the following – the product of (x) number of full months of the Temporary Assignment Period that you are not employed by the Company, multiplied by, (y) \$6,458.33.

3. Reimbursements for Housing-Related Expenses During the Temporary Assignment Period. During the Temporary Assignment Period, the Company will reimburse you for the cost of renting an apartment to dwell in within New York County (Manhattan), New York, which apartment shall include a separate room within which you will establish a “home office”, and the monthly rent for such apartment (together with any similar associated monthly fees) shall not exceed \$12,500 (“Reimbursements for Housing-Related Expenses”). In addition, the Company will reimburse you for the cost of a one-time broker’s fee associated with locating such apartment, up to an amount of \$22,500. The Company will treat the reimbursement of such broker’s fee and the Reimbursements for Housing-Related Expenses as business-related expenses associated with the Temporary Assignment (and does not anticipate that they will be required to be reported as ordinary income to you for income tax purposes).

You will be responsible for ordinary cost of living expenses, including, without limitation: furnishings, utilities, renter’s insurance, any optional apartment building or living amenities (e.g., cleaning service, gym membership, parking, etc.) and commuting costs. You will be also responsible for the security deposit on such apartment, as well as the cost of any damage you may cause to such apartment.

In the event that during the Temporary Assignment Period, either (i) you voluntarily terminate your employment with the Company without “Good Reason” (including any retirement) or (ii) the Company terminates your employment with the Company for “Cause”, then the Reimbursements for Housing-Related Expenses would immediately terminate and no longer be provided.

4. Amendments and Provisions Related to Your Employment Agreement – Provisions Related to the Temporary Assignment and Your Employment Agreement. With respect to the Employment Agreement, you agree that: (i) the Temporary Assignment and the related temporary change to Officer’s principal Company office does not, and will not, represent a “Good Reason” under the Employment Agreement nor does it give rise now, or at any time in the future, to any right of Officer to terminate his employment under the Employment Agreement for Good Reason under Section 7(e)(iii) of the Employment Agreement; and (ii) neither the Temporary Housing Stipend nor the Reimbursements for Housing-Related Expenses described above will be considered part of the value of Officer’s “total compensation package” for purposes of Section 7(e)(ii) of the Employment Agreement – i.e., the one-time nature of the Temporary Assignment Stipend and/or cessation of Reimbursements for Housing-Related Expenses in accordance with this Exhibit F will not be considered a reduction in compensation within the definition of “Good Reason” under the Employment Agreement and will not be taken into account in determining any severance payment amount (or other amount) that could become payable by the Company under the Employment Agreement in connection with any termination of your employment with the Company.

5. No Other Terms Related to Temporary Assignment. This Exhibit F sets forth in full the terms related to your Temporary Assignment during the Temporary Assignment Period. Without limitation of the foregoing, other than the Temporary Assignment Stipend and the Reimbursements for Housing-Related Expenses described above in Sections 2 and 3 of this Exhibit F, the Company will not be

obligated to cover any personal or relocation-related expenses of Officer related to the Temporary Assignment Period.

**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: November 6, 2023

/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: November 6, 2023

/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 September 30, 2023 (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: November 6, 2023

/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 September 30, 2023 (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: November 6, 2023

/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.