

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, 2022

OR

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

For the Transition Period from _____ to _____
Commission File Number 1-13759

REDWOOD TRUST, INC.

(Exact Name of Registrant as Specified in Its Charter)

Maryland

(State or Other Jurisdiction of
Incorporation or Organization)

68-0329422

(I.R.S. Employer
Identification No.)

One Belvedere Place, Suite 300
Mill Valley, California

(Address of Principal Executive Offices)

94941

(Zip Code)

(415) 389-7373

(Registrant's Telephone Number, Including Area Code)

Not Applicable

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

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

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

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

Common Stock, \$0.01 par value per share

113,349,651 shares outstanding as of November 2, 2022

REDWOOD TRUST, INC.
2022 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, 2022	December 31, 2021
ASSETS⁽¹⁾		
Residential loans, held-for-sale, at fair value	\$ 834,262	\$ 1,845,282
Residential loans, held-for-investment, at fair value	4,918,294	5,747,150
Business purpose loans, held-for-sale, at fair value	337,238	358,309
Business purpose loans, held-for-investment, at fair value	4,919,980	4,432,680
Consolidated Agency multifamily loans, at fair value	427,458	473,514
Real estate securities, at fair value	259,212	377,411
Home equity investments	340,437	192,740
Other investments	412,762	449,229
Cash and cash equivalents	297,092	450,485
Restricted cash	71,996	80,999
Goodwill	23,373	—
Intangible assets	44,130	41,561
Derivative assets	65,213	26,467
Other assets	194,500	231,117
Total Assets	\$ 13,145,947	\$ 14,706,944
LIABILITIES AND EQUITY⁽¹⁾		
Liabilities		
Short-term debt, net	\$ 2,110,279	\$ 2,177,362
Derivative liabilities	6,782	3,317
Accrued expenses and other liabilities	201,125	245,788
Asset-backed securities issued (includes \$7,564,312 and \$8,843,147 at fair value), net	8,139,293	9,253,557
Long-term debt, net	1,534,226	1,640,833
Total liabilities	11,991,705	13,320,857
Commitments and Contingencies (see Note 17)		
Equity		
Common stock, par value \$0.01 per share, 395,000,000 shares authorized; 113,343,014 and 114,892,309 issued and outstanding	1,133	1,149
Additional paid-in capital	2,345,152	2,316,799
Accumulated other comprehensive loss	(64,935)	(8,927)
Cumulative earnings	1,197,428	1,316,890
Cumulative distributions to stockholders	(2,324,536)	(2,239,824)
Total equity	1,154,242	1,386,087
Total Liabilities and Equity	\$ 13,145,947	\$ 14,706,944

(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, 2022 and December 31, 2021, assets of consolidated VIEs totaled \$9,449,163 and \$10,661,081, respectively. At September 30, 2022 and December 31, 2021, liabilities of consolidated VIEs totaled \$8,448,479 and \$9,619,347, 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,	
	2022	2021	2022	2021
Interest Income				
Residential loans	\$ 61,002	\$ 53,993	\$ 191,252	\$ 146,081
Business purpose loans	95,197	67,129	270,430	201,640
Consolidated Agency multifamily loans	4,762	4,846	14,247	14,492
Real estate securities	6,989	14,242	30,772	33,184
Other interest income	9,712	5,512	27,816	17,325
Total interest income	177,662	145,722	534,517	412,722
Interest Expense				
Short-term debt	(23,944)	(11,826)	(49,093)	(30,794)
Asset-backed securities issued	(90,910)	(73,732)	(285,464)	(222,712)
Long-term debt	(27,873)	(18,196)	(71,435)	(60,865)
Total interest expense	(142,727)	(103,754)	(405,992)	(314,371)
Net Interest Income	34,935	41,968	128,525	98,351
Non-interest (Loss) Income				
Mortgage banking activities, net	16,535	63,163	2,833	200,189
Investment fair value changes, net	(57,697)	26,077	(151,789)	120,644
Other income, net	4,027	2,388	17,016	8,357
Realized gains, net	—	6,703	2,581	17,803
Total non-interest (loss) income, net	(37,135)	98,331	(129,359)	346,993
General and administrative expenses	(40,107)	(47,692)	(106,927)	(131,837)
Loan acquisition costs	(2,426)	(4,621)	(10,371)	(11,928)
Other expenses	(4,261)	(4,023)	(11,814)	(12,104)
Net (Loss) Income before Benefit from (Provision for) Income Taxes	(48,994)	83,963	(129,946)	289,475
(Provision for) benefit from income taxes	(1,417)	4,323	10,484	(13,907)
Net (Loss) Income	\$ (50,411)	\$ 88,286	\$ (119,462)	\$ 275,568
Basic (loss) earnings per common share	\$ (0.44)	\$ 0.75	\$ (1.04)	\$ 2.36
Diluted (loss) earnings per common share	\$ (0.44)	\$ 0.65	\$ (1.04)	\$ 2.03
Basic weighted average shares outstanding	116,087,890	112,995,847	118,530,172	112,754,691
Diluted weighted average shares outstanding	116,087,890	141,855,471	118,530,172	141,575,385

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

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

(In Thousands) (Unaudited)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net (Loss) Income	\$ (50,411)	\$ 88,286	\$ (119,462)	\$ 275,568
Other comprehensive (loss) income:				
Net unrealized (loss) gain on available-for-sale securities	(8,731)	(2,658)	(60,013)	19,552
Reclassification of unrealized loss (gain) on available-for-sale securities to net (loss) income	544	(6,200)	918	(16,495)
Reclassification of unrealized loss on interest rate agreements to net (loss) income	1,040	1,041	3,087	3,087
Total other comprehensive (loss) income	(7,147)	(7,817)	(56,008)	6,144
Total Comprehensive (Loss) Income	\$ (57,558)	\$ 80,469	\$ (175,470)	\$ 281,712

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, 2022

(In Thousands, except Share Data) (Unaudited)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)	Cumulative Earnings	Cumulative Distributions to Stockholders	Total
	Shares	Amount					
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)	—	—	—	—	—	(27,699)	(27,699)
September 30, 2022	<u>113,343,014</u>	<u>\$ 1,133</u>	<u>\$ 2,345,152</u>	<u>\$ (64,935)</u>	<u>\$ 1,197,428</u>	<u>\$ (2,324,536)</u>	<u>\$ 1,154,242</u>

For the Nine Months Ended September 30, 2022

(In Thousands, except Share Data) (Unaudited)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (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)	—	—	—	—	—	(84,712)	(84,712)
September 30, 2022	<u>113,343,014</u>	<u>\$ 1,133</u>	<u>\$ 2,345,152</u>	<u>\$ (64,935)</u>	<u>\$ 1,197,428</u>	<u>\$ (2,324,536)</u>	<u>\$ 1,154,242</u>

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

REDWOOD TRUST, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)

For the Three Months Ended September 30, 2021

(In Thousands, except Share Data) (Unaudited)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Cumulative Earnings	Cumulative Distributions to Stockholders	Total
	Shares	Amount					
June 30, 2021	113,052,780	\$ 1,131	\$ 2,287,412	\$ 9,740	\$ 1,184,559	\$ (2,187,700)	\$ 1,295,142
Net income	—	—	—	—	88,286	—	88,286
Other comprehensive income	—	—	—	(7,817)	—	—	(7,817)
Issuance of common stock	1,585,709	16	19,810	—	—	—	19,826
Direct stock purchase and dividend reinvestment plan	—	—	153	—	—	—	153
Employee stock purchase and incentive plans	23,273	—	—	—	—	—	—
Non-cash equity award compensation	—	—	4,897	—	—	—	4,897
Common dividends declared (\$0.21 per share)	—	—	—	—	—	(24,664)	(24,664)
September 30, 2021	<u>114,661,762</u>	<u>\$ 1,147</u>	<u>\$ 2,312,272</u>	<u>\$ 1,923</u>	<u>\$ 1,272,845</u>	<u>\$ (2,212,364)</u>	<u>\$ 1,375,823</u>

For the Nine Months Ended September 30, 2021

(In Thousands, except Share Data) (Unaudited)	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Cumulative Earnings	Cumulative Distributions to Stockholders	Total
	Shares	Amount					
December 31, 2020	112,090,006	\$ 1,121	\$ 2,264,874	\$ (4,221)	\$ 997,277	\$ (2,148,152)	\$ 1,110,899
Net income	—	—	—	—	275,568	—	275,568
Other comprehensive income	—	—	—	6,144	—	—	6,144
Issuance of common stock	2,391,777	24	33,176	—	—	—	33,200
Employee stock purchase and incentive plans	179,979	2	(536)	—	—	—	(534)
Non-cash equity award compensation	—	—	14,758	—	—	—	14,758
Common dividends declared (\$0.55 per share)	—	—	—	—	—	(64,212)	(64,212)
September 30, 2021	<u>114,661,762</u>	<u>\$ 1,147</u>	<u>\$ 2,312,272</u>	<u>\$ 1,923</u>	<u>\$ 1,272,845</u>	<u>\$ (2,212,364)</u>	<u>\$ 1,375,823</u>

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

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

(In Thousands) (Unaudited)	Nine Months Ended September 30,	
	2022	2021
Cash Flows From Operating Activities:		
Net (loss) income	\$ (119,462)	\$ 275,568
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Amortization of premiums, discounts, and securities issuance costs, net	2,041	300
Depreciation and amortization of non-financial assets	12,115	12,674
Originations of held-for-sale loans	(913,477)	(960,419)
Purchases of held-for-sale loans	(3,734,972)	(9,902,028)
Proceeds from sales of held-for-sale loans	4,110,949	6,948,264
Principal payments on held-for-sale loans	160,985	49,619
Net settlements of derivatives	158,868	27,412
Non-cash equity award compensation expense	18,505	14,758
Market valuation adjustments	183,487	(292,056)
Realized gains, net	(2,581)	(17,803)
Net change in:		
Accrued interest receivable and other assets	56,156	(9,680)
Accrued interest payable and accrued expenses and other liabilities	(62,046)	73,120
Net cash used in operating activities	(129,432)	(3,780,271)
Cash Flows From Investing Activities:		
Originations of loan investments	(1,377,714)	(557,327)
Purchases of loan investments	(22,006)	(35,713)
Proceeds from sales of loan investments	—	9,484
Principal payments on loan investments	1,666,514	1,950,151
Purchases of real estate securities	(15,006)	(29,342)
Sales of securities held in consolidated securitization trusts	—	8,197
Proceeds from sales of real estate securities	27,471	37,500
Principal payments on real estate securities	26,584	46,904
Principal repayments from servicer advance investments, net	65,772	58,248
Acquisition of Riverbend, net of cash acquired	(40,636)	—
Purchases of HEIs	(176,439)	(109,174)
Principal payments on HEIs	35,187	—
Other investing activities, net	(20,768)	(15,915)
Net cash provided by investing activities	168,959	1,363,013
Cash Flows From Financing Activities:		
Proceeds from borrowings on short-term debt	4,149,726	9,847,178
Repayments on short-term debt	(5,192,165)	(8,443,664)
Proceeds from issuance of asset-backed securities	1,420,289	2,822,785
Repayments on asset-backed securities issued	(1,288,294)	(1,549,766)
Proceeds from borrowings on long-term debt	1,678,805	948,674
Deferred long-term debt issuance costs paid	(17,925)	—
Repayments on long-term debt	(873,820)	(1,055,475)
Payments on repurchase of common stock	(56,496)	—
Taxes paid on equity award distributions	(1,571)	(957)
Net proceeds from issuance of common stock	67,899	20,248
Dividends paid	(84,712)	(64,212)
Other financing activities, net	(3,659)	(6,297)
Net cash (used in) provided by financing activities	(201,923)	2,518,514
Net (decrease) increase in cash, cash equivalents and restricted cash	(162,396)	101,256
Cash, cash equivalents and restricted cash at beginning of period ⁽¹⁾	531,484	544,450
Cash, cash equivalents and restricted cash at end of period ⁽¹⁾	\$ 369,088	\$ 645,706

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

(In Thousands) (Unaudited)	Nine Months Ended September 30,	
	2022	2021
Supplemental Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 378,691	\$ 298,507
Taxes paid	3,894	28,092
Supplemental Noncash Information:		
Real estate securities retained from loan securitizations	\$ —	\$ 9,375
Retention of mortgage servicing rights from loan securitizations and sales	4,543	7,065
Transfers from loans held-for-sale to loans held-for-investment	2,643,027	3,005,041
Transfers from loans held-for-investment to loans held-for-sale	—	44,922
Transfers from residential loans to real estate owned	4,033	21,655
Transfers from long-term debt to short-term debt	908,627	93,150
Right-of-use asset obtained in exchange for operating lease liability	—	1,135
Issuance of common stock for 5 Arches acquisition	—	13,375

(1) Cash, cash equivalents, and restricted cash includes cash and cash equivalents of \$ 297 million and restricted cash of \$ 72 million at September 30, 2022, and includes cash and cash equivalents of \$ 450 million and restricted cash of \$81 million at December 31, 2021.

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

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2022
(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, business purpose and multifamily 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 portfolios.

Redwood Trust, Inc. has elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), beginning with its taxable year ended December 31, 1994. We generally refer, collectively, to Redwood Trust, Inc. and those of its subsidiaries that are 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.

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2022
(Unaudited)

Note 2. Basis of Presentation

The consolidated financial statements presented herein are at September 30, 2022 and December 31, 2021, and for the three and nine months ended September 30, 2022 and 2021. 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, 2021. 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, 2022 and results of operations for all periods presented. The results of operations for the three and nine months ended September 30, 2022 should not be construed as indicative of the results to be expected for the full year.

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 single-family rental and bridge loans ("CAFL") and an entity formed in connection with the securitization of home equity investment contracts ("HEIs"). 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 single-family rental and bridge loans at the consolidated CAFL entities are shown under Business purpose loans held-for-investment, at fair value, and the underlying HEIs 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, 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

Riverbend Funding, LLC

On July 1, 2022, we acquired Riverbend Funding LLC ("Riverbend"), a private mortgage lender for residential transitional and commercial real estate investors. Aggregate consideration for this acquisition included an initial cash payment of approximately \$44 million (with a remaining estimated provisional purchase consideration payable subject to reconciliation and final settlement), and a potential earnout component to be paid contingent on Riverbend 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. Based on the terms of the merger agreement, we determined that the earnout component should be accounted for as contingent purchase consideration, which was valued at zero at the acquisition.

We accounted for the acquisition of Riverbend under the acquisition method of accounting pursuant to ASC 805. We performed the purchase price allocation and recorded underlying assets acquired and liabilities assumed based on their estimated fair values using the information available as of each acquisition date, with the excess of the purchase price allocated to intangible assets and goodwill. Through September 30, 2022, there were no significant changes to our purchase price allocations, which are summarized in the following table.

Table 2.1 - Purchase Price Allocation

(In Thousands)	Riverbend	
Acquisition Date	July 1, 2022	
Purchase price:		
Cash	\$	44,126
Provisional consideration payable		477
Contingent consideration, at fair value		—
Total consideration	\$	44,603
Allocated to:		
Business purpose loans, at fair value	\$	59,748
Other investments		2,443
Cash and cash equivalents		3,490
Other assets		13,306
Goodwill		23,373
Intangible assets		13,300
Total assets acquired		115,660
Short-term debt, net		67,423
Accrued expenses and other liabilities		3,634
Total liabilities assumed		71,057
Total net assets acquired	\$	44,603

We recognized \$1 million of acquisition costs related to our acquisition of Riverbend during the nine months ended September 30, 2022. These costs primarily related to accounting, consulting, and legal expenses and are included in our General and administrative expenses on our consolidated statements of income (loss).

5 Arches and CoreVest

Refer to Note 2 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2021, for information regarding the acquisitions of 5 Arches, LLC ("5 Arches") and CoreVest American Finance Lender, LLC and certain affiliated entities ("CoreVest"), including purchase price allocations.

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

Intangible Assets and Goodwill

In connection with the acquisition of Riverbend on July 1, 2022, and 5 Arches and CoreVest in 2019, we identified and recorded finite-lived intangible assets totaling \$13 million, \$25 million and \$57 million, respectively. The table below presents the amortization period and carrying value of our intangible assets, net of accumulated amortization at September 30, 2022.

Table 2.2 – Intangible Assets – Activity

(Dollars in Thousands)	Intangible Assets at Acquisition	Accumulated Amortization at September 30, 2022	Carrying Value at September 30, 2022	Weighted Average Amortization Period (in years)
Borrower network	\$ 56,300	\$ (19,537)	\$ 36,763	7
Broker network	18,100	(12,972)	5,128	5
Non-compete agreements	11,400	(9,567)	1,833	3
Tradenames	4,400	(3,994)	406	3
Developed technology	1,800	(1,800)	—	2
Loan administration fees on existing loan assets	2,600	(2,600)	—	1
Total	\$ 94,600	\$ (50,470)	\$ 44,130	6

All of our intangible assets are amortized on a straight-line basis. For the three and nine months ended September 30, 2022, we recorded intangible asset amortization expense of \$4 million and \$11 million, respectively. For the three and nine months ended September 30, 2021, we recorded intangible asset amortization expense of \$4 million and \$12 million, respectively. Estimated future amortization expense is summarized in the table below.

Table 2.3 – Intangible Asset Amortization Expense by Year

(In Thousands)	September 30, 2022
2022 (3 months)	\$ 3,238
2023	12,430
2024	9,413
2025	8,426
2026	6,695
2027 and thereafter	3,928
Total Future Intangible Asset Amortization	\$ 44,130

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, 2022.

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. The goodwill was attributed to the expected business synergies and expansion into new business purpose loan markets, as well as access to the knowledgeable and experienced workforce continuing to provide complementary sourcing of assets for the business. We expect \$23 million of this goodwill to be deductible for tax purposes. For reporting purposes, we included the intangible assets and goodwill from these acquisitions within our Business Purpose Mortgage Banking segment.

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

Note 2. Basis of Presentation - (continued)

Table 2.4 – Goodwill - Activity

(In Thousands)	Riverbend
Beginning Balance	\$ —
Goodwill recognized from acquisition	23,373
Impairment	—
Ending Balance	\$ 23,373

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, 2022, 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 (loss). During the period ended September 30, 2022, 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, 2021. 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, 2021 and should not be taken as indicative of our future consolidated results of operations.

During the period from July 1, 2022 to September 30, 2022, Riverbend had net interest income of \$1 million, non-interest income of \$0.5 million, and a net loss of \$1 million, which included intangible asset amortization expense of 0.6 million.

Table 2.5 – Unaudited Pro Forma Financial Information

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Supplementary pro forma information:				
Net interest income	\$ 34,935	\$ 43,174	\$ 132,475	\$ 100,570
Non-interest (loss) income	(37,135)	102,436	(121,614)	355,456
Net (loss) income	(50,411)	89,923	(117,090)	278,134

REDWOOD TRUST, INC. AND SUBSIDIARIES
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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, 2021 is a summary of our significant accounting policies.

Recent Accounting Pronouncements

Newly Adopted Accounting Standards Updates ("ASUs")

In August 2020, the FASB issued ASU 2020-06, "Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40)." This new guidance simplifies the accounting for convertible debt by reducing the number of accounting models to separately present certain conversion features in equity. This new guidance was effective for fiscal years beginning after December 31, 2021. We adopted this guidance in the first quarter of 2022, which did not have a material impact on our consolidated financial statements.

Other Recent Accounting Pronouncements

In June 2022, the FASB issued ASU 2022-03, "Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions." ASU 2022-03 was issued to (1) to clarify the guidance in Topic 820, Fair Value Measurement, when measuring the fair value of an equity security subject to contractual restrictions that prohibit the sale of an equity security, (2) to amend a related illustrative example, and (3) to introduce 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 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 guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. We plan to adopt this new guidance by the required date and do not anticipate that this update will have a material impact on our consolidated financial statements.

In March 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 guidance is effective for public business entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. We plan to adopt this new guidance by the required date and do not anticipate that this update will have a material impact on our consolidated financial statements.

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

Note 3. Summary of Significant Accounting Policies - (continued)

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

We have an established cross-functional group that has evaluated our exposure to LIBOR, reviewed relevant contracts and has monitored regulatory updates to assess the potential impact to our business, processes and technology from the ultimate full cessation of LIBOR in 2023, and has established a LIBOR transition plan to facilitate an orderly transition to alternative reference rates. We continue to remain on track with our LIBOR transition plan, which requires different solutions depending on the underlying asset or liability with LIBOR exposure. At September 30, 2022, our primary LIBOR exposure included the following: \$689 million of repo or warehouse debt, \$37 million of interest rate swaps, \$757 million of bridge loans, and \$140 million of trust preferred securities and subordinated notes debt. Since December 31, 2021, certain of our contracts, such as interest rate swaps, have experienced an orderly market transition and we have transitioned a substantial portion of our derivative positions off of LIBOR-benchmarks. Other contracts, such as warehouse debt agreements, require bilateral amendments, many of which we have amended or are currently in the process of amending.

We anticipate most of these facilities will be amended in 2022, with sufficient time remaining to resolve the remainder, which also have fallback provisions for benchmark replacement. In early 2022, we began benchmarking all newly originated bridge loans to the Secured Overnight Financing Rate ("SOFR"), and our existing portfolio of bridge loans are short-dated and we expect the vast majority to mature before the LIBOR cessation date in 2023. Additionally, as a result of legislation that was passed in the state of New York, our trust preferred securities and subordinated notes are expected to convert to SOFR upon the cessation of LIBOR.

Balance Sheet Netting

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

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, 2022 and December 31, 2021.

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

Note 3. Summary of Significant Accounting Policies - (continued)

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

September 30, 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	\$ 24,626	\$ —	\$ 24,626	\$ (23)	\$ (7,638)	\$ 16,965
TBAs	13,568	—	13,568	(529)	(12,077)	962
Futures	26,275	—	26,275	(2)	(10,675)	15,598
Total Assets	\$ 64,469	\$ —	\$ 64,469	\$ (554)	\$ (30,390)	\$ 33,525
Liabilities ⁽²⁾						
Interest rate agreements	\$ (23)	\$ —	\$ (23)	\$ 23	\$ —	\$ —
TBAs	(6,545)	—	(6,545)	529	1,280	(4,736)
Futures	(2)	—	(2)	2	—	—
Loan warehouse debt	(224,370)	—	(224,370)	224,370	—	—
Total Liabilities	\$ (230,940)	\$ —	\$ (230,940)	\$ 224,924	\$ 1,280	\$ (4,736)

December 31, 2021 (In Thousands)	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Assets (Liabilities) Presented in Consolidated Balance Sheet	Gross Amounts Not Offset in Consolidated Balance Sheet ⁽¹⁾		Net Amount
				Financial Instruments	Cash Collateral (Received) Pledged	
Assets ⁽²⁾						
Interest rate agreements	\$ 18,929	\$ —	\$ 18,929	\$ (1,251)	\$ (16,046)	\$ 1,632
TBAs	2,880	—	2,880	(633)	(704)	1,543
Futures	25	—	25	(25)	—	—
Total Assets	\$ 21,834	\$ —	\$ 21,834	\$ (1,909)	\$ (16,750)	\$ 3,175
Liabilities ⁽²⁾						
Interest rate agreements	\$ (1,251)	\$ —	\$ (1,251)	\$ 1,251	\$ —	\$ —
TBAs	(658)	—	(658)	633	15	(10)
Futures	(905)	—	(905)	25	880	—
Loan warehouse debt	(572,720)	—	(572,720)	572,720	—	—
Total Liabilities	\$ (575,534)	\$ —	\$ (575,534)	\$ 574,629	\$ 895	\$ (10)

(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 and TBAs 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, 2022, 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, 2022, we held an 80% ownership interest in, and were responsible for the management of, each 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 a HEI securitization entity formed to invest in HEIs that we determined was a VIE and for which we determined we were the primary beneficiary. At September 30, 2022 and December 31, 2021, 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
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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.

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, 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	\$ 198,161	\$ 3,237,170	\$ —	\$ 1,482,964	\$ —	\$ —	\$ —	\$ 4,918,295
Business purpose loans, held-for-investment	—	—	3,531,229	—	—	—	—	3,531,229
Consolidated Agency multifamily loans	—	—	—	—	427,458	—	—	427,458
Home equity investments	—	—	—	—	—	—	139,728	139,728
Other investments	—	—	—	—	—	307,723	—	307,723
Cash and cash equivalents	—	—	—	—	—	15,923	—	15,923
Restricted cash	92	78	15,889	—	—	18,569	3,540	38,168
Accrued interest receivable	226	11,295	17,497	5,247	1,299	720	—	36,284
Other assets	407	—	24,084	2,544	—	7,270	50	34,355
Total Assets	\$ 198,886	\$ 3,248,543	\$ 3,588,699	\$ 1,490,755	\$ 428,757	\$ 350,205	\$ 143,318	\$ 9,449,163
Short-term debt	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 233,104	\$ —	\$ 233,104
Accrued interest payable	224	9,003	11,202	3,630	1,173	348	—	25,580
Accrued expenses and other liabilities	(58)	80	1,903	—	—	24,223	24,354	50,502
Asset-backed securities issued	197,354	3,013,249	3,179,487	1,249,041	395,411	—	104,751	8,139,293
Total Liabilities	\$ 197,520	\$ 3,022,332	\$ 3,192,592	\$ 1,252,671	\$ 396,584	\$ 257,675	\$ 129,105	\$ 8,448,479
Value of our investments in VIEs⁽¹⁾	\$ 1,214	\$ 223,920	\$ 393,015	\$ 236,467	\$ 32,047	\$ 92,530	\$ 14,213	\$ 993,406
Number of VIEs	20	17	19	3	1	3	1	64

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

December 31, 2021								Total
(Dollars in Thousands)	Legacy	Sequoia	CAFL⁽¹⁾	Freddie Mac	Freddie Mac	Servicing	HEI	Consolidated
	Sequoia	Sequoia	CAFL⁽¹⁾	SLST⁽¹⁾	K-Series	Investment	HEI	VIEs
Residential loans, held-for-investment	\$ 230,455	\$ 3,628,465	\$ —	\$ 1,888,230	\$ —	\$ —	\$ —	\$ 5,747,150
Business purpose loans, held-for-investment	—	—	3,766,316	—	—	—	—	3,766,316
Consolidated Agency multifamily loans	—	—	—	—	473,514	—	—	473,514
Other investments	—	—	—	—	—	384,754	159,553	544,307
Cash and cash equivalents	—	—	—	—	—	6,481	—	6,481
Restricted cash	148	5	15,221	—	—	25,420	5,292	46,086
Accrued interest receivable	210	10,885	15,737	5,792	1,315	1,462	—	35,401
Other assets	61	—	32,510	2,028	—	7,177	50	41,826
Total Assets	\$ 230,874	\$ 3,639,355	\$ 3,829,784	\$ 1,896,050	\$ 474,829	\$ 425,294	\$ 164,895	\$ 10,661,081
Short-term debt	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 294,447	\$ —	\$ 294,447
Accrued interest payable	99	8,452	11,030	4,055	1,190	192	—	25,018
Accrued expenses and other liabilities	—	5	1,171	—	—	28,115	17,034	46,325
Asset-backed securities issued	227,881	3,383,048	3,474,898	1,588,463	441,857	—	137,410	9,253,557
Total Liabilities	\$ 227,980	\$ 3,391,505	\$ 3,487,099	\$ 1,592,518	\$ 443,047	\$ 322,754	\$ 154,444	\$ 9,619,347
Value of our investments in VIEs⁽¹⁾	\$ 2,634	\$ 245,417	\$ 339,419	\$ 301,795	\$ 31,657	\$ 102,540	\$ 10,451	\$ 1,033,913
Number of VIEs	20	16	16	3	1	3	1	60

(1) Value of our investments in VIEs, as presented in this table, represent the fair value of our economic interests in the VIEs only for consolidated VIEs we account for under the CFE election. CAFL includes SFR loan securitizations we account for under the CFE election and two bridge loan securitizations for which we did not make the CFE election. As of September 30, 2022 and December 31, 2021, the fair value of our interests in the CAFL SFR securitizations were \$314 million and \$302 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. Freddie Mac SLST includes securitizations we account for under the CFE election and also includes ABS issued in relation to a resecuritization of the securities we own in the consolidated Freddie Mac SLST VIEs, that we account for at amortized historical cost. As of September 30, 2022 and December 31, 2021, the fair value of our interests in the Freddie Mac SLST securitizations accounted for under the CFE election were \$335 million and \$445 million, respectively, with the difference from the tables above representing ABS issued and carried at amortized historical cost.

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

The following table presents income (loss) from these VIEs for the three and nine months ended September 30, 2022 and 2021.

Table 4.2 – Income (Loss) from Consolidated VIEs

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)

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Note 4. Principles of Consolidation - (continued)

Three Months Ended September 30, 2021								
(Dollars in Thousands)	Legacy Sequoia	Sequoia	CAFL	Freddie Mac SLST	Freddie Mac K-Series	Servicing Investment	HEI	Total Consolidated VIEs
Interest income	\$ 1,042	\$ 18,867	\$ 48,937	\$ 18,707	\$ 4,846	\$ 3,905	\$ —	\$ 96,304
Interest expense	(641)	(15,368)	(37,489)	(15,774)	(4,460)	(1,018)	—	(74,750)
Net interest income	401	3,499	11,448	2,933	386	2,887	—	21,554
Non-interest income								
Investment fair value changes, net	(247)	3,314	2,943	13,849	554	(2,080)	47	18,380
Other income	—	—	10	—	—	—	—	10
Total non-interest income, net	(247)	3,314	2,953	13,849	554	(2,080)	47	18,390
General and administrative expenses	—	—	—	—	—	(60)	—	(60)
Other expenses	—	—	—	—	—	(149)	—	(149)
Income (loss) from Consolidated VIEs	\$ 154	\$ 6,813	\$ 14,401	\$ 16,782	\$ 940	\$ 598	\$ 47	\$ 39,735

Nine Months Ended September 30, 2021								
(Dollars in Thousands)	Legacy Sequoia	Sequoia	CAFL	Freddie Mac SLST	Freddie Mac K-Series	Servicing Investment	HEI	Total Consolidated VIEs
Interest income	\$ 3,559	\$ 48,842	\$ 152,659	\$ 58,372	\$ 14,492	\$ 12,168	\$ —	\$ 290,092
Interest expense	(2,271)	(38,848)	(118,543)	(49,756)	(13,294)	(3,414)	—	(226,126)
Net interest income	1,288	9,994	34,116	8,616	1,198	8,754	—	63,966
Non-interest income								
Investment fair value changes, net	(1,162)	13,118	6,354	54,282	11,330	(5,646)	47	78,323
Other income	—	—	10	—	—	—	—	10
Total non-interest income, net	(1,162)	13,118	6,364	54,282	11,330	(5,646)	47	78,333
General and administrative expenses	—	—	—	—	—	(150)	—	(150)
Other expenses	—	—	—	—	—	(591)	—	(591)
Income (loss) from Consolidated VIEs	\$ 126	\$ 23,112	\$ 40,480	\$ 62,898	\$ 12,528	\$ 2,367	\$ 47	\$ 141,558

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 securitization 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 securitization entities in accordance with GAAP.

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.

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Note 4. Principles of Consolidation - (continued)

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, 2022, and accounted for these transfers as sales for financial reporting purposes, in accordance with ASC 860. We also determined we were not the primary beneficiary of these VIEs as we lacked the power to direct the activities that will have the most significant economic impact on the entities. For certain of these transfers to securitization entities, for the transferred loans where we held the servicing rights prior to the transfer and continued to hold the servicing rights following the transfer, we recorded mortgage servicing rights ("MSRs") on our consolidated balance sheets, and classified those MSRs as Level 3 assets. We also retained senior and subordinate securities in these securitizations that we classified as Level 3 assets. Our continuing involvement in these securitizations is limited to customary servicing obligations associated with retaining servicing rights (which we retain a third-party sub-servicer to perform) and the receipt of interest income associated with the securities we retained.

During the three months ended September 30, 2022, we did not call any of our unconsolidated Sequoia entities. During the nine months ended September 30, 2022, we called three of our unconsolidated Sequoia entities, and purchased \$102 million (unpaid principal balance) of loans from the securitization trusts. In association with these calls, we realized a \$0.3 million gain on the securities we owned from these called securitizations, which was recognized through Realized gains, net on our consolidated statements of income (loss). At September 30, 2022, we held \$158 million of loans for sale at fair value that were acquired following the calls.

The following table presents information related to securitization transactions that occurred during the three and nine months ended September 30, 2022 and 2021.

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

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Principal balance of loans transferred	\$ —	\$ —	\$ —	\$ 1,231,803
Trading securities retained, at fair value	—	—	—	7,774
AFS securities retained, at fair value	—	—	—	1,600

The following table summarizes the cash flows during the three and nine months ended September 30, 2022 and 2021 between us and the unconsolidated VIEs sponsored by us and accounted for as sales since 2012.

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

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Proceeds from new transfers	\$ —	\$ —	\$ —	\$ 1,266,063
MSR fees received	737	1,095	2,365	4,038
Funding of compensating interest, net	(11)	54	(41)	(116)
Cash flows received on retained securities	3,096	16,724	20,380	42,117

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Note 4. Principles of Consolidation - (continued)

The following table presents the key weighted-average assumptions used to value securities retained at the date of securitization for securitizations completed during the three and nine months ended September 30, 2022 and 2021.

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

At Date of Securitization	Three Months Ended September 30, 2022		Three Months Ended September 30, 2021	
	Senior IO Securities	Subordinate Securities	Senior IO Securities	Subordinate Securities
Prepayment rates	N/A	N/A	N/A	N/A
Discount rates	N/A	N/A	N/A	N/A
Credit loss assumptions	N/A	N/A	N/A	N/A

At Date of Securitization	Nine Months Ended September 30, 2022		Nine Months Ended September 30, 2021	
	Senior IO Securities	Subordinate Securities	Senior IO Securities	Subordinate Securities
Prepayment rates	N/A	N/A	11	11 %
Discount rates	N/A	N/A	15 %	6 %
Credit loss assumptions	N/A	N/A	0.23 %	0.23 %

The following table presents additional information at September 30, 2022 and December 31, 2021, related to unconsolidated VIEs sponsored by Redwood and accounted for as sales since 2012.

Table 4.6 – Unconsolidated VIEs Sponsored by Redwood

(In Thousands)	September 30, 2022	December 31, 2021
On-balance sheet assets, at fair value:		
Interest-only, senior and subordinate securities, classified as trading	\$ 28,511	\$ 18,214
Subordinate securities, classified as AFS	78,065	127,542
Mortgage servicing rights	11,915	6,450
Maximum loss exposure ⁽¹⁾	\$ 118,491	\$ 152,206
Assets transferred:		
Principal balance of loans outstanding	\$ 4,146,817	\$ 4,959,234
Principal balance of loans 30+ days delinquent	21,803	30,594

(1) Maximum loss exposure from our involvement with unconsolidated VIEs pertains to the carrying value of our securities and MSR's 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, 2022 and December 31, 2021.

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

September 30, 2022 (Dollars in Thousands)	MSRs	Senior Securities ⁽¹⁾	Subordinate Securities
Fair value at September 30, 2022	\$ 11,915	\$ 28,511	\$ 78,065
Expected life (in years) ⁽²⁾	7	7	16
Prepayment speed assumption (annual CPR) ⁽²⁾	8 %	11 %	8 %
Decrease in fair value from:			
10% adverse change	\$ 334	\$ 942	\$ 570
25% adverse change	810	2,291	1,132
Discount rate assumption ⁽²⁾	11 %	12 %	8 %
Decrease in fair value from:			
100 basis point increase	\$ 441	\$ 1,001	\$ 7,714
200 basis point increase	852	1,889	14,345
Credit loss assumption ⁽²⁾	N/A	0.04 %	0.04 %
Decrease in fair value from:			
10% higher losses	N/A	N/A	\$ 190
25% higher losses	N/A	N/A	254
December 31, 2021 (Dollars in Thousands)	MSRs	Senior Securities ⁽¹⁾	Subordinate Securities
Fair value at December 31, 2021	\$ 6,450	\$ 18,214	\$ 127,542
Expected life (in years) ⁽²⁾	3	4	5
Prepayment speed assumption (annual CPR) ⁽²⁾	29 %	23 %	32 %
Decrease in fair value from:			
10% adverse change	\$ 447	\$ 1,130	\$ 531
25% adverse change	1,020	2,596	1,440
Discount rate assumption ⁽²⁾	12 %	16 %	5 %
Decrease in fair value from:			
100 basis point increase	\$ 152	\$ 426	\$ 4,801
200 basis point increase	297	829	9,139
Credit loss assumption ⁽²⁾	N/A	0.35 %	0.35 %
Decrease in fair value from:			
10% higher losses	N/A	N/A	\$ 1,528
25% higher losses	N/A	N/A	3,819

(1) Senior securities included \$29 million and \$18 million of interest-only securities at September 30, 2022 and December 31, 2021, 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, 2022 and December 31, 2021, grouped by asset type.

Table 4.8 – Third-Party Sponsored VIE Summary

(In Thousands)	September 30, 2022	December 31, 2021
Mortgage-Backed Securities		
Senior	\$ 348	\$ 3,572
Subordinate	152,288	228,083
Total Mortgage-Backed Securities	152,636	231,655
Excess MSR	7,662	10,400
Total Investments in Third-Party Sponsored VIEs	<u>\$ 160,298</u>	<u>\$ 242,055</u>

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, 2022 and December 31, 2021.

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

(In Thousands)	September 30, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Residential loans, held-for-sale, at fair value	\$ 834,262	\$ 834,262	\$ 1,845,248	\$ 1,845,248
Residential loans, held-for-investment, at fair value	4,918,294	4,918,294	5,747,150	5,747,150
Business purpose loans, held-for-sale, at fair value	337,238	337,238	358,309	358,309
Business purpose loans, held-for-investment, at fair value	4,919,980	4,919,980	4,432,680	4,432,680
Consolidated Agency multifamily loans, at fair value	427,458	427,458	473,514	473,514
Real estate securities, at fair value	259,212	259,212	377,411	377,411
Servicer advance investments ⁽¹⁾	274,934	274,934	350,923	350,923
MSRs ⁽¹⁾	24,796	24,796	12,438	12,438
Excess MSRs ⁽¹⁾	40,452	40,452	44,231	44,231
HEIs ⁽¹⁾	340,437	340,437	192,740	192,740
Other investments ⁽¹⁾	11,174	11,174	12,663	12,663
Cash and cash equivalents	297,092	297,092	450,485	450,485
Restricted cash	71,996	71,996	80,999	80,999
Derivative assets	65,213	65,213	26,467	26,467
REO ⁽²⁾	3,683	4,105	36,126	39,272
Margin receivable ⁽²⁾	6,683	6,683	7,269	7,269
Liabilities				
Short-term debt ⁽³⁾	\$ 1,912,694	\$ 1,912,694	\$ 2,177,362	\$ 2,177,362
Margin payable ⁽⁴⁾	30,389	30,389	24,368	24,368
Guarantee obligations ⁽⁴⁾	6,532	5,237	7,459	7,133
HEI securitization non-controlling interest	24,355	24,355	17,035	17,035
Derivative liabilities	6,782	6,782	3,317	3,317
ABS issued, net				
At fair value	7,564,312	7,564,312	8,843,147	8,843,147
At amortized cost	574,981	541,773	410,410	410,471
Other long-term debt, net ⁽⁵⁾	868,851	858,810	988,483	989,570
Convertible notes, net ⁽⁵⁾	724,205	651,888	513,629	537,300
Trust preferred securities and subordinated notes, net ⁽⁵⁾	138,755	76,725	138,721	97,650

(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, 2022, we elected the fair value option for zero and \$5 million of securities, respectively, \$0.34 billion and \$3.60 billion of residential loans (principal balance), respectively, and \$630 million and \$2.47 billion of business purpose loans (principal balance), respectively. Additionally, during the three and nine months ended September 30, 2022, we elected the fair value option for \$80 million and \$176 million of HEIs, respectively, and zero and \$8 million of Other Investments, respectively. 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, fixed-rate securities rated investment grade or higher and HEIs.

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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, 2022 and December 31, 2021, 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, 2022 (In Thousands)	Carrying Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Assets				
Residential loans	\$ 5,752,524	\$ —	\$ —	\$ 5,752,524
Business purpose loans	5,257,218	—	—	5,257,218
Consolidated Agency multifamily loans	427,458	—	—	427,458
Real estate securities	259,212	—	—	259,212
Servicer advance investments	274,934	—	—	274,934
MSRs	24,796	—	—	24,796
Excess MSRs	40,452	—	—	40,452
HEIs	340,437	—	—	340,437
Other investments	11,174	—	—	11,174
Derivative assets	65,213	39,843	24,626	744
Liabilities				
HEI securitization non-controlling interest	\$ 24,355	\$ —	\$ —	\$ 24,355
Derivative liabilities	6,782	6,547	23	212
ABS issued	7,564,312	—	—	7,564,312

December 31, 2021 (In Thousands)	Carrying Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Assets				
Residential loans	\$ 7,592,398	\$ —	\$ —	\$ 7,592,398
Business purpose loans	4,790,989	—	—	4,790,989
Consolidated Agency multifamily loans	473,514	—	—	473,514
Real estate securities	377,411	—	—	377,411
Servicer advance investments	350,923	—	—	350,923
MSRs	12,438	—	—	12,438
Excess MSRs	44,231	—	—	44,231
HEIs	192,740	—	—	192,740
Other investments	17,574	—	—	17,574
Derivative assets	26,467	2,906	18,928	4,633
FHLBC stock	10	—	10	—
Liabilities				
HEI securitization non-controlling interest	\$ 17,035	\$ —	\$ —	\$ 17,035
Derivative liabilities	3,317	1,563	1,251	503
ABS issued	8,843,147	—	—	8,843,147

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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, 2022.

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

(In Thousands)	Assets								
	Residential Loans	Business Purpose Loans	Consolidated Agency Multifamily Loans	Trading Securities	AFS Securities	Servicer Advance Investments	Excess MSRs	HEIs	MSRs and Other Investments
Beginning balance - December 31, 2021	\$ 7,592,398	\$ 4,790,989	\$ 473,514	\$ 170,619	\$ 206,792	\$ 350,923	\$ 44,231	\$ 192,740	\$ 25,101
Acquisitions	3,585,882	181,814	—	5,006	10,000	—	—	176,439	8,293
Originations	—	2,291,192	—	—	—	—	—	—	—
Sales	(3,702,359)	(414,998)	—	(27,471)	—	—	—	—	(3,044)
Principal paydowns	(734,577)	(1,086,983)	(5,936)	(1,202)	(25,381)	(65,772)	—	(35,187)	(137)
Gains (losses) in net income (loss), net	(985,958)	(503,832)	(40,120)	(30,019)	12,560	(10,217)	(3,779)	6,445	9,336
Unrealized losses in OCI, net	—	—	—	—	(61,692)	—	—	—	—
Other settlements, net ⁽¹⁾	(2,862)	(964)	—	—	—	—	—	—	(3,579)
Ending balance - September 30, 2022	\$ 5,752,524	\$ 5,257,218	\$ 427,458	\$ 116,933	\$ 142,279	\$ 274,934	\$ 40,452	\$ 340,437	\$ 35,970

(In Thousands)	Liabilities		
	Derivatives ⁽²⁾	HEI Securitization Non-Controlling Interest	ABS Issued
Beginning balance - December 31, 2021	\$ 4,130	\$ 17,035	\$ 8,843,147
Acquisitions	—	—	1,205,289
Principal paydowns	—	—	(1,242,859)
Gains (losses) in net income (loss), net	(53,962)	7,320	(1,241,265)
Other settlements, net ⁽¹⁾	50,364	—	—
Ending balance - September 30, 2022	\$ 532	\$ 24,355	\$ 7,564,312

(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 single-family rental 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, 2022 and 2021. Gains or losses incurred on assets or liabilities sold, matured, called, or fully written down during the three and nine months ended September 30, 2022 and 2021 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, 2022 and 2021 Included in Net Income (Loss)

(In Thousands)	Included in Net Income (Loss)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Assets				
Residential loans at Redwood	\$ (28,762)	\$ 6,553	\$ (42,952)	\$ 9,371
Business purpose loans	(10,967)	18,810	(39,019)	19,829
Net investments in consolidated Sequoia entities ⁽¹⁾	(11,264)	2,885	(22,467)	11,779
Net investments in consolidated Freddie Mac SLST entities ⁽¹⁾	(41,969)	13,781	(75,043)	54,006
Net investments in consolidated Freddie Mac K-Series entities ⁽¹⁾	316	555	390	11,330
Net investments in consolidated CAFL SFR entities ⁽¹⁾	(6,585)	2,943	(24,365)	5,500
Net investment in consolidated HEI securitization entity ⁽¹⁾	(1,652)	47	11,348	129
Trading securities	(12,668)	1,547	(34,104)	3,824
Servicer advance investments	(3,905)	(2,079)	(10,218)	(3,179)
MSRs	1,653	(235)	9,118	(49)
Excess MSRs	(351)	(803)	(3,779)	(5,233)
HEIs at Redwood	(4,903)	(41)	(2,272)	21
Loan purchase and interest rate lock commitments	723	9,021	744	9,261
Liabilities				
HEI securitization non-controlling interest	\$ 1,068	\$ (83)	\$ (7,320)	\$ (83)
Loan purchase commitments	(212)	(2,570)	(212)	(2,550)

(1) Represents the portion of net fair value gains or losses included in our consolidated statements of income (loss) related to securitized loans, securitized HEIs, and the associated ABS issued at our consolidated securitization entities held at September 30, 2022 and 2021, which, netted together, represent the change in value of our investments at the consolidated VIEs accounted for under CFE election, excluding REO.

The following table presents information on assets recorded at fair value on a non-recurring basis at September 30, 2022. 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, 2022.

Table 5.5 – Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis at September 30, 2022

September 30, 2022 (In Thousands)	Carrying Value	Fair Value Measurements Using			Gain (Loss) for	
		Level 1	Level 2	Level 3	Three Months Ended	Nine Months Ended
					September 30, 2022	September 30, 2022
Assets						
Strategic investments	17,350	—	—	17,350	(25)	10,000

REDWOOD TRUST, INC. AND SUBSIDIARIES
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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, 2022 and 2021.

Table 5.6 – Market Valuation Gains and Losses, Net

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Mortgage Banking Activities, Net				
Residential loans held-for-sale, at fair value	\$ (20,060)	\$ 9,045	\$ (71,776)	\$ 57,145
Residential loan purchase commitments	(2,716)	18,817	(53,236)	18,351
Single-family rental loans held-for-sale, at fair value	(19,325)	19,205	(83,827)	54,675
Single-family rental loan interest rate lock commitments	19	(744)	(666)	—
Bridge loans	(9)	3,433	2,242	6,702
Trading securities ⁽¹⁾	148	32	4,249	(342)
Risk management derivatives, net	48,363	3,539	164,137	38,117
Total mortgage banking activities, net⁽²⁾	\$ 6,420	\$ 53,327	\$ (38,877)	\$ 174,648
Investment Fair Value Changes, Net				
Residential loans held-for-sale, at fair value (called Sequoia loans)	\$ (6,614)	\$ 816	\$ (18,876)	\$ 2,423
Bridge loans held-for-investment	2,482	900	(9,220)	4,142
Trading securities	(12,668)	1,546	(34,268)	25,067
Servicer advance investments	(3,905)	(2,079)	(10,217)	(3,179)
Excess MSRs	(351)	(803)	(3,779)	(5,233)
Net investments in Legacy Sequoia entities ⁽³⁾	(328)	(247)	(1,378)	(1,162)
Net investments in Sequoia entities ⁽³⁾	(10,936)	3,314	(20,644)	13,118
Net investments in Freddie Mac SLST entities ⁽³⁾	(41,892)	13,849	(74,796)	54,282
Net investment in Freddie Mac K-Series entity ⁽³⁾	316	554	390	11,330
Net investments in CAFL SFR entities ⁽³⁾	(6,585)	2,943	(24,365)	6,354
Net investment in HEI securitization entity ⁽³⁾	(584)	47	4,028	47
HEIs at Redwood	(4,774)	5,622	(1,986)	13,017
Other investments	1,445	(385)	12,028	50
Risk management derivatives, net	27,241	—	33,609	—
Credit (losses) recoveries on AFS securities	(544)	—	(2,315)	388
Total investment fair value changes, net	\$ (57,697)	\$ 26,077	\$ (151,789)	\$ 120,644
Other Income				
MSRs	\$ 1,236	\$ (989)	\$ 8,031	\$ (3,236)
Other	(852)	—	(852)	—
Total other income ⁽⁴⁾	\$ 384	\$ (989)	\$ 7,179	\$ (3,236)
Total Market Valuation Gains (Losses), Net	\$ (50,893)	\$ 78,415	\$ (183,487)	\$ 292,056

- (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 residential loans held-for-investment, securitized HEIs, REO and the 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.

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

At September 30, 2022, 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, 2021.

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, 2022		Input Values			
(Dollars in Thousands, except Input Values)	Fair Value	Unobservable Input	Range		Weighted Average⁽¹⁾
Assets					
Residential loans, at fair value:					
Jumbo fixed-rate loans	\$ 718,347	Whole loan spread to swap rate	201 -	400 bps	202 bps
		Called loan dollar price	\$ 92 - \$	92	\$ 92
Jumbo loans committed to sell	115,883	Whole loan committed sales price	\$ 96 - \$	102	\$ 98
Loans held by Legacy Sequoia ⁽²⁾	198,160	Liability price	N/A		N/A
Loans held by Sequoia ⁽²⁾	3,237,170	Liability price	N/A		N/A
Loans held by Freddie Mac SLST ⁽²⁾	1,482,964	Liability price	N/A		N/A
Business purpose loans:					
Single-family rental loans	281,105	Senior credit spread	210 -	210 bps	210 bps
		Subordinate credit spread	275 -	1,025 bps	458 bps
		Senior credit support	36 -	36 %	36 %
		IO discount rate	8 -	9 %	8 %
		Prepayment rate (annual CPR)	3 -	3 %	3 %
		Whole loan dollar price	\$ 84 - \$	99	\$ 86
Single-family rental loans held by CAFL ⁽²⁾	3,018,994	Liability price	N/A		N/A
Bridge loans	1,957,119	Whole loan discount rate	5 -	15 %	9 %
		Senior credit spread	285 -	285 bps	285 bps
		Subordinate credit spread	345 -	1,200 %	680 %
		Senior credit support	43 -	43 %	43 %
		Prepayment rate (annual CPR)	— -	— %	— %
Multifamily loans held by Freddie Mac K-Series ⁽²⁾	427,458	Liability price	N/A		N/A
Trading and AFS securities	259,212	Discount rate	5 -	18 %	10 %
		Prepayment rate (annual CPR)	6 -	65 %	12 %
		Default rate	— -	12 %	0.4 %
		Loss severity	— -	50 %	25 %
		CRT dollar price	\$ 73 - \$	93	\$ 85
Servicer advance investments	274,934	Discount rate	2 -	5 %	4 %
		Prepayment rate (annual CPR)	14 -	30 %	14 %
		Expected remaining life ⁽³⁾	5 -	5 yrs	5 yrs
		Mortgage servicing income	— -	18 bps	7 bps
MSRs	24,796	Discount rate	11 -	69 %	11 %
		Prepayment rate (annual CPR)	4 -	28 %	8 %
		Per loan annual cost to service	\$ 93 - \$	93	\$ 93

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, 2022

(Dollars in Thousands, except Input Values)	Fair Value	Unobservable Input	Input Values		
			Range		Weighted Average ⁽¹⁾
Assets (continued)					
Excess MSRs	40,452	Discount rate	13 -	19 %	18 %
		Prepayment rate (annual CPR)	10 -	100 %	18 %
		Excess mortgage servicing income	8 -	19 bps	11 bps
HEIs	200,709	Discount rate	10 -	10 %	10 %
		Prepayment rate (annual CPR)	1 -	23 %	16 %
		Home price appreciation	(7) -	4 %	3 %
HEIs held by HEI securitization entity	139,728	Liability price	N/A	N/A	N/A
Residential loan purchase commitments, net	531	Whole loan spread to swap rate	201 -	201 bps	201 bps
		Pull-through rate	26 -	100 %	78 %
		Committed sales price	\$ 99 - \$	102	\$ 100
Liabilities					
ABS issued ⁽²⁾ :					
At consolidated Sequoia entities	3,210,603	Discount rate	4 -	18 %	6 %
		Prepayment rate (annual CPR)	5 -	24 %	13 %
		Default rate	— -	33 %	1 %
		Loss severity	25 -	50 %	32 %
At consolidated CAFL SFR entities ⁽⁴⁾	2,703,223	Discount rate	0.3 -	16 %	6 %
		Prepayment rate (annual CPR)	— -	3 %	0.2 %
		Default rate	4 -	21 %	6 %
		Loss severity	30 -	40 %	30 %
At consolidated Freddie Mac SLST entities	1,150,323	Discount rate	5 -	8 %	6 %
		Prepayment rate (annual CPR)	6 -	8 %	6 %
		Default rate	13 -	14 %	14 %
		Loss severity	35 -	35 %	35 %
At consolidated Freddie Mac K-Series entities ⁽⁴⁾	395,411	Discount rate	3 -	9 %	5 %
At consolidated HEI securitization entity ⁽⁴⁾	104,751	Discount rate	9 -	15 %	10 %
		Prepayment rate (annual CPR)	20 -	20 %	20 %
		Home price appreciation	(7) -	4 %	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) The fair value of the loans and HEIs 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, 2022, 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 \$224 million, \$314 million, \$335 million, \$32 million, and \$14 million, respectively.
- (3) Represents the estimated average duration of outstanding servicer advances at a given point in time (not taking into account new advances made with respect to the pool).
- (4) As a market convention, certain securities are priced to a no-loss yield and therefore do not include default and loss severity assumptions.

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, 2021 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 start-up 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, 2022, the carrying value of these investments was \$10 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, 2022 and December 31, 2021.

Table 6.1 – Classifications and Carrying Values of Residential Loans

September 30, 2022 (In Thousands)	Redwood	Legacy Sequoia	Sequoia	Freddie Mac SLST	Total
Held-for-sale at fair value	\$ 834,262	\$ —	\$ —	\$ —	\$ 834,262
Held-for-investment at fair value	—	198,160	3,237,170	1,482,964	4,918,294
Total Residential Loans	\$ 834,262	\$ 198,160	\$ 3,237,170	\$ 1,482,964	\$ 5,752,556
December 31, 2021 (In Thousands)	Redwood	Legacy Sequoia	Sequoia	Freddie Mac SLST	Total
Held-for-sale at fair value	\$ 1,845,282	\$ —	\$ —	\$ —	\$ 1,845,282
Held-for-investment at fair value	—	230,455	3,628,465	1,888,230	5,747,150
Total Residential Loans	\$ 1,845,282	\$ 230,455	\$ 3,628,465	\$ 1,888,230	\$ 7,592,432

At September 30, 2022, we owned mortgage servicing rights associated with \$853 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.

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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, 2022 and December 31, 2021.

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

(Dollars in Thousands)	September 30, 2022		December 31, 2021	
Number of loans		1,054		2,196
Unpaid principal balance	\$	874,412	\$	1,813,865
Fair value of loans	\$	834,262	\$	1,845,282
Market value of loans pledged as collateral under short-term borrowing agreements	\$	828,192	\$	1,838,797
Weighted average coupon		4.99 %		3.27 %

Delinquency information

Number of loans with 90+ day delinquencies		1		3
Unpaid principal balance of loans with 90+ day delinquencies	\$	209	\$	2,923
Fair value of loans with 90+ day delinquencies	\$	170	\$	2,304
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, 2022 and 2021.

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

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Principal balance of loans acquired ⁽¹⁾	\$ 336,698	\$ 3,167,186	\$ 3,597,339	\$ 9,747,867
Principal balance of loans sold	662,302	2,360,862	3,727,993	6,787,490
Principal balance of loans transferred to HFI	—	448,878	687,192	1,623,000
Net market valuation gains (losses) recorded ⁽²⁾	(26,674)	9,861	(90,652)	59,568

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

(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 (loss).

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Note 6. Residential Loans - (continued)

Residential Loans Held-for-Investment at Fair Value

We invest in residential subordinate securities issued by Legacy Sequoia, Sequoia and Freddie Mac SLST securitization trusts and consolidate the underlying residential loans owned by these entities for financial reporting purposes in accordance with GAAP. The following tables summarize the characteristics of the residential loans owned at consolidated Sequoia and Freddie Mac SLST entities at September 30, 2022 and December 31, 2021.

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

September 30, 2022 (Dollars in Thousands)	Legacy Sequoia	Sequoia	Freddie Mac SLST
Number of loans	1,372	4,666	11,054
Unpaid principal balance	\$ 218,298	\$ 3,902,938	\$ 1,753,301
Fair value of loans	\$ 198,160	\$ 3,237,170	\$ 1,482,964
Weighted average coupon	3.23 %	3.25 %	4.50 %
Delinquency information			
Number of loans with 90+ day delinquencies ⁽¹⁾	33	13	1,295
Unpaid principal balance of loans with 90+ day delinquencies	\$ 5,532	\$ 11,404	\$ 223,260
Fair value of loans with 90+ day delinquencies ⁽²⁾	N/A	N/A	N/A
Number of loans in foreclosure	16	6	332
Unpaid principal balance of loans in foreclosure	\$ 1,852	\$ 5,928	\$ 56,755
December 31, 2021 (Dollars in Thousands)			
	Legacy Sequoia	Sequoia	Freddie Mac SLST
Number of loans	1,583	4,300	11,986
Unpaid principal balance	\$ 264,057	\$ 3,605,469	\$ 1,932,241
Fair value of loans	\$ 230,455	\$ 3,628,465	\$ 1,888,230
Weighted average coupon	1.87 %	3.39 %	4.51 %
Delinquency information			
Number of loans with 90+ day delinquencies ⁽¹⁾	32	18	1,208
Unpaid principal balance of loans with 90+ day delinquencies	\$ 7,482	\$ 15,124	\$ 212,961
Fair value of loans with 90+ day delinquencies ⁽²⁾	N/A	N/A	N/A
Number of loans in foreclosure	10	2	241
Unpaid principal balance of loans in foreclosure	\$ 2,188	\$ 1,624	\$ 43,637

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

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

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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 (loss). The net impact to our income statement associated with our economic investments in these securitization entities is presented in Table 4.2.

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

(In Thousands)	Three Months Ended September 30, 2022			Three Months Ended September 30, 2021		
	Legacy Sequoia	Sequoia	Freddie Mac SLST	Legacy Sequoia	Sequoia	Freddie Mac SLST
Fair value of loans transferred from HFS to HFI ⁽¹⁾	N/A	\$ —	N/A	N/A	\$ 464,189	N/A
Net market valuation gains (losses) recorded	5,182	(202,825)	(104,040)	(2,580)	(11,663)	(13,836)

(In Thousands)	Nine Months Ended September 30, 2022			Nine Months Ended September 30, 2021		
	Legacy Sequoia	Sequoia	Freddie Mac SLST	Legacy Sequoia	Sequoia	Freddie Mac SLST
Fair value of loans transferred from HFS to HFI ⁽¹⁾	N/A	\$ 684,491	N/A	N/A	\$ 1,669,683	N/A
Net market valuation gains (losses) recorded	12,286	(685,042)	(224,543)	9,896	(27,076)	5,177

(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 loans transferred to REO during 2022.

Note 7. Business Purpose Loans

We originate and invest in business purpose loans, including single-family rental ("SFR") loans and bridge loans. The following table summarizes the classifications and carrying values of the business purpose loans owned at Redwood and at consolidated CAFL entities at September 30, 2022 and December 31, 2021.

Table 7.1 – Classifications and Carrying Values of Business Purpose Loans

September 30, 2022 (In Thousands)	Single-Family Rental		Bridge		Total
	Redwood	CAFL	Redwood	CAFL	
Held-for-sale at fair value	\$ 281,105	\$ —	\$ 56,133	\$ —	\$ 337,238
Held-for-investment at fair value	—	3,018,994	1,388,750	512,236	4,919,980
Total Business Purpose Loans	\$ 281,105	\$ 3,018,994	\$ 1,444,883	\$ 512,236	\$ 5,257,218

December 31, 2021 (In Thousands)	Single-Family Rental		Bridge		Total
	Redwood	CAFL	Redwood	CAFL	
Held-for-sale at fair value	\$ 358,309	\$ —	\$ —	\$ —	\$ 358,309
Held-for-investment at fair value	—	3,488,074	666,364	278,242	4,432,680
Total Business Purpose Loans	\$ 358,309	\$ 3,488,074	\$ 666,364	\$ 278,242	\$ 4,790,989

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Note 7. Business Purpose Loans - (continued)

Nearly all of the outstanding SFR loans at September 30, 2022 were first-lien, fixed-rate loans with original maturities of five, seven, or ten years, with 2% having original maturities of 30 years. The outstanding bridge loans held-for-investment at September 30, 2022 were first-lien, interest-only loans with original maturities of six to 36 months and were comprised of 39% one-month LIBOR-indexed adjustable-rate loans, 48% one-month SOFR-indexed adjustable-rate loans, and 13% fixed-rate loans.

At September 30, 2022, we had commitments to fund bridge loans of \$990 million. 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, 2022 and 2021.

Table 7.2 – Activity of Business Purpose Loans at Redwood

(In Thousands)	Three Months Ended September 30, 2022		Three Months Ended September 30, 2021	
	SFR at Redwood	Bridge at Redwood	SFR at Redwood	Bridge at Redwood
Principal balance of loans originated	\$ 99,281	\$ 470,425	\$ 392,620	\$ 208,938
Principal balance of loans acquired ⁽¹⁾	—	59,977	2,463	35,713
Principal balance of loans sold to third parties	37,202	48,279	—	253
Fair value of loans transferred ⁽²⁾	266,181	77,362	332,670	276,354
Mortgage banking activities income (loss) recorded ⁽⁴⁾	(19,325)	(110)	19,205	3,691
Investment fair value changes recorded ⁽⁵⁾	—	(679)	—	900

(In Thousands)	Nine Months Ended September 30, 2022		Nine Months Ended September 30, 2021	
	SFR at Redwood	Bridge at Redwood	SFR at Redwood	Bridge at Redwood
Principal balance of loans originated	\$ 865,253	\$ 1,424,604	\$ 957,935	\$ 557,327
Principal balance of loans acquired ⁽¹⁾	100,349	81,983	2,463	35,713
Principal balance of loans sold to third parties	368,704	48,279	—	9,484
Fair value of loans transferred ⁽²⁾	561,218	465,966	799,375	276,354
Fair value of loans transferred from HFI to HFS ⁽³⁾	—	—	44,922	N/A
Mortgage banking activities income (loss) recorded ⁽⁴⁾	(83,827)	1,129	54,675	5,212
Investment fair value changes recorded ⁽⁵⁾	—	(6,747)	—	4,142

(1) Bridge at Redwood for the three and nine months ended September 30, 2022, includes \$60 million of loans acquired as part of the Riverbend acquisition.

(2) For SFR at Redwood, represents the transfer of loans from held-for-sale to held-for-investment associated with CAFL SFR securitizations. For Bridge at Redwood, represents the transfer of bridge loans from "Bridge at Redwood" to "Bridge at CAFL" resulting from their securitization.

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

(4) Represents net market valuation changes from the time a loan is originated to when it is sold or transferred to our investment portfolio. Additionally, for the three and nine months ended September 30, 2022, we recorded loan origination fee income of \$10 million and \$36 million, respectively, through Mortgage banking activities, net on our consolidated statements of income (loss).

(5) 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 single-family rental loans and bridge loans owned by these entities. For loans held at our consolidated CAFL entities, market value changes are based on the estimated fair value of the associated ABS issued, including securities we own, pursuant to collateralized financing entity guidelines, and are recorded through Investment fair value changes, net on our consolidated statements of income (loss). The net impact to our income statement associated with our economic investments in these securitization entities is presented in Table 4.2. The following table provides the activity of business purpose loans held-for-investment at CAFL during the three and nine months ended September 30, 2022 and 2021.

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

(In Thousands)	Three Months Ended September 30, 2022		Three Months Ended September 30, 2021	
	SFR at CAFL	Bridge at CAFL	SFR at CAFL	Bridge at CAFL
Net market valuation gains (losses) recorded	\$ (108,980)	\$ 1,906	\$ (34,803)	\$ —

(In Thousands)	Nine Months Ended September 30, 2022		Nine Months Ended September 30, 2021	
	SFR at CAFL	Bridge at CAFL	SFR at CAFL	Bridge at CAFL
Net market valuation gains (losses) recorded	\$ (419,182)	\$ 50	\$ (96,934)	\$ —

REO

See Note 13 for detail on business purpose loans transferred to REO during 2022.

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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, 2022 and December 31, 2021.

Table 7.4 – Characteristics of Business Purpose Loans

September 30, 2022

(Dollars in Thousands)	SFR at Redwood	SFR at CAFL⁽¹⁾	Bridge at Redwood	Bridge at CAFL
Number of loans	202	1,142	1,585	1,994
Unpaid principal balance	\$ 317,556	\$ 3,316,706	\$ 1,452,180	\$ 510,839
Fair value of loans	\$ 281,105	\$ 3,018,994	\$ 1,444,883	\$ 512,236
Weighted average coupon	5.14 %	5.22 %	8.06 %	8.04 %
Weighted average remaining loan term (years)	15	6	2	1
Market value of loans pledged as collateral under short-term debt facilities	\$ 279,846	N/A	\$ 702,899	N/A
Market value of loans pledged as collateral under long-term debt facilities	—	N/A	\$ 699,704	N/A

Delinquency information

Number of loans with 90+ day delinquencies ⁽²⁾	1	15	51	47
Unpaid principal balance of loans with 90+ day delinquencies	\$ 536	\$ 31,296	\$ 33,822	\$ 7,063
Fair value of loans with 90+ day delinquencies ⁽²⁾	\$ 528	N/A	\$ 31,140	\$ 7,144
Number of loans in foreclosure ⁽³⁾	1	7	49	—
Unpaid principal balance of loans in foreclosure	\$ 536	\$ 10,335	\$ 33,471	\$ —
Fair value of loans in foreclosure ⁽³⁾	\$ 528	N/A	\$ 30,789	\$ —

December 31, 2021

(Dollars in Thousands)	SFR at Redwood	SFR at CAFL⁽¹⁾	Bridge at Redwood	Bridge at CAFL
Number of loans	245	1,173	1,134	1,640
Unpaid principal balance	\$ 348,232	\$ 3,340,949	\$ 670,392	\$ 274,617
Fair value of loans	\$ 358,309	\$ 3,488,074	\$ 666,364	\$ 278,242
Weighted average coupon	4.73 %	5.17 %	6.91 %	7.05 %
Weighted average remaining loan term (years)	12	6	1	1
Market value of loans pledged as collateral under short-term debt facilities	\$ 75,873	N/A	\$ 91,814	N/A
Market value of loans pledged as collateral under long-term debt facilities	\$ 244,703	N/A	\$ 554,597	N/A

Delinquency information

Number of loans with 90+ day delinquencies ⁽²⁾	6	18	31	—
Unpaid principal balance of loans with 90+ day delinquencies	\$ 5,384	\$ 41,998	\$ 18,032	\$ —
Fair value of loans with 90+ day delinquencies ⁽²⁾	\$ 4,238	N/A	\$ 14,218	\$ —
Number of loans in foreclosure ⁽³⁾	7	9	28	—
Unpaid principal balance of loans in foreclosure	\$ 5,473	\$ 12,648	\$ 18,043	\$ —
Fair value of loans in foreclosure ⁽³⁾	\$ 4,305	N/A	\$ 14,257	\$ —

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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 collateralized financing entities.
- (2) The number of loans 90-or-more days delinquent includes loans in foreclosure.
- (3) May include loans that are less than 90 days delinquent.

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 our consolidated Agency multifamily loans at September 30, 2022 and December 31, 2021.

Table 8.1 – Characteristics of Consolidated Agency Multifamily Loans

(Dollars in Thousands)	September 30, 2022		December 31, 2021	
Number of loans		28		28
Unpaid principal balance	\$	449,232	\$	455,168
Fair value of loans	\$	427,458	\$	473,514
Weighted average coupon		4.25 %		4.25 %
Weighted average remaining loan term (years)		3		4
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, 2022 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, 2022 and 2021.

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

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net market valuation gains (losses) recorded ⁽¹⁾	\$ (13,691)	\$ (487)	\$ (40,120)	\$ (3,745)

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

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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, 2022 and December 31, 2021.

Table 9.1 – Fair Values of Real Estate Securities by Type

(In Thousands)	September 30, 2022	December 31, 2021
Trading	\$ 116,933	\$ 170,619
Available-for-sale	142,279	206,792
Total Real Estate Securities	\$ 259,212	\$ 377,411

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, 2022 and December 31, 2021.

Table 9.2 – Fair Value of Trading Securities by Position

(In Thousands)	September 30, 2022	December 31, 2021
Senior		
Interest-only securities ⁽¹⁾	\$ 28,860	\$ 21,787
Total Senior	28,860	21,787
Subordinate		
RPL securities	31,963	65,140
Multifamily securities	8,021	10,549
Other third-party residential securities	48,089	73,143
Total Subordinate	88,073	148,832
Total Trading Securities	\$ 116,933	\$ 170,619

(1) Includes \$25 million and \$15 million of Sequoia certificated mortgage servicing rights at September 30, 2022 and December 31, 2021, respectively.

The following table presents the unpaid principal balance of trading securities by position and collateral type at September 30, 2022 and December 31, 2021.

Table 9.3 – Unpaid Principal Balance of Trading Securities by Position

(In Thousands)	September 30, 2022	December 31, 2021
Senior ⁽¹⁾	\$ —	\$ —
Subordinate	220,888	235,306
Total Trading Securities	\$ 220,888	\$ 235,306

(1) Our senior trading securities include 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, 2022 and 2021.

Table 9.4 – Trading Securities Activity

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Principal balance of securities acquired ⁽¹⁾	\$ —	\$ 10,750	\$ —	\$ 28,380
Principal balance of securities sold ⁽¹⁾	—	750	12,716	53,561
Net market valuation gains (losses) recorded ⁽²⁾	(12,521)	1,578	(30,019)	24,725

(1) For the three and nine months ended September 30, 2021, excludes \$1 million and \$3 million of securities bought and sold during the same quarter, respectively.

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

AFS Securities

The following table presents the fair value of our available-for-sale ("AFS") securities by position and collateral type at September 30, 2022 and December 31, 2021.

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

(In Thousands)	September 30, 2022	December 31, 2021
Subordinate		
Sequoia securities	\$ 78,065	\$ 127,542
Multifamily securities	13,211	22,166
Other third-party residential securities	51,003	57,084
Total Subordinate	142,279	206,792
Total AFS Securities	\$ 142,279	\$ 206,792

The following table provides the activity of available-for-sale securities during the three and nine months ended September 30, 2022 and 2021.

Table 9.6 – Available-for-Sale Securities Activity

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Fair value of securities acquired	\$ —	\$ —	\$ 10,000	\$ 1,600
Fair value of securities sold	—	—	—	4,785
Principal balance of securities called	—	11,565	14,486	25,970
Net unrealized (losses) gains on AFS securities ⁽¹⁾	(8,731)	(2,658)	(60,013)	19,552

(1) Net unrealized (losses) gains 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.

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

At September 30, 2022, we had \$10 million of AFS securities with contractual maturities less than five years, \$1 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, 2022 and December 31, 2021.

Table 9.7 – Carrying Value of AFS Securities

September 30, 2022

(In Thousands)	Total
Principal balance	\$ 227,715
Credit reserve	(30,247)
Unamortized discount, net	(61,015)
Amortized cost	136,453
Gross unrealized gains	19,017
Gross unrealized losses	(10,876)
CECL allowance	(2,315)
Carrying Value	\$ 142,279

December 31, 2021

(In Thousands)	Total
Principal balance	\$ 242,852
Credit reserve	(27,555)
Unamortized discount, net	(76,023)
Amortized cost	139,274
Gross unrealized gains	67,815
Gross unrealized losses	(297)
CECL allowance	—
Carrying Value	\$ 206,792

The following table presents the changes for the three and nine months ended September 30, 2022, 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, 2022		Nine Months Ended September 30, 2022	
	Credit Reserve	Unamortized Discount, Net	Credit Reserve	Unamortized Discount, Net
Beginning balance	\$ 30,619	\$ 61,303	\$ 27,555	\$ 76,023
Amortization of net discount	—	(830)	—	(10,647)
Realized credit recoveries (losses), net	170	—	244	—
Acquisitions	—	—	—	—
Sales, calls, other	—	—	(343)	(1,570)
Transfers to (release of) credit reserves, net	(542)	542	2,791	(2,791)
Ending Balance	\$ 30,247	\$ 61,015	\$ 30,247	\$ 61,015

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Note 9. Real Estate Securities - (continued)

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, 2022 and December 31, 2021.

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, 2022	\$ 65,585	\$ (10,685)	\$ 1,409	\$ (191)
December 31, 2021	6,827	(251)	1,554	(46)

At September 30, 2022, after giving effect to purchases, sales, and extinguishment due to credit losses, our consolidated balance sheet included 81 AFS securities, of which 35 were in an unrealized loss position and one was in a continuous unrealized loss position for 12 consecutive months or longer. At December 31, 2021, our consolidated balance sheet included 85 AFS securities, of which four 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 \$11 million at September 30, 2022. 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, 2022, 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, 2022, our current expected credit loss ("CECL") allowance related to our AFS securities was \$2.3 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, 2022.

Table 9.10 – Significant Credit Quality Indicators

September 30, 2022	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, 2022.

Table 9.11 – Rollforward of Allowance for Credit Losses

(In Thousands)	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Beginning balance allowance for credit losses	\$ 1,771	\$ —
Additions to allowance for credit losses on securities for which credit losses were not previously recorded	30	1,520
Additional increases (decreases) to the allowance for credit losses on securities that had an allowance recorded in a previous period	514	795
Allowance on purchased financial assets with credit deterioration	—	—
Reduction to allowance for securities sold during the period	—	—
Reduction to allowance for securities we intend to sell or more likely than not will be required to sell	—	—
Write-offs charged against allowance	—	—
Recoveries of amounts previously written off	—	—
Ending balance of allowance for credit losses	\$ 2,315	\$ 2,315

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, 2022 and 2021.

Table 9.12 – Gross Realized Gains and Losses on AFS Securities

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Gross realized gains - sales	\$ —	\$ —	\$ —	\$ 1,507
Gross realized gains - calls	—	6,389	1,914	15,484
Gross realized losses - sales	—	—	—	—
Total Realized Gains on Sales and Calls of AFS Securities, net	\$ —	\$ 6,389	\$ 1,914	\$ 16,991

During the nine months ended September 30, 2022, we called three of our unconsolidated Sequoia entities and purchased \$102 million (unpaid principal balance) of loans from the securitization trusts. In association with these calls, we realized a \$0.3 million gain on the securities we owned from these securitizations. The remaining realized gains were from third-party securities we owned that were called during the nine months ended September 30, 2022.

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Note 10. Home Equity Investments (HEI)

Home equity investments at September 30, 2022 and December 31, 2021 are summarized in the following table.

Table 10.1 – Home Equity Investments

(In Thousands)	September 30, 2022	December 31, 2021
HEIs at Redwood	\$ 200,709	\$ 33,187
HEIs held at consolidated HEI securitization entity	139,728	159,553
Total Home Equity Investments	\$ 340,437	\$ 192,740

We purchase home equity investment contracts from third party originators under flow purchase agreements. 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 a deed of trust or a mortgage. Our investments in HEIs allow us to share in both home price appreciation and depreciation of the associated property.

At September 30, 2022, we had flow purchase agreements with HEI originators with \$149 million of cumulative purchase commitments outstanding. See *Note 17* for additional information on these commitments.

As of September 30, 2022, we owned \$201 million of HEIs at Redwood and consolidated \$140 million of HEIs through the HEI securitization entity. We account for these investments under the fair value option and during the three and nine months ended September 30, 2022, we recorded net market valuation losses of \$5 million and losses of \$2 million, respectively, related to HEIs owned at Redwood through Investment fair value changes, net on our consolidated statements of income (loss).

We consolidate the HEI securitization in accordance with GAAP and have elected to account for it under the CFE election. During the three and nine months ended September 30, 2022, we recorded net market valuation losses of \$1 million and gains of \$4 million (including \$1 million and \$3 million of interest expense), respectively, related to our net investment in the HEI securitization entity through Investment fair value changes, net on our consolidated statements of income (loss).

Note 11. Other Investments

Other investments at September 30, 2022 and December 31, 2021 are summarized in the following table.

Table 11.1 – Components of Other Investments

(In Thousands)	September 30, 2022	December 31, 2021
Servicer advance investments	\$ 274,934	\$ 350,923
Strategic investments	71,607	35,702
Excess MSR's	40,452	44,231
Mortgage servicing rights	24,796	12,438
Other	973	5,935
Total Other Investments	\$ 412,762	\$ 449,229

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's related to a portfolio of legacy residential mortgage-backed securitizations serviced by the co-investor. Refer to *Note 10* to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2021 for additional information regarding the transactions. At both September 30, 2022 and December 31, 2021, we had cumulatively funded \$148 million of total capital to the SA Buyers. See *Note 17* for additional detail on these commitments.

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Note 11. Other Investments - (continued)

At September 30, 2022, our servicer advance investments had a carrying value of \$275 million and were associated with a portfolio of residential mortgage loans with an unpaid principal balance of \$11.68 billion. The outstanding servicer advance receivables associated with this investment were \$245 million at September 30, 2022, 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, 2022 and December 31, 2021.

Table 11.2 – Components of Servicer Advance Receivables

(In Thousands)	September 30, 2022	December 31, 2021
Principal and interest advances	\$ 89,816	\$ 94,148
Escrow advances (taxes and insurance advances)	117,971	172,847
Corporate advances	37,394	43,958
Total Servicer Advance Receivables	\$ 245,181	\$ 310,953

We account for our servicer advance investments at fair value and during the three and nine months ended September 30, 2022, we recorded \$ million and \$15 million of interest income, respectively, through Other interest income, and recorded a net market valuation loss of \$4 million and loss of \$10 million, respectively, through Investment fair value changes, net in our consolidated statements of income (loss).

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, 2022, we had made a total of 27 investments in companies through RWT Horizons with a total carrying value of \$24 million, as well as six corporate-level 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, which was recorded in Investment fair value changes, net on our consolidated statements of income (loss). During the three and nine months ended September 30, 2022, we recorded losses of \$0.3 million and \$0.4 million, respectively, in Other income, net from our strategic investments.

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, 2022, we recognized \$4 million and \$12 million of interest income, respectively, through Other interest income, and recorded net market valuation losses of \$0.4 million and \$4 million, respectively, through Investment fair value changes, net on our consolidated statements of income (loss).

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. During the three and nine months ended September 30, 2022, we retained zero and \$5 million, respectively, of MSRs from sales of residential loans to third parties. We hold our MSR investments at our taxable REIT subsidiaries.

At September 30, 2022 and December 31, 2021, our MSRs had a fair value of \$25 million and \$12 million, respectively, and were associated with loans with an aggregate principal balance of \$2.22 billion and \$2.12 billion, respectively. During the three and nine months ended September 30, 2022, including net market valuation gains and losses on our MSRs, we recorded net income of \$3 million and \$13 million, respectively, through Other income on our consolidated statements of income (loss) related to our MSRs.

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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, 2022 and December 31, 2021.

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

(In Thousands)	September 30, 2022		December 31, 2021	
	Fair Value	Notional Amount	Fair Value	Notional Amount
Assets - Risk Management Derivatives				
Interest rate swaps	\$ 24,626	\$ 459,000	\$ 611	\$ 161,500
TBAs	13,568	565,000	2,880	2,440,000
Interest rate futures	26,275	681,500	25	9,000
Swaptions	—	—	18,318	1,660,000
Assets - Other Derivatives				
Loan purchase and interest rate lock commitments	744	87,157	4,633	971,631
Total Assets	\$ 65,213	\$ 1,792,657	\$ 26,467	\$ 5,242,131
Liabilities - Risk Management Derivatives				
Interest rate swaps	\$ (23)	\$ 10,000	\$ (1,251)	\$ 283,100
TBAs	(6,545)	255,000	(658)	870,000
Interest rate futures	(2)	300	(905)	62,500
Liabilities - Other Derivatives				
Loan purchase and interest rate lock commitments	(212)	58,544	(503)	404,190
Total Liabilities	\$ (6,782)	\$ 323,844	\$ (3,317)	\$ 1,619,790
Total Derivative Financial Instruments, Net	\$ 58,431	\$ 2,116,501	\$ 23,150	\$ 6,861,921

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, 2022, we were party to swaps and swaptions with an aggregate notional amount of \$469 million, TBA agreements with an aggregate notional amount of \$820 million, and interest rate futures contracts with an aggregate notional amount of \$682 million. At December 31, 2021, we were party to swaps and swaptions with an aggregate notional amount of \$2.10 billion, futures with an aggregate notional amount of \$72 million and TBA agreements with an aggregate notional amount of \$3.31 billion.

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. For the three and nine months ended September 30, 2021, risk management derivatives had net market valuation gains of \$4 million and gains of \$38 million, respectively. Market valuation gains and losses are recorded in Mortgage banking activities, net, Investment fair value changes, net and Other income on our consolidated statements of income (loss).

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Note 12. Derivative Financial Instruments - (continued)

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, 2022, LPCs and IRLCs had net market valuation losses of \$3 million and losses of \$54 million, respectively, that were recorded in Mortgage banking activities, net on our consolidated statements of income (loss). For both the three and nine months ended September 30, 2021, LPCs and IRLCs had net market valuation gains of \$18 million, that were recorded in Mortgage banking activities, net on our consolidated statements of income (loss).

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 income was \$3 million and \$76 million at September 30, 2022 and December 31, 2021, respectively. We are amortizing this loss into interest expense over the remaining term of the debt they were originally hedging. As of September 30, 2022, we expect to amortize \$4 million of realized losses related to terminated cash flow hedges into interest expense over the next twelve months.

The following table illustrates the impact on interest expense of our interest rate agreements accounted for as cash flow hedges for the three and nine months ended September 30, 2022 and 2021.

Table 12.2 – Impact on Interest Expense of Interest Rate Agreements Accounted for as Cash Flow Hedges

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net interest expense on cash flows hedges	\$ —	\$ —	\$ —	\$ —
Realized net losses reclassified from other comprehensive income	(1,040)	(1,041)	(3,086)	(3,086)
Total Interest Expense	\$ (1,040)	\$ (1,041)	\$ (3,086)	\$ (3,086)

Derivative Counterparty Credit Risk

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2021, we consider counterparty risk as part of our fair value assessments of all derivative financial instruments at each quarter-end. At September 30, 2022, we assessed this risk as remote and did not record an associated specific valuation adjustment. At September 30, 2022, we were in compliance with our derivative counterparty ISDA agreements.

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Note 13. Other Assets and Liabilities

Other assets at September 30, 2022 and December 31, 2021 are summarized in the following table.

Table 13.1 – Components of Other Assets

(In Thousands)	September 30, 2022	December 31, 2021
Accrued interest receivable	\$ 54,944	\$ 47,515
Investment receivable	50,149	82,781
Deferred tax asset	20,867	20,867
Operating lease right-of-use assets	17,126	18,772
Income tax receivables	13,959	22
Fixed assets and leasehold improvements ⁽¹⁾	12,411	9,019
Margin receivable	6,683	7,269
REO	3,683	36,126
Other	14,678	8,746
Total Other Assets	\$ 194,500	\$ 231,117

(1) Fixed assets and leasehold improvements had a basis of \$22 million and accumulated depreciation of \$9 million at September 30, 2022.

Accrued expenses and other liabilities at September 30, 2022 and December 31, 2021 are summarized in the following table.

Table 13.2 – Components of Accrued Expenses and Other Liabilities

(In Thousands)	September 30, 2022	December 31, 2021
Payable to non-controlling interests	\$ 47,487	\$ 42,670
Accrued interest payable	46,938	39,297
Margin payable	30,389	24,368
Accrued compensation	23,488	74,636
Operating lease liabilities	19,533	20,960
Guarantee obligations	6,532	7,459
Residential loan and MSR repurchase reserve	5,754	9,306
Accrued operating expenses	4,956	4,377
Current accounts payable	4,722	8,273
Bridge loan holdbacks	3,930	3,109
Other	7,396	11,333
Total Accrued Expenses and Other Liabilities	\$ 201,125	\$ 245,788

Refer to *Note 12* to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2021 for additional descriptions of our other assets and liabilities.

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. Through September 30, 2022, we had met all margin calls due.

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Note 13. Other Assets and Liabilities - (continued)

REO

The following table summarizes the activity and carrying values of REO assets held at Redwood and at consolidated Legacy Sequoia, Freddie Mac SLST, and CAFL SFR entities during the nine months ended September 30, 2022.

Table 13.3 – REO Activity

(In Thousands)	Nine Months Ended September 30, 2022				
	Bridge	Legacy Sequoia	Freddie Mac SLST	SFR at CAFL	Total
Balance at beginning of period	\$ 13,067	\$ 61	\$ 2,028	\$ 20,970	\$ 36,126
Transfers to REO	963	407	2,664	—	4,034
Liquidations ⁽¹⁾	(14,271)	(505)	(2,395)	(20,970)	(38,141)
Changes in fair value, net	974	443	247	—	1,664
Balance at End of Period	\$ 733	\$ 406	\$ 2,544	\$ —	\$ 3,683

(1) For the nine months ended September 30, 2022, REO liquidations resulted in \$2 million of realized gains, which were recorded in Investment fair value changes, net on our consolidated statements of income (loss).

Note 14. Short-Term Debt

We enter into repurchase agreements ("repo"), loan warehouse agreements, and other forms of collateralized (and partially uncommitted) short-term borrowings with several banks and major investment banking firms. At September 30, 2022, 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, 2022 and December 31, 2021.

Table 14.1 – Short-Term Debt

(Dollars in Thousands)	September 30, 2022					
	Number of Facilities	Outstanding Balance	Limit	Weighted Average Interest Rate ⁽¹⁾	Maturity ⁽²⁾	Weighted Average Days Until Maturity
Facilities						
Residential loan warehouse	9	\$ 748,962	\$ 2,850,000	4.83 %	12/2022 - 9/2023	150
Business purpose loan warehouse	4	775,491	1,750,000	5.67 %	3/2023 - 9/2023	289
Real estate securities repo	7	124,435	—	3.50 %	10/2022 - 12/2022	32
Total Short-Term Debt Facilities	20	1,648,888				
Servicer advance financing	1	233,104	290,000	4.94 %	11/2023	397
Promissory notes	N/A	30,702	N/A	6.58 %	N/A	N/A
Convertible notes, net	N/A	197,585	N/A	4.75 %	8/2023	319
Total Short-Term Debt		\$ 2,110,279				

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Note 14. Short-Term Debt - (continued)

(Dollars in Thousands)	December 31, 2021					
	Number of Facilities	Outstanding Balance	Limit	Weighted Average Interest Rate ⁽¹⁾	Maturity	Weighted Average Days Until Maturity
Facilities						
Residential loan warehouse	7	\$ 1,669,344	\$ 2,900,000	1.87 %	1/2022-12/2022	153
Business purpose loan warehouse	2	138,746	350,000	3.34 %	3/2022-7/2022	105
Real estate securities repo	4	74,825	—	1.13 %	1/2022-3/2022	33
Total Short-Term Debt Facilities	13	1,882,915				
Servicer advance financing	1	294,447	350,000	1.90 %	11/2022	306
Convertible notes, net	N/A	—				
Total Short-Term Debt		\$ 2,177,362				

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

(2) Promissory notes payable on demand to lender with 90-day notice. Assumed maturity date at September 30, 2022 is December 30, 2022 for this presentation.

The following table below presents the value of loans, securities, and other assets pledged as collateral under our short-term debt at September 30, 2022 and December 31, 2021.

Table 14.2 – Collateral for Short-Term Debt

(In Thousands)	September 30, 2022	December 31, 2021
Collateral Type		
Held-for-sale residential loans	\$ 828,192	\$ 1,838,797
Business purpose loans	982,745	167,687
Real estate securities		
On balance sheet	60,457	5,823
Sequoia securitizations ⁽¹⁾	77,470	61,525
Freddie Mac K-Series securitization ⁽¹⁾	32,047	31,657
Total real estate securities owned	169,974	99,005
Restricted cash and other assets	4,116	1,962
Total Collateral for Short-Term Debt Facilities	1,985,027	2,107,451
Cash	15,891	6,480
Restricted cash	18,569	25,420
Servicer advances	274,934	310,953
Total Collateral for Servicer Advance Financing	309,394	342,853
Total Collateral for Short-Term Debt	\$ 2,294,421	\$ 2,450,304

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

For the three and nine months ended September 30, 2022, the average balance of our short-term debt facilities was \$.64 billion and \$1.65 billion, respectively. At September 30, 2022 and December 31, 2021, accrued interest payable on our short-term debt facilities was \$5 million and \$2 million, respectively.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 14. Short-Term Debt - (continued)

Servicer advance financing consists of non-recourse short-term securitization debt used to finance servicer advance investments. We consolidate the securitization entity that issued the debt, but the entity is independent of Redwood and the assets and liabilities are not owned by and are not legal obligations of Redwood. At September 30, 2022, the accrued interest payable balance on this financing was \$0.3 million and the unamortized capitalized commitment costs were \$0.1 million.

In connection with our acquisition of Riverbend, we assumed \$43 million of promissory notes which 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%. During the three months ended September 30, 2022, we repaid \$12 million of principal of these notes.

We also maintain a \$10 million committed line of credit with a financial institution that is secured by certain mortgage-backed securities with a fair market value of \$ million at September 30, 2022. At both September 30, 2022 and December 31, 2021, we had no outstanding borrowings on this facility.

During the three and nine months ended September 30, 2022, business purpose loan warehouse facilities with a borrowing limits of \$50 million and \$900 million, respectively, were reclassified to short-term debt from long-term debt as the maturity of these facilities became less than one year.

During the three months ended September 30, 2022, \$199 million principal amount of 4.75% convertible debt and \$1 million of unamortized deferred issuance costs were reclassified from long-term debt to short-term debt as the maturity of the notes was less than one year as of August 2022.

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, 2022.

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

(In Thousands)	September 30, 2022			
	Within 30 days	31 to 90 days	Over 90 days	Total
Collateral Type				
Held-for-sale residential loans	\$ —	\$ 262,804	\$ 486,158	\$ 748,962
Business purpose loans	—	—	775,491	775,491
Real estate securities	72,233	52,202	—	124,435
Total Secured Short-Term Debt	72,233	315,006	1,261,649	1,648,888
Servicer advance financing	—	—	233,104	233,104
Promissory notes	—	30,702	—	30,702
Convertible notes, net	—	—	197,585	197,585
Total Short-Term Debt	\$ 72,233	\$ 345,708	\$ 1,692,338	\$ 2,110,279

REDWOOD TRUST, INC. AND SUBSIDIARIES
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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, 2022 and December 31, 2021, along with other selected information, are summarized in the following table.

Table 15.1 – Asset-Backed Securities Issued

September 30, 2022 (Dollars in Thousands)	Legacy Sequoia	Sequoia	CAFL⁽¹⁾	Freddie Mac SLST⁽²⁾	Freddie Mac K-Series	HEI	Total
Certificates with principal balance	\$ 213,786	\$ 3,650,411	\$ 3,375,688	\$ 1,344,521	\$ 412,764	\$ 112,380	\$ 9,109,550
Interest-only certificates	170	62,311	134,348	13,930	8,075	—	218,834
Market valuation adjustments	(16,602)	(699,473)	(330,549)	(109,410)	(25,428)	(7,629)	(1,189,091)
ABS Issued, Net	\$ 197,354	\$ 3,013,249	\$ 3,179,487	\$ 1,249,041	\$ 395,411	\$ 104,751	\$ 8,139,293
Range of weighted average interest rates, by series ⁽³⁾	2.52% to 3.90%	2.56% to 4.99%	2.34% to 5.93%	3.50% to 4.75%	3.41 %	3.76 %	
Stated maturities ⁽³⁾	2024 - 2036	2047-2052	2027-2032	2028-2059	2025	2052	
Number of series	20	17	19	3	1	1	

December 31, 2021 (Dollars in Thousands)	Legacy Sequoia	Sequoia	CAFL⁽¹⁾	Freddie Mac SLST⁽²⁾	Freddie Mac K- Series	HEI	Total
Certificates with principal balance	\$ 259,505	\$ 3,353,073	\$ 3,264,766	\$ 1,535,638	\$ 418,700	\$ 138,792	\$ 8,970,474
Interest-only certificates	619	32,749	193,725	11,714	10,184	—	248,991
Market valuation adjustments	(32,243)	(2,774)	16,407	41,111	12,973	(1,382)	34,092
ABS Issued, Net	\$ 227,881	\$ 3,383,048	\$ 3,474,898	\$ 1,588,463	\$ 441,857	\$ 137,410	\$ 9,253,557
Range of weighted average interest rates, by series ⁽³⁾	0.23% to 1.44%	2.40% to 5.03%	2.64% to 5.24%	3.50% to 4.75%	3.41 %	3.31 %	
Stated maturities ⁽³⁾	2024 - 2036	2047-2052	2027-2031	2028-2059	2025	2052	
Number of series	20	16	16	3	1	1	

(1) Includes \$485 million and \$270 million (principal balance) of ABS issued by two CAFL bridge securitization trusts sponsored by Redwood and accounted for at amortized cost at September 30, 2022 and December 31, 2021, respectively.

(2) Includes \$100 million and \$145 million (principal balance) of ABS issued by a re-securitization trust sponsored by Redwood and accounted for at amortized cost at September 30, 2022 and December 31, 2021, respectively.

(3) Certain ABS issued by CAFL, Freddie Mac SLST, 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 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, 2022, the principal balance of the ABS issued was \$ 215 million, and the unamortized debt discount and deferred issuance costs were \$7 million in total, for a net carrying value of \$208 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 \$229 million of bridge loans and \$19 million of restricted cash and other assets at September 30, 2022. 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 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, 2022, the principal balance of the ABS issued was \$ 270 million, and the unamortized debt discount and deferred issuance costs were \$2 million, for a net carrying value of \$268 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 collateralized by \$283 million of bridge loans and \$24 million of restricted cash and other assets at September 30, 2022. 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 the HEI securitization entity formed in connection with the securitization of HEIs, 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. At issuance, we sold \$ 210 million (principal balance) of ABS issued to third parties and retained 100% of the remaining beneficial ownership interest in the trust through ownership of a subordinate security issued by the trust. The ABS was issued at a discount and we have elected to account for the ABS issued at amortized cost. At September 30, 2022, the principal balance of the ABS issued was \$100 million, and the debt discount and deferred issuance costs totaled \$1 million, for a net carrying value of \$99 million. The stated coupon of the ABS issued was 4.75% at issuance and the final stated maturity occurs in July 2059. The ABS issued are subject to an optional redemption in July 2022 and in July 2023 the ABS interest rate steps up to 7.75%.

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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, 2022, 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, 2022 and December 31, 2021. Interest due on consolidated ABS issued is payable monthly.

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

(In Thousands)	September 30, 2022	December 31, 2021
Legacy Sequoia	\$ 223	\$ 99
Sequoia	9,003	8,452
CAFL	11,202	11,030
Freddie Mac SLST ⁽¹⁾	4,026	4,630
Freddie Mac K-Series	1,173	1,190
Total Accrued Interest Payable on ABS Issued	\$ 25,627	\$ 25,401

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

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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 rate, and the maturity information at September 30, 2022 and December 31, 2021.

Table 16.1 – Long-Term Debt

(Dollars in Thousands)	September 30, 2022					
	Borrowings	Unamortized Deferred Issuance Costs / Discount	Net Carrying Value	Limit	Weighted Average Interest Rate ⁽¹⁾	Final Maturity
Facilities						
Recourse Subordinate Securities Financing						
Facility A	\$ 131,316	\$ —	\$ 131,316	N/A	4.21 %	9/2024
CAFL						
Facility B	102,006	(126)	101,880	N/A	4.21 %	2/2025
Facility C	71,792	(189)	71,603	N/A	4.75 %	6/2026
Non-Recourse BPL Financing						
Facility D	565,028	(976)	564,052	\$ 750,000	L + 2.51%	N/A
Recourse BPL Financing						
Facility G	—	—	—	500,000	SOFR + 2.25% - 2.50%	9/2024
Total Long-Term Debt Facilities	870,142	(1,291)	868,851			
Convertible notes						
5.625% convertible senior notes	150,200	(1,484)	148,716	N/A	5.625 %	7/2024
5.75% exchangeable senior notes	172,092	(2,769)	169,323	N/A	5.75 %	10/2025
7.75% convertible senior notes	215,000	(6,419)	208,581	N/A	7.75 %	6/2027
Trust preferred securities and subordinated notes	139,500	(745)	138,755	N/A	L + 2.25%	7/2037
Total Long-Term Debt	\$ 1,546,934	\$ (12,708)	\$ 1,534,226			

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Note 16. Long-Term Debt - (continued)

(Dollars in Thousands)	December 31, 2021					
	Borrowings	Unamortized Deferred Issuance Costs / Discount	Net Carrying Value	Limit	Weighted Average Interest Rate ⁽¹⁾	Final Maturity
Facilities						
Recourse Subordinate Securities Financing						
Facility A	\$ 144,385	\$ (313)	\$ 144,072	N/A	4.21 %	9/2024
CAFL						
Facility B	102,351	(353)	101,998	N/A	4.21 %	2/2025
Facility C	91,707	(376)	91,331	N/A	4.75 %	6/2026
Non-Recourse BPL Financing						
Facility D	307,215	(507)	306,708	\$ 400,000	L + 2.75%	N/A
Recourse BPL Financing						
Facility E	234,349	(123)	234,226	450,000	L + 2.21%	9/2023
Facility F	110,148	—	110,148	450,000	L + 3.35%	6/2023
Total Long-Term Debt Facilities	990,155	(1,672)	988,483			
Convertible notes						
4.75% convertible senior notes	198,629	(1,836)	196,793	N/A	4.75 %	8/2023
5.625% convertible senior notes	150,200	(2,072)	148,128	N/A	5.625 %	7/2024
5.75% exchangeable senior notes	172,092	(3,384)	168,708	N/A	5.75 %	10/2025
Trust preferred securities and subordinated notes	139,500	(779)	138,721	N/A	L + 2.25%	7/2037
Total Long-Term Debt	\$ 1,650,576	\$ (9,743)	\$ 1,640,833			

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

Refer to Note 15 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2021, for a full description of our long-term debt.

Non-Recourse BPL Financing Facility

During the three months ended March 31, 2022, we amended facility D (see Table 16.1 above) to increase the borrowing limit from \$400 million to \$600 million. During the three months ended September 30, 2022, we amended facility D to increase the borrowing limit from \$600 million to \$750 million.

Recourse BPL Financing Facilities

During the three months ended September 30, 2022, a subsidiary of Redwood entered into a repurchase agreement providing non-marginable financing for business purpose bridge loan and single-family rental loans (Facility G in Table 16.1 above). At September 30, 2022, there were no borrowings under this facility. During the three months ended September 30, 2022, Facility E was reclassified to short-term debt as the maturity of this facility was less than one year.

During the three months ended June 30, 2022, Facility F was reclassified to short-term debt as the maturity of this facility was less than one year. During the three months ended March 31, 2022, we amended the interest rate for Facilities E and F (see Table 16.1 above) to be indexed to a spread over one-month SOFR compared to a LIBOR-indexed spread.

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Note 16. Long-Term Debt - (continued)

Convertible Notes

In June 2022, we issued \$215 million principal amount of 7.75% convertible senior notes due 2027. These notes require semi-annual interest payments at a fixed annual coupon rate of 7.75% until maturity or conversion, which will be no later than June 15, 2027. After deducting the underwriting discount and offering costs, we received \$8 million of net proceeds. Including amortization of deferred debt issuance costs, the effective interest expense yield on these notes was approximately 8.50% per annum. We may elect to settle conversions either entirely in cash or in a combination of cash and shares of common stock. Upon conversion, the conversion value will be paid in cash up to at least the principal amount of the notes being converted. The initial conversion rate of the notes is 95.6823 common shares per \$1,000 principal amount of notes (equivalent to a conversion price of \$10.45 per common share).

During the three months ended September 30, 2022, \$199 million principal amount of 4.75% convertible debt and \$1 million of unamortized deferred issuance costs were reclassified from long-term debt to short-term debt as the maturity of the notes was less than one year as of August 2022.

The following table below presents the value of loans, securities, and other assets pledged as collateral under our long-term debt at September 30, 2022 and December 31, 2021.

Table 16.2 – Collateral for Long-Term Debt

(In Thousands)	September 30, 2022	December 31, 2021
Collateral Type		
Bridge loans	\$ 699,704	\$ 554,597
Single-family rental loans	—	244,703
Real estate securities		
Sequoia securitizations ⁽¹⁾	184,363	247,227
CAFL securitizations ⁽¹⁾	240,683	260,405
Total Collateral for Long-Term Debt	\$ 1,124,750	\$ 1,306,932

(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, 2022 and December 31, 2021.

Table 16.3 – Accrued Interest Payable on Long-Term Debt

(In Thousands)	September 30, 2022	December 31, 2021
Long-term debt facilities	\$ 2,685	\$ 815
Convertible notes		
4.75% convertible senior notes	—	3,564
5.625% convertible senior notes	1,784	3,896
5.75% exchangeable senior notes	4,947	2,474
7.75% convertible senior notes	5,184	—
Trust preferred securities and subordinated notes	1,228	581
Total Accrued Interest Payable on Long-Term Debt	\$ 15,828	\$ 11,330

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Note 17. Commitments and Contingencies

Lease Commitments

At September 30, 2022, we were obligated under ten non-cancelable operating leases with expiration dates through 2031 for \$22 million of cumulative lease payments. For the nine-month periods ended September 30, 2022 and 2021 our operating lease expense was \$4 million and \$3 million, respectively.

The following table presents our future lease commitments at September 30, 2022.

Table 17.1 – Future Lease Commitments by Year

(In Thousands)	September 30, 2022
2022 (3 months)	\$ 1,216
2023	4,956
2024	4,601
2025	3,580
2026	3,420
2027 and thereafter	4,553
Total Lease Commitments	22,326
Less: Imputed interest	(2,793)
Operating Lease Liabilities	\$ 19,533

During the nine months ended September 30, 2022, we did not enter into any new office leases. During the three months ended September 30, 2022, we assumed three operating office leases as a result of our acquisition of Riverbend on July 1, 2022. At September 30, 2022, our operating lease liabilities were \$20 million, which were a component of Accrued expenses and other liabilities, and our operating lease right-of-use assets were \$17 million, which were a component of Other assets.

We determined that none of our leases contained an implicit interest rate and used a discount rate equal to our incremental borrowing rate on a collateralized basis to determine the present value of our total lease payments. As such, we determined the applicable discount rate for each of our leases using a swap rate plus an applicable spread for borrowing arrangements secured by our real estate loans and securities for a length of time equal to the remaining lease term on the date of adoption. At September 30, 2022, the weighted-average remaining lease term and weighted-average discount rate for our leases was 5 years and 5.2%, respectively.

Commitment to Fund Bridge Loans

As of September 30, 2022, we had commitments to fund up to \$90 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. At September 30, 2022, we carried a \$3 million contingent liability related to these commitments to fund construction advances. During the three and nine months ended September 30, 2022, we recorded a net market valuation gain of \$1 million and a net market valuation loss of \$2 million, respectively, related to this liability through Mortgage banking activities, net and Investment fair value changes, net on our consolidated statements of income (loss). During the three and nine months ended September 30, 2021, we recorded a net market valuation loss of \$0.3 million and a net market valuation gain of \$1 million, respectively, related to this liability through Mortgage banking activities, net on our consolidated statements of income (loss).

Commitment to Fund Partnerships

In 2018, we invested 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 this investment, we are required to fund future net servicer advances related to the underlying mortgage loans. The actual amount of net servicer advances we may fund in the future is subject to significant uncertainty and will be based on the credit and prepayment performance of the underlying loans.

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Note 17. Commitments and Contingencies - (continued)

Commitment to Acquire HEIs

At September 30, 2022, we had outstanding flow purchase agreements with multiple third parties, with an aggregate commitment to purchase \$50 million of HEIs, \$149 million of which commitments remained outstanding. These purchase agreements specify monthly minimum and maximum amounts of HEIs subject to such purchase commitments. We may terminate the purchase agreement and associated purchase commitment relating to \$85 million of remaining commitments upon 90 days prior notice. We account for these investments under the fair value option. See *Note 10* for additional detail on these investments.

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, 2022, 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, 2022, we had funded \$1 million of this commitment. This investment is included in Other investments on our consolidated balance sheets.

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, 2022, 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 \$1.19 billion, subject to our risk-sharing arrangements with the Agencies. At September 30, 2022, 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, 2022, we had incurred less than \$100 thousand of cumulative losses under these arrangements. For the three and nine months ended September 30, 2022, other income related to these arrangements was \$0.3 million and \$1 million, respectively.

All of the loans in the reference pools subject to these risk-sharing arrangements were originated in 2014 and 2015, and at September 30, 2022, the loans had an unpaid principal balance of \$454 million, a weighted average FICO score of 756 (at origination), and LTV ratio of 74% (at origination). At September 30, 2022, \$10 million of the loans were 90 or more days delinquent, of which four of these loans with an unpaid principal balance of \$1 million were in foreclosure. At September 30, 2022, the carrying value of our guarantee obligation was \$7 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 both September 30, 2022 and December 31, 2021, assets of such SPEs totaled \$30 million, and liabilities of such SPEs totaled \$7 million.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 17. Commitments and Contingencies - (continued)

Loss Contingencies — Residential Repurchase Reserve

We maintain a repurchase reserve for potential obligations arising from representation and warranty violations related to residential loans we have sold to securitization trusts or third parties and for conforming residential loans associated with MSRMs that we have purchased from third parties. We do not originate residential loans and we believe the initial risk of loss due to loan repurchases (i.e., due to a breach of representations and warranties) would generally be a contingency to the companies from whom we acquired the loans. However, in some cases, for example, where loans were acquired from companies that have since become insolvent, repurchase claims may result in our being liable for a repurchase obligation.

At September 30, 2022 and December 31, 2021, our repurchase reserve associated with our residential loans and MSRMs was \$6 million and \$9 million, respectively, and was recorded in Accrued expenses and other liabilities on our consolidated balance sheets. During the nine months ended September 30, 2022 and 2021, we received seven and eight repurchase requests, respectively, and repurchased one and one loan(s), respectively. During the three and nine months ended September 30, 2022, we recorded a repurchase provision expense of \$0.1 million and a reversal of repurchase provision expense of \$4 million, respectively, which were recorded in Mortgage banking activities, net on our consolidated statements of income (loss). During the three and nine months ended September 30, 2021, we recorded repurchase provision expense of \$0.3 million and \$0.6 million, respectively, which were recorded in Mortgage banking activities, net, and Other income on our consolidated statements of income (loss).

Loss Contingencies — Litigation, Claims and Demands

There is no significant update regarding the litigation matters described in *Note 16* within the financial statements included in Redwood's Annual Report on Form 10-K for the year ended December 31, 2021 under the heading "Loss Contingencies - Litigation, Claims and Demands." At September 30, 2022, 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, 2021 was \$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, 2022 and 2021.

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

(In Thousands)	Three Months Ended September 30, 2022		Three Months Ended September 30, 2021	
	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	\$ 16,595	\$ (74,383)	\$ 88,251	\$ (78,511)
Other comprehensive (loss) income before reclassifications	(8,731)	—	(2,658)	—
Amounts reclassified from other accumulated comprehensive (income) loss	544	1,040	(6,200)	1,041
Net current-period other comprehensive (loss) income	(8,187)	1,040	(8,858)	1,041
Balance at End of Period	\$ 8,408	\$ (73,343)	\$ 79,393	\$ (77,470)

(In Thousands)	Nine Months Ended September 30, 2022		Nine Months Ended September 30, 2021	
	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	\$ 67,503	\$ (76,430)	\$ 76,336	\$ (80,557)
Other comprehensive (loss) income before reclassifications	(60,013)	—	19,552	—
Amounts reclassified from other accumulated comprehensive (income) loss	918	3,087	(16,495)	3,087
Net current-period other comprehensive (loss) income	(59,095)	3,087	3,057	3,087
Balance at End of Period	\$ 8,408	\$ (73,343)	\$ 79,393	\$ (77,470)

REDWOOD TRUST, INC. AND SUBSIDIARIES
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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, 2022 and 2021.

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,	
		2022	2021
Net Realized (Gain) Loss on AFS Securities			
Increase (decrease) in allowance for credit losses on AFS securities	Investment fair value changes, net	\$ 544	\$ —
Gain on sale of AFS securities	Realized gains, net	—	(6,200)
		\$ 544	\$ (6,200)
Net Realized Loss on Interest Rate Agreements Designated as Cash Flow Hedges			
Amortization of deferred loss	Interest expense	\$ 1,040	\$ 1,041
		\$ 1,040	\$ 1,041

(In Thousands)	Affected Line Item in the Income Statement	Amount Reclassified From Accumulated Other Comprehensive (Loss)	
		Nine Months Ended September 30,	
		2022	2021
Net Realized (Gain) Loss on AFS Securities			
Increase (decrease) in allowance for credit losses on AFS securities	Investment fair value changes, net	\$ 2,315	\$ (388)
Gain on sale of AFS securities	Realized gains, net	(1,397)	(16,107)
		\$ 918	\$ (16,495)
Net Realized Loss on Interest Rate Agreements Designated as Cash Flow Hedges			
Amortization of deferred loss	Interest expense	\$ 3,087	\$ 3,087
		\$ 3,087	\$ 3,087

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 nine months ended September 30, 2022, we issued 5.2 million common shares for net proceeds of \$67 million under this program. During the three months ended March 31, 2022, we increased the capacity of this program to \$75 million, all of which remained outstanding for future offerings under this program as of September 30, 2022.

Direct Stock Purchase and Dividend Reinvestment Plan

During the nine months ended September 30, 2022, we did not issue any shares of common stock through our Direct Stock Purchase and Dividend Reinvestment Plan. At September 30, 2022, approximately 6 million shares remained outstanding for future offerings under this plan.

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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ote 18. Equity - (continued)

Earnings per Common Share

The following table provides the basic and diluted (loss) earnings per common share computations for the three and nine months ended September 30, 2022 and 2021.

Table 18.3 – Basic and Diluted Earnings per Common Share

(In Thousands, except Share Data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Basic Earnings per Common Share:				
Net (loss) income attributable to Redwood	\$ (50,411)	\$ 88,286	\$ (119,462)	\$ 275,568
Less: Dividends and undistributed earnings allocated to participating securities	(1,158)	(2,984)	(3,445)	(8,979)
Net (loss) income allocated to common shareholders	\$ (51,569)	\$ 85,302	\$ (122,907)	\$ 266,589
Basic weighted average common shares outstanding	116,087,890	112,995,847	118,530,172	112,754,691
Basic (Loss) Earnings per Common Share	\$ (0.44)	\$ 0.75	\$ (1.04)	\$ 2.36
Diluted Earnings per Common Share:				
Net (loss) income attributable to Redwood	\$ (50,411)	\$ 88,286	\$ (119,462)	\$ 275,568
Less: Dividends and undistributed earnings allocated to participating securities	(1,158)	(2,747)	(3,445)	(8,151)
Add back: Interest expense on convertible notes for the period, net of tax	—	6,870	—	20,585
Net (loss) income allocated to common shareholders	\$ (51,569)	\$ 92,409	\$ (122,907)	\$ 288,002
Weighted average common shares outstanding	116,087,890	112,995,847	118,530,172	112,754,691
Net effect of dilutive equity awards	—	292,749	—	253,819
Net effect of assumed convertible notes conversion to common shares	—	28,566,875	—	28,566,875
Diluted weighted average common shares outstanding	116,087,890	141,855,471	118,530,172	141,575,385
Diluted (Loss) Earnings per Common Share	\$ (0.44)	\$ 0.65	\$ (1.04)	\$ 2.03

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

For the 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, 2022, the number of outstanding equity awards that were antidilutive totaled 249,178 and 268,737, respectively. For the three and nine months ended September 30, 2021, the number of outstanding equity awards that were antidilutive totaled 22,102 and 18,736, respectively.

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ote 18. Equity - (continued)

Stock Repurchases

In July 2022, our Board of Directors approved an authorization for the repurchase of up to \$25 million of our common stock, and also authorized the repurchase of outstanding debt securities, including convertible and exchangeable debt. This authorization replaced our previous \$100 million stock repurchase authorization. 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, 2022, we repurchased 3.4 million shares of our common stock for a total cost of \$24 million. At September 30, 2022, \$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. During the nine months ended September 30, 2022, we repurchased 7.1 million shares of our common stock for a total cost of \$56 million under our current and previously-approved Board of Director authorizations.

Note 19. Equity Compensation Plans

At September 30, 2022 and December 31, 2021, 5,258,817 and 5,958,390 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 \$35 million at September 30, 2022, as shown in the following table.

Table 19.1 – Activities of Equity Compensation Costs by Award Type

(In Thousands)	Nine Months Ended September 30, 2022					
	Restricted Stock Awards	Restricted Stock Units	Deferred Stock Units	Performance Stock Units	Employee Stock Purchase Plan	Total
Unrecognized compensation cost at beginning of period	\$ 84	\$ 3,589	\$ 26,473	\$ 12,237	\$ —	\$ 42,383
Equity grants	—	2,513	7,960	—	323	10,796
Performance-based valuation adjustment	—	—	—	(3,205)	—	(3,205)
Equity grant forfeitures	(5)	(448)	(101)	—	—	(554)
Equity compensation expense	(79)	(1,567)	(10,412)	(2,524)	(242)	(14,824)
Unrecognized Compensation Cost at End of Period	\$ —	\$ 4,087	\$ 23,920	\$ 6,508	\$ 81	\$ 34,596

At September 30, 2022, the weighted average amortization period remaining for all of our equity awards was less than two years.

Restricted Stock Awards ("RSAs")

At September 30, 2022 and December 31, 2021, there were 1,551 and 28,141 shares of RSAs outstanding, respectively. Restrictions on these shares lapse during 2022. During the nine months ended September 30, 2022, there were no RSAs granted, restrictions on 26 RSAs lapsed and those shares were distributed, and 341 RSAs were forfeited.

Restricted Stock Units ("RSUs")

At September 30, 2022 and December 31, 2021, there were 476,893 and 431,072 RSUs outstanding, respectively. During the nine months ended September 30, 2022, there were 208,717 RSUs granted, 123,869 RSUs distributed, and 39,027 RSUs forfeited. Unvested RSUs at September 30, 2022 vest through 2026.

Deferred Stock Units ("DSUs")

At September 30, 2022 and December 31, 2021, there were 4,911,777 and 4,022,088 DSUs outstanding, respectively, of which 2,217,327 and 1,469,903, respectively, had vested. During the nine months ended September 30, 2022, there were 1,214,533 DSUs granted, 316,546 DSUs distributed, and 8,298 DSUs forfeited. Unvested DSUs at September 30, 2022 vest through 2026.

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Note 19. Equity Compensation Plans - (continued)

Performance Stock Units ("PSUs")

At September 30, 2022 and December 31, 2021, the target number of PSUs that were invested was 1,267,849 and 1,473,883, 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 18* to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2021. During the nine months ended September 30, 2022, for PSUs granted in 2020 and 2021, we decreased the book value total shareholder return estimate for the 2022 performance period, reducing the future equity compensation expense related to these awards by \$3 million.

For 206,034 target PSU awards that were granted in December 2018, the performance vesting period ended on January 1, 2022. These 2018 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.

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, 2022 and December 31, 2021, 505,496 and 569,728 shares had been purchased, respectively, and there remained a negligible amount of uninvested employee contributions in the ESPP at September 30, 2022.

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, 2022 and 2021.

Table 20.1 – Mortgage Banking Activities

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Residential Mortgage Banking Activities, Net				
Changes in fair value of:				
Residential loans, at fair value ⁽¹⁾	\$ (22,776)	\$ 27,862	\$ (125,012)	\$ 75,496
Trading securities ⁽²⁾	148	32	4,249	(342)
Risk management derivatives ⁽³⁾	24,319	3,963	107,573	37,187
Other income (expense), net ⁽⁴⁾	467	1,089	5,496	3,305
Total residential mortgage banking activities, net	2,158	32,946	(7,694)	115,646
Business Purpose Mortgage Banking Activities, Net:				
Changes in fair value of:				
Single-family rental loans, at fair value ⁽¹⁾	(19,306)	18,461	(84,493)	54,675
Risk management derivatives ⁽³⁾	24,044	(424)	56,564	930
Bridge loans, at fair value	(9)	3,433	2,242	6,702
Other income, net ⁽⁵⁾	9,648	8,747	36,214	22,236
Total business purpose mortgage banking activities, net	14,377	30,217	10,527	84,543
Mortgage Banking Activities, Net	\$ 16,535	\$ 63,163	\$ 2,833	\$ 200,189

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

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

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

(4) Amounts in this line item include other fee income from loan acquisitions and provisions for 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, 2022 and 2021.

Table 21.1 – Other Income, Net

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
MSR income, net ⁽¹⁾	\$ 2,890	\$ 295	\$ 12,569	\$ 949
Bridge loan fees	1,489	1,131	3,952	2,735
Risk share income	279	575	1,062	2,318
Other	(631)	387	(567)	2,355
Other Income, Net	\$ 4,027	\$ 2,388	\$ 17,016	\$ 8,357

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

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Note 22. General and Administrative Expenses, Loan Acquisition Costs, and Other Expenses

Components of our general and administrative expenses, loan acquisition costs, and other expenses for the three and nine months ended September 30, 2022 and 2021 are presented in the following table.

Table 22.1 – Components of General and Administrative Expenses, Loan Acquisition Costs, and Other Expenses

(In Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
General and Administrative Expenses				
Fixed compensation expense ⁽¹⁾	\$ 18,626	\$ 11,285	\$ 45,364	\$ 34,359
Annual variable compensation expense	3,521	19,844	8,689	51,021
Long-term incentive award expense ⁽²⁾	4,998	4,915	16,190	14,766
Acquisition-related equity compensation expense ⁽³⁾	—	1,189	—	3,613
Systems and consulting	3,909	2,975	10,796	9,224
Office costs	2,381	2,197	6,489	6,029
Accounting and legal	1,775	1,197	5,026	3,132
Corporate costs	928	964	2,792	2,528
Other	3,969	3,126	11,581	7,165
Total General and Administrative Expenses	40,107	47,692	106,927	131,837
Loan Acquisition Costs				
Commissions	1,549	1,906	6,279	4,830
Underwriting costs	545	2,351	3,013	5,872
Transfer and holding costs	332	364	1,079	1,226
Total Loan Acquisition Costs	2,426	4,621	10,371	11,928
Other Expenses				
Amortization of purchase-related intangible assets	3,891	3,873	10,731	11,619
Other	370	150	1,083	485
Total Other Expenses	4,261	4,023	11,814	12,104
Total General and Administrative Expenses, Loan Acquisition Costs, and Other Expenses	\$ 46,794	\$ 56,336	\$ 129,112	\$ 155,869

(1) Includes \$3 million of severance and transition-related expenses for the three and nine months ended September 30, 2022.

(2) For the three months ended September 30, 2022 and 2021, long-term incentive award expense included \$5 million and \$3 million of expense for awards settleable in shares of our common stock, and \$0.1 million and \$1 million of expense for awards settleable in cash, respectively. For the nine months ended September 30, 2022 and 2021, long-term incentive award expense included \$15 million and \$10 million of expense for awards settleable in shares of our common stock, and \$1 million and \$4 million of expense for awards settleable in cash, respectively.

(3) Acquisition-related equity compensation expense relates to 588,260 shares of restricted stock that were issued to members of CoreVest management as a component of the consideration paid to them for our purchase of their interests in CoreVest in 2019. The grant date fair value of these restricted stock awards was \$10 million, which was recognized as compensation expense over the two-year vesting period on a straight-line basis in accordance with GAAP.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 22. General and Administrative Expenses, Loan Acquisition Costs, and Other Expenses - (continued)

Long-Term Cash-Based Awards and Cash Settled Deferred Stock Units

During the nine months ended September 30, 2022, \$2 million of long-term cash-based retention awards were granted to employees that will vest and be paid over a three-year period, subject to continued employment through the vesting periods from 2022 through 2025. At both September 30, 2022 and December 31, 2021, the unamortized compensation cost of long-term cash-based awards was \$4 million.

During the nine months ended September 30, 2022, there were no cash-settled deferred stock units granted to employees. Cash-settled deferred stock units that were granted in 2020 and 2021 vest over four years through 2025. At September 30, 2022 and December 31, 2021, the unamortized compensation cost of cash-settled deferred stock units was \$3 million and \$7 million, respectively. The unamortized compensation cost is adjusted for changes in the value of our common stock at the end of each reporting period.

Refer to *Note 21* to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2021, for additional information regarding long-term cash-based awards and cash-settled deferred stock units.

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.

For the nine months ended September 30, 2022 and 2021, we recognized a benefit from income taxes of \$0 million and a provision for income taxes of \$14 million, respectively. The following is a reconciliation of the statutory federal and state tax rates to our effective tax rate at September 30, 2022 and 2021.

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

	September 30, 2022	September 30, 2021
Federal statutory rate	21.0 %	21.0 %
State statutory rate, net of Federal tax effect	8.6 %	8.6 %
Differences in taxable (loss) income from GAAP income	(29.6) %	(13.1) %
Change in valuation allowance	(2.4) %	(6.8) %
Dividends paid deduction	10.5 %	(4.9) %
Effective Tax Rate	8.1 %	4.8 %

We assessed our tax positions for all open tax years (i.e., Federal, 2018 to 2022, and State, 2017 to 2022) at September 30, 2022 and December 31, 2021, and concluded that we had no uncertain tax positions that resulted in material unrecognized tax benefits.

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, 2021.

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

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

The following tables present financial information by segment for the three and nine months ended September 30, 2022 and 2021.

Table 24.1 – Business Segment Financial Information

(In Thousands)	Three Months Ended September 30, 2022				
	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	1,799	3,111	45,006	(14,981)	34,935
Non-interest (loss) income					
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)	(3,502)	(12,335)	(40,107)
Loan acquisition costs	(550)	(1,876)	—	—	(2,426)
Other expenses	—	(3,891)	(370)	—	(4,261)
Benefit from (provision for) 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) income, net	\$ (185)	\$ (3,609)	\$ (3,658)	\$ (2,843)	\$ (10,295)

(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	12,732	9,712	140,885	(34,804)	128,525
Non-interest (loss) income					
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 (loss) income, net	(7,694)	12,555	(147,293)	13,073	(129,359)
General and administrative expenses	(17,918)	(40,076)	(9,676)	(39,257)	(106,927)
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) income, net	\$ (699)	\$ (11,563)	\$ 4,385	\$ (6,428)	\$ (14,305)

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Note 24. Segment Information - (continued)

(In Thousands)	Three Months Ended September 30, 2021				
	Residential Mortgage Banking	Business Purpose Mortgage Banking	Investment Portfolio	Corporate/ Other	Total
Interest income	\$ 14,712	\$ 3,967	\$ 125,994	\$ 1,049	\$ 145,722
Interest expense	(7,537)	(2,013)	(84,049)	(10,155)	(103,754)
Net interest income	7,175	1,954	41,945	(9,106)	41,968
Non-interest income					
Mortgage banking activities, net	32,946	30,217	—	—	63,163
Investment fair value changes, net	—	—	26,324	(247)	26,077
Other income, net	—	216	1,842	330	2,388
Realized gains, net	—	—	6,703	—	6,703
Total non-interest income, net	32,946	30,433	34,869	83	98,331
General and administrative expenses	(7,891)	(12,017)	(4,483)	(23,301)	(47,692)
Loan acquisition costs	(2,395)	(2,175)	(51)	—	(4,621)
Other expenses	—	(3,873)	(150)	—	(4,023)
(Provision for) benefit from income taxes	(10,429)	(3,485)	(1,045)	19,282	4,323
Segment Contribution	\$ 19,406	\$ 10,837	\$ 71,085	\$ (13,042)	
Net Income					\$ 88,286
Non-cash amortization (expense) income, net	\$ (33)	\$ (4,224)	\$ 5,682	\$ (1,995)	\$ (570)

(In Thousands)	Nine Months Ended September 30, 2021				
	Residential Mortgage Banking	Business Purpose Mortgage Banking	Investment Portfolio	Corporate/ Other	Total
Interest income	\$ 35,536	\$ 9,849	\$ 363,751	\$ 3,586	\$ 412,722
Interest expense	(19,903)	(5,134)	(258,685)	(30,649)	(314,371)
Net interest income	15,633	4,715	105,066	(27,063)	98,351
Non-interest income					
Mortgage banking activities, net	115,646	84,543	—	—	200,189
Investment fair value changes, net	—	—	121,812	(1,168)	120,644
Other income, net	—	494	7,121	742	8,357
Realized gains, net	—	—	17,803	—	17,803
Total non-interest income (loss), net	115,646	85,037	146,736	(426)	346,993
General and administrative expenses	(27,478)	(34,567)	(10,804)	(58,988)	(131,837)
Loan acquisition costs	(5,686)	(5,528)	(710)	(4)	(11,928)
Other expenses	(6)	(11,523)	(592)	17	(12,104)
Provision for income taxes	(23,640)	(6,988)	(2,561)	19,282	(13,907)
Segment Contribution	\$ 74,469	\$ 31,146	\$ 237,135	\$ (67,182)	
Net Income					\$ 275,568
Non-cash amortization income (expense), net	\$ 8,867	\$ (16,154)	\$ 317	\$ (5,845)	\$ (12,815)

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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, 2022 and 2021.

Table 24.2 – Components of Corporate/Other

(In Thousands)	Three Months Ended September 30,					
	2022			2021		
	Legacy Consolidated VIEs (1)	Other	Total	Legacy Consolidated VIEs (1)	Other	Total
Interest income	\$ 1,473	\$ 343	\$ 1,816	\$ 1,042	\$ 7	\$ 1,049
Interest expense	(1,486)	(15,311)	(16,797)	(641)	(9,514)	(10,155)
Net interest income	(13)	(14,968)	(14,981)	401	(9,507)	(9,106)
Non-interest income						
Investment fair value changes, net	(329)	4,412	4,083	(247)	—	(247)
Other income	—	(278)	(278)	—	330	330
Total non-interest income, net	(329)	4,134	3,805	(247)	330	83
General and administrative expenses	—	(12,335)	(12,335)	—	(23,301)	(23,301)
Loan acquisition costs	—	—	—	—	—	—
Other expenses	—	—	—	—	—	—
Provision for income taxes	—	—	—	—	19,282	19,282
Total	\$ (342)	\$ (23,169)	\$ (23,511)	\$ 154	\$ (13,196)	\$ (13,042)
	2022			2021		
(In Thousands)	Legacy Consolidated VIEs(1)	Other	Total	Legacy Consolidated VIEs(1)	Other	Total
Interest income	\$ 3,593	\$ 435	\$ 4,028	\$ 3,559	\$ 27	\$ 3,586
Interest expense	(3,154)	(35,678)	(38,832)	(2,271)	(28,378)	(30,649)
Net interest income	439	(35,243)	(34,804)	1,288	(28,351)	(27,063)
Non-interest income						
Investment fair value changes, net	(1,379)	14,887	13,508	(1,162)	(6)	(1,168)
Other income	—	(435)	(435)	—	742	742
Total non-interest income, net	(1,379)	14,452	13,073	(1,162)	736	(426)
General and administrative expenses	—	(39,257)	(39,257)	—	(58,988)	(58,988)
Loan acquisition costs	—	—	—	—	(4)	(4)
Other expenses	—	—	—	—	17	17
Provision for income taxes	—	—	—	—	19,282	19,282
Total	\$ (940)	\$ (60,048)	\$ (60,988)	\$ 126	\$ (67,308)	\$ (67,182)

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

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Note 24. Segment Information - (continued)

The following table presents supplemental information by segment at September 30, 2022 and December 31, 2021.

Table 24.3 – Supplemental Segment Information

(In Thousands)	Residential Mortgage Banking	Business Purpose Mortgage Banking	Investment Portfolio	Corporate/ Other	Total
September 30, 2022					
Residential loans	\$ 676,458	\$ —	\$ 4,877,938	\$ 198,160	\$ 5,752,556
Business purpose loans	—	337,238	4,919,980	—	5,257,218
Consolidated Agency multifamily loans	—	—	427,458	—	427,458
Real estate securities	—	—	259,212	—	259,212
Home equity investments	—	—	340,437	—	340,437
Other investments	—	—	341,155	71,607	412,762
Goodwill	—	23,373	—	—	23,373
Intangible assets	—	44,130	—	—	44,130
Total assets	738,301	473,748	11,301,836	632,062	13,145,947
December 31, 2021					
Residential loans	\$ 1,673,235	\$ —	\$ 5,688,742	\$ 230,455	\$ 7,592,432
Business purpose loans	—	347,860	4,443,129	—	4,790,989
Consolidated Agency multifamily loans	—	—	473,514	—	473,514
Real estate securities	4,927	—	372,484	—	377,411
Home equity investments	—	—	192,740	—	192,740
Other investments	—	—	413,527	35,702	449,229
Intangible assets	—	41,561	—	—	41,561
Total assets	1,716,285	464,967	11,770,486	755,206	14,706,944

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, 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, business purpose and multifamily 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 I, Item 1—Business* in our Annual Report on Form 10-K for the year ended December 31, 2021.

Cautionary Statement

This Quarterly Report on Form 10-Q and the documents incorporated by reference herein contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve numerous risks and uncertainties. Our actual results may differ from our beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as “anticipate,” “estimate,” “will,” “should,” “expect,” “believe,” “intend,” “seek,” “plan” and similar expressions or their negative forms, or by references to strategy, plans, or intentions. These forward-looking statements are subject to risks and uncertainties, including, among other things, those described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, 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 2022 and future years, including statements regarding the economic impact of inflation, supply chain disruptions, and war in Europe; (iii) statements regarding our expectations with respect to Riverbend's integration into, and effect upon, the Redwood and CoreVest businesses; (iv) statements related to our opportunities for growth, including opportunities to grow and increase our market share for our residential and business purpose mortgage banking platforms; (v) statements related to our investment portfolio, including that there remains potential upside in our portfolio through market discount, and that at September 30, 2022, our securities portfolio had approximately \$458 million of net discount to par (approximately \$4.05 per share), which we have the potential to recover over time; (vi) statements related to RWT Horizons and our strategic investment initiatives; (vii) statements relating to our estimate of our available capital (including that we estimate our available capital at September 30, 2022 was approximately \$160 million); (viii) 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 2022 and at September 30, 2022, expected fallout and the corresponding volume of residential mortgage loans expected to be available for purchase, and residential mortgage loans subject to forward sale commitments; (ix) statements we make regarding future dividends, including with respect to our regular quarterly dividends in 2022; and (x) statements regarding our expectations and estimates relating to the characterization for income tax purposes of our dividend distributions, our expectations and estimates relating to tax accounting, tax liabilities and tax savings, and GAAP tax provisions, and our estimates of REIT taxable income and TRS taxable income.

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

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

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

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

OVERVIEW

Business Update

Our GAAP book value declined to \$10.18 per share at September 30, 2022, a 5.6% decline from \$10.78 per share at June 30, 2022, driving a GAAP loss of \$(0.44) per share for the third quarter. As was the case in the second quarter, mark-to-market adjustments were the primary driver of our GAAP loss for the quarter and contributed \$(0.50) per share of unrealized fair value changes in the third quarter.

During the third quarter, we focused on maintaining liquidity and maximizing our balance sheet flexibility. We ended the quarter with \$297 million of unrestricted cash on hand, unencumbered assets of \$491 million, and approximately \$3.8 billion of excess capacity on our warehouse lines. We were successful during the quarter in adding \$900 million of new financing capacity across multiple borrowing facilities (with both new and existing domestic depository institutions) to further support our operating platforms. Our overall recourse leverage ratio⁽¹⁾ was 2.6x, which included only 0.8x secured recourse leverage within our Investment Portfolio⁽²⁾. This allowed us to remain opportunistic across our operating segments, a posture we expect to carry through year-end.

For the third quarter, we deployed \$235 million of capital, which included repurchases of our common stock, the acquisition of Riverbend Funding, LLC (“Riverbend”), and further investments in organically created business-purpose loans (“BPL”) and third-party investments. We closed the Riverbend acquisition on July 1, 2022, and have progressed with key integration workstreams that we expect to be largely completed by year-end. At current levels, we believe there is an attractive opportunity to invest in our own common shares and, as such, we expect opportunistic share repurchases to be an on-going option for capital deployment in the near term.

Within our Investment Portfolio, at September 30, 2022, we had \$3.6 billion of economic investments; 77% of which were organically created and 23% of which were purchased from third-parties. We estimate there was \$458 million (or \$4.05 per share) of net discount to par value at September 30, 2022 that we believe represents potential upside in Redwood’s book value.

Our investment portfolio sits in a strong fundamental credit position given consistent cash flows, underlying seasoning and robust home price appreciation. Delinquencies in our portfolio remain low, at approximately 2% across our organically-created Residential and BPL investments combined at September 30, 2022. We believe the seasoning of our portfolio assets is a positive factor in light of near-term downward pressure on home prices expected as a result of the Federal Reserve’s monetary policy actions. Our portfolio overall has benefited from significant appreciation in home prices and rents the last several years, providing a tailwind to fundamental performance even in a more stressed housing market. This inherent downside protection may support the potential recoverability of the unrealized losses we have taken over the last few quarters.

While markets need to stabilize for our operating businesses to return to their optimal levels of operations, both of our mortgage banking platforms delivered substantially better quarter-on-quarter results as compared to the second quarter of 2022, notwithstanding continued market dislocation. Across our Residential and Business Purpose Mortgage Banking businesses, we distributed almost \$1 billion of loans during the quarter. Despite capital markets in the consumer residential sector remaining largely distressed, we sold \$612 million of residential loans to various whole loans buyers at accretive levels and within our historical target range for gain on sale margins. Our BPL team also completed an innovative \$274 million private SFR securitization at the end of the third quarter, in addition to selling \$85 million of loans. Our ability to distribute loans through both securitization and whole loan sales in challenging markets is a testament to the strength of our platforms, the quality of our products and the depth of our whole loan networks.

We expect conditions in the consumer residential sector to remain challenging for a number of quarters as industry volumes continue to be affected by rapidly increasing mortgage rates, which, along with record home price appreciation in recent years, has pushed housing affordability to new lows. The spread between mortgage rates and the 10-year Treasury recently reached an all-time high, even as the 10-year Treasury yield itself has risen over 250 basis points since the beginning of the year. The institution that has been the largest buyer of mortgage-backed securities, the Federal Reserve, has exited the market, and money center banks and overseas investors have also pulled back significantly. This dynamic, in the near term, has resulted in significant market risk for those aggregating loans for future securitizations, including us.

As a result of these market conditions, we have remained conservatively positioned in Residential Mortgage Banking, reducing our quarterly jumbo loan lock⁽³⁾ in the third quarter to \$461 million and focusing on moving risk expediently, operating efficiently and preserving flexibility. This includes ongoing rationalization of our cost structure and disciplined pipeline management, including through maintaining lower overall loan inventory balances and nimble distribution strategies with whole loan buyers. In light of these conditions, we intentionally reduced our capital allocation to our Residential Mortgage Banking business by almost 60% since the beginning of 2022. We see attractive uses for this freed-up capital, including investment opportunities in residential credit made possible by the market downturn.

Turning to Business Purpose Mortgage Banking, while we have seen some resiliency in demand for shorter duration bridge loan products that we originate, we expect volumes to moderate from record levels earlier this year as higher interest rates and macroeconomic uncertainty cause housing investors to be more cautious. In the third quarter, we saw this trend play out as 83% of our origination volume was in our bridge product and 17% was in our SFR product. As affordability remains challenged, we believe that strong occupancy rates, low vacancies, and high consumer mortgage rates should continue to support strong and consistent cash flows for our rental loan products. We have long promoted our BPL franchise as a life-cycle lender and our ability to provide both short- and long-term financing options makes us an attractive lender for borrowers.

Footnotes to Business Update

- (1) Recourse leverage ratio is defined as recourse debt at Redwood divided by tangible stockholders' equity. Recourse debt excludes \$8.9 billion of consolidated securitization debt (ABS issued and servicer advance financing) and other debt that is non-recourse to Redwood, and tangible stockholders' equity excludes \$68 million of goodwill and intangible assets.
- (2) Secured recourse leverage for our investment portfolio is defined as secured recourse debt financing our investment portfolio assets divided by capital allocated to our investment portfolio.
- (3) Lock volume does not account for potential fallout from pipeline that typically occurs through the lending process.

Third Quarter Overview

The following table presents key financial metrics for the three and nine months ended September 30, 2022.

Table 1 – Key Financial Results and Metrics

(In Thousands, except per Share Data)	Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022	
Net (loss) income per diluted common share	\$	(0.44)	\$	(1.04)
Annualized GAAP return on equity		(16.4) %		(11.8) %
Dividends per share	\$	0.23	\$	0.69
Book value per share	\$	10.18	\$	10.18
Economic return on book value ⁽¹⁾		(3.4)%		(9.9)%

(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.

Business Highlights

Investment Portfolio

- Deployed \$167 million of capital into new organic and third-party investments
- Credit performance remained strong with stable delinquencies and continued declining LTVs
- Investment Portfolio secured recourse leverage of 0.8x as of September 30, 2022

Business Purpose Mortgage Banking

- Funded \$570 million in business purpose loans, 83% Bridge and 17% Single-Family Rental ("SFR")
- Securitized \$274 million of loans in a private securitization backed by SFR loans
- Closed the previously announced acquisition of Riverbend Funding, LLC and its subsidiaries ("Riverbend"), a best-in-class private mortgage lender to investors in transitional residential and multifamily real estate, for an initial cash purchase price of approximately \$44 million paid at closing (and subject to certain adjustments including potential earnout consideration)

Residential Mortgage Banking

- Distributed \$612 million of jumbo loans through whole loan sales; at September 30, 2022, total net jumbo loan exposure was \$712 million
- Intentionally maintained light volume, locking \$461 million of jumbo loans, down from \$1.0 billion in second quarter 2022; loan purchase commitments were \$256 million, down from \$538 million in second quarter 2022

Financing Highlights

- Maintained robust balance sheet with unrestricted cash of \$297 million and unencumbered assets of \$491 million at September 30, 2022
- Added \$900 million of new financing capacity across multiple borrowing facilities (with both new and existing domestic depository institutions) in the third quarter to further support operating platforms
 - Successfully renewed warehouse lines with maturities in the third quarter at unchanged advance rates
 - Ended third quarter with \$3.8 billion of unused financing capacity across Residential and Business Purpose Mortgage Banking segments
- Total margin call activity in the third quarter resulted in a net return of cash to Redwood from financing and hedging counterparties
- Repurchased 3.4 million shares of Redwood's common stock at a cost of \$24 million, resulting in \$0.12 per share of book value accretion in the third quarter

RWT Horizons Highlights

- Completed three new investments in the third quarter
- Since inception, RWT Horizons has completed 27 technology venture investments in 24 companies with an aggregate of over \$26 million of investment commitments

RESULTS OF OPERATIONS

Within this *Results of Operations* section, we provide commentary that compares results year-over-year for 2022 and 2021. Most tables include a "change" column that shows the amount by which the results from 2022 are greater or less than the results from the respective period in 2021. 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 2022, compared to the third quarter of 2021, and increases or decreases during the "nine-month periods" refer to the change in results for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021.

Consolidated Results of Operations

The following table presents the components of our net (loss) income for the three and nine months ended September 30, 2022 and 2021.

Table 2 – Net (Loss) Income

(In Thousands, except per Share Data)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change	2022	2021	Change
Net Interest Income	\$ 34,935	\$ 41,968	\$ (7,033)	\$ 128,525	\$ 98,351	\$ 30,174
Non-interest Income						
Mortgage banking activities, net	16,535	63,163	(46,628)	2,833	200,189	(197,356)
Investment fair value changes, net	(57,697)	26,077	(83,774)	(151,789)	120,644	(272,433)
Other income, net	4,027	2,388	1,639	17,016	8,357	8,659
Realized gains, net	—	6,703	(6,703)	2,581	17,803	(15,222)
Total non-interest (loss) income, net	(37,135)	98,331	(135,466)	(129,359)	346,993	(476,352)
General and administrative expenses	(40,107)	(47,692)	7,585	(106,927)	(131,837)	24,910
Loan acquisition costs	(2,426)	(4,621)	2,195	(10,371)	(11,928)	1,557
Other expenses	(4,261)	(4,023)	(238)	(11,814)	(12,104)	290
Net (loss) income before income taxes	(48,994)	83,963	(132,957)	(129,946)	289,475	(419,421)
(Provision for) benefit from income taxes	(1,417)	4,323	(5,740)	10,484	(13,907)	24,391
Net (Loss) Income	\$ (50,411)	\$ 88,286	\$ (138,697)	\$ (119,462)	\$ 275,568	\$ (395,030)
Diluted (loss) earnings per common share	\$ (0.44)	\$ 0.65	\$ (1.09)	\$ (1.04)	\$ 2.03	\$ (3.07)

Net Interest Income

Net interest income from our investment portfolio increased by \$3 million and \$36 million during the three and nine-month periods, respectively, and generally resulted from higher average asset balances in 2022, as we increased our investments in bridge loans and in securities we retained from CoreVest securitizations during the prior twelve months. We recognized elevated levels of discount accretion on our available-for-sale securities and yield maintenance income on our SFR securities during the first quarter of 2022. In association with a continued rise in interest rates throughout 2022, prepayment speeds on many of our assets slowed, and resulted in a reduction in discount accretion and yield maintenance income on our SFR securities in the second and third quarters. Additionally, net interest income from Business Purpose Mortgage Banking operations increased by \$1 million and \$5 million, during the three and nine-month periods, respectively, as a result of higher average balances of SFR loan inventory during the respective periods.

These increases were offset by \$6 million and \$8 million decreases in net interest income during the three and nine-month periods, respectively, from higher corporate interest expense resulting from the issuance of new convertible debt in June 2022 and from our trust preferred securities, which are variable rate and were impacted by higher benchmark interest rates in 2022. Additionally, Residential Mortgage Banking operations experienced \$5 million and \$3 million decreases in net interest income during the three and nine-month periods, respectively, as a result of a lower average balance of loan inventory in the respective periods.

Continued increases in benchmark interest rates and borrowing spreads could negatively impact our future net interest income in relation to the portion of our fixed-rate assets that are financed with floating-rate debt, as well as in relation to fixed-rate debt that matures in the near-term that is refinanced with new debt at current market rates. Additionally, to the extent we add incremental leverage to our investment portfolio, net interest income could decrease while proceeds from those financings are redeployed into other assets or if additional capital is deployed into HEIs which do not earn interest income.

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

Mortgage Banking Activities, Net

The decrease in income from mortgage banking activities during the three and nine-month periods was attributable to \$31 million and \$123 million decreases, respectively, from our Residential Mortgage Banking operations and \$16 million and \$74 million decreases, respectively, from our Business Purpose Mortgage Banking operations.

The decreases from Residential Mortgage Banking operations were attributable to lower acquisition volumes as well as decreased margins during 2022, as a sharp increase in mortgage rates during 2022 contributed to an industry-wide decrease in residential mortgage origination activity. Additionally, given market volatility, we focused on risk management and were deliberate in moderating volume and transferring financial risk quickly during 2022. Margins and profitability for Residential Mortgage Banking during the first nine months of 2022 were impacted by wider credit spreads for securitizations and whole loans, as well as increased rate volatility, which resulted in higher hedging costs. In the third quarter of 2022, margins recovered on improved distribution execution.

Despite increased volumes during the first nine months of 2022, Business Purpose Mortgage Banking income declined year-over-year, as continued market volatility and extreme credit spread widening in 2022 negatively impacted profitability. Spreads stabilized in the third quarter and volume remained fairly healthy, which contributed to \$14 million of BPL mortgage banking activity income in the third quarter of 2022.

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, 2022, negative investment fair value changes reflected extreme levels of credit spread widening across many of our longer-duration, fixed-rate investments, partially offset by fair value increases in our IO securities, MSRIs, and interest rate hedges, which benefited from rising interest rates. While our home equity investments (“HEIs”) experienced price increases in the first half of 2022 due to home price appreciation, in the third quarter of 2022, they saw declines in prices as the outlook for home price appreciation deteriorated. Negative fair value changes primarily reflected unrealized mark-to-market losses, while fundamental credit performance, including delinquencies and LTVs, remained stable across our portfolio.

During the three and nine months ended September 30, 2021, positive investment fair value changes reflected improvements in credit performance and spread tightening across our investment portfolio, particularly in our third-party re-performing loan (“RPL”) and retained CAFL SFR securities.

Additional detail on our investment fair value changes during 2022 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 increase in other income for the three and nine month periods primarily resulted from higher income on our MSR investments, which increased by \$3 million and \$12 million, respectively. The increase in income from MSRIs was primarily due to positive valuation changes resulting from a slowdown in prepayment speeds during 2022 as interest rates rose.

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 three and nine months ended September 30, 2022, we realized gains of zero and \$3 million, respectively, primarily resulting from calls associated with third-party available-for-sale ("AFS") securities during the first quarter of 2022. During the three and nine months ended September 30, 2021, we realized gains of \$7 million and \$18 million, respectively, primarily resulting from the call of two and six seasoned Sequoia securitizations, respectively.

General and Administrative Expenses

General and administration expenses decreased for the three and nine month periods, primarily due to \$16 million and \$42 million decreases in variable compensation expense, respectively, associated with the decreases in earnings during the respective periods. Additionally, fixed compensation expense in the second quarter of 2022 included a \$2 million benefit from a payroll tax refund related to a prior year that was realized during the quarter. These decreases were offset by a \$1 million increase in costs associated with the acquisition of Riverbend, including \$1 million of direct transaction costs incurred over the second and third quarters of 2022, and \$2 million of fixed compensation costs in the third quarter of 2022 from the addition of Riverbend employees. Additionally, in the third quarter of 2022, we incurred \$4 million of employee severance and transition-related 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.

Loan Acquisition Costs

Loan acquisition costs for our mortgage banking operations decreased \$2 million for both the three and nine month periods, as a result of lower loan origination volumes in 2022.

Provision for Income Taxes

Our provision for income taxes is almost entirely related to activity at our taxable REIT subsidiaries, which primarily includes our mortgage banking activities and MSR investments, as well as certain other investment and hedging activities. Losses from our mortgage banking operations during the first nine months of 2022 contributed to a tax benefit during that period. For the third quarter of 2022, a small loss from our mortgage banking operations was more than offset by gains on hedges associated with certain of our investments, resulting in a tax provision for the quarter.

During the third quarter of 2021, we realized a \$19 million benefit from the release of valuation allowance on a portion of our deferred tax assets contributing to a net tax benefit during that quarter. The tax provision for the nine months ended September 30, 2021 reflects positive income earned from our mortgage banking operations during that period, partially offset by the benefit from the release of valuation allowance.

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

Net Interest Income

The following table presents the components of net interest income for the three and nine months ended September 30, 2022 and 2021.

Table 3 – Net Interest Income

(Dollars in Thousands)	Three Months Ended September 30,					
	2022			2021		
	Interest Income/ (Expense)	Average Balance ⁽¹⁾	Yield	Interest Income/ (Expense)	Average Balance ⁽¹⁾	Yield
Interest Income						
Residential loans, held-for-sale	\$ 11,844	\$ 984,365	4.8 %	\$ 15,377	\$ 1,936,882	3.2 %
Residential loans - HFI at Legacy Sequoia ⁽²⁾	1,473	199,264	3.0 %	1,042	248,791	1.7 %
Residential loans - HFI at Sequoia ⁽²⁾	31,587	3,468,730	3.6 %	18,867	2,104,357	3.6 %
Residential loans - HFI at Freddie Mac SLST ⁽²⁾	16,098	1,600,215	4.0 %	18,707	2,043,813	3.7 %
Business purpose loans - HFS	9,070	535,017	6.8 %	4,090	314,641	5.2 %
Business purpose loans - HFI	24,688	1,257,222	7.9 %	14,102	704,752	8.0 %
Single-family rental loans - HFI at CAFL ⁽²⁾	50,959	2,960,614	6.9 %	48,723	3,455,645	5.6 %
Bridge loans - HFI at CAFL ⁽²⁾	10,480	529,993	7.9 %	214	12,015	7.1 %
Multifamily loans at Freddie Mac K-Series ⁽²⁾	4,762	439,966	4.3 %	4,846	483,930	4.0 %
Trading securities	3,924	131,626	11.9 %	5,710	147,925	15.4 %
Available-for-sale securities	3,065	136,203	9.0 %	8,532	120,183	28.4 %
Other interest income	9,712	898,111	4.3 %	5,512	769,308	2.9 %
Total interest income	177,662	13,141,326	5.4 %	145,722	12,342,242	4.7 %
Interest Expense						
Short-term debt facilities	(19,436)	1,561,146	(5.0)%	(10,808)	1,982,726	(2.2)%
Short-term debt - servicer advance financing	(2,606)	225,002	(4.6)%	(1,018)	149,450	(2.7)%
Promissory notes	(572)	33,302	(6.9)%	—	—	— %
Short-term debt - convertible notes, net	(1,330)	100,895	(5.3)%	—	—	— %
ABS issued - Legacy Sequoia ⁽²⁾	(1,486)	198,166	(3.0)%	(641)	245,910	(1.0)%
ABS issued - Sequoia ⁽²⁾	(27,541)	3,233,716	(3.4)%	(15,368)	1,872,636	(3.3)%
ABS issued - Freddie Mac SLST ⁽²⁾	(12,829)	1,325,930	(3.9)%	(15,774)	1,765,465	(3.6)%
ABS issued - Freddie Mac K-Series ⁽²⁾	(4,377)	408,164	(4.3)%	(4,460)	453,031	(3.9)%
ABS issued - CAFL ⁽²⁾	(44,677)	3,075,551	(5.8)%	(37,489)	3,118,792	(4.8)%
Long-term debt facilities	(14,464)	1,148,700	(5.0)%	(8,715)	881,669	(4.0)%
Long-term debt - corporate	(13,409)	761,712	(7.0)%	(9,481)	651,468	(5.8)%
Total interest expense	(142,727)	12,072,284	(4.7)%	(103,754)	11,121,147	(3.7)%
Net Interest Income	\$ 34,935			\$ 41,968		

Nine Months Ended September 30,

(Dollars in Thousands)	2022			2021		
	Interest Income/ (Expense)	Average Balance ⁽¹⁾	Yield	Interest Income/ (Expense)	Average Balance ⁽¹⁾	Yield
Interest Income						
Residential loans, held-for-sale	\$ 42,201	\$ 1,406,219	4.0 %	\$ 35,308	\$ 1,568,966	3.0 %
Residential loans - HFI at Legacy Sequoia ⁽²⁾	3,592	211,707	2.3 %	3,559	262,007	1.8 %
Residential loans - HFI at Sequoia ⁽²⁾	95,608	3,732,108	3.4 %	48,842	1,644,256	4.0 %
Residential loans - HFI at Freddie Mac SLST ⁽²⁾	49,851	1,717,544	3.9 %	58,372	2,110,555	3.7 %
Business purpose loans - HFS	22,823	536,366	5.7 %	10,105	277,486	4.9 %
Business purpose loans - HFI	52,226	1,003,673	6.9 %	38,877	668,413	7.8 %
Single-family rental loans - HFI at CAFL ⁽²⁾	173,630	3,070,972	7.5 %	152,444	3,349,828	6.1 %
Bridge loans - HFI at CAFL ⁽²⁾	21,751	412,766	7.0 %	214	4,049	7.0 %
Multifamily loans at Freddie Mac K-Series ⁽²⁾	14,247	451,757	4.2 %	14,492	488,804	4.0 %
Trading securities	13,520	151,898	11.9 %	17,133	140,241	16.3 %
Available-for-sale securities	17,252	137,134	16.8 %	16,051	128,564	16.6 %
Other interest income	27,816	917,975	4.0 %	17,325	790,499	2.9 %
Total interest income	534,517	13,750,119	5.2 %	412,722	11,433,668	4.8 %
Interest Expense						
Short-term debt facilities	(41,081)	1,628,316	(3.4)%	(27,380)	1,609,295	(2.3)%
Short-term debt - servicer advance financing	(6,110)	241,582	(3.4)%	(3,414)	166,605	(2.7)%
Promissory notes	(572)	11,223	(6.8)%	—	—	— %
Short-term debt - convertible notes, net	(1,330)	34,001	(5.2)%	—	—	— %
ABS issued - Legacy Sequoia ⁽²⁾	(3,154)	209,931	(2.0)%	(2,271)	258,915	(1.2)%
ABS issued - Sequoia ⁽²⁾	(84,041)	3,491,194	(3.2)%	(38,848)	1,419,153	(3.6)%
ABS issued - Freddie Mac SLST ⁽²⁾	(40,287)	1,424,032	(3.8)%	(49,756)	1,859,559	(3.6)%
ABS issued - Freddie Mac K-Series ⁽²⁾	(13,099)	419,954	(4.2)%	(13,294)	459,648	(3.9)%
ABS issued - CAFL ⁽²⁾	(144,883)	3,105,387	(6.2)%	(118,543)	3,041,714	(5.2)%
Long-term debt facilities	(37,664)	1,231,057	(4.1)%	(32,518)	776,846	(5.6)%
Long-term debt - FHLBC	—	—	— %	(2)	374	(0.7)%
Long-term debt - corporate	(33,771)	706,504	(6.4)%	(28,345)	650,828	(5.8)%
Total interest expense	(405,992)	12,503,181	(4.3)%	(314,371)	10,242,937	(4.1)%
Net Interest Income	\$ 128,525			\$ 98,351		

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

(2) Interest income from residential loans held-for-investment ("HFI") at Legacy Sequoia and the interest expense from ABS issued - Legacy Sequoia represent activity from our consolidated Legacy Sequoia entities. Interest income from residential loans - HFI at Sequoia and the interest expense from ABS issued - Sequoia represent activity from our consolidated Sequoia entities. Interest income from residential loans - HFI at Freddie Mac SLST and the interest expense from ABS issued - Freddie Mac SLST represent activity from our consolidated Freddie Mac SLST entities. Interest income from multifamily loans at Freddie Mac K-Series and the interest expense from ABS issued - Freddie Mac K-Series represent activity from our consolidated Freddie Mac K-Series entities. Interest income from single-family rental loans - HFI at CAFL, bridge loans - HFI at CAFL and the interest expense from ABS issued - CAFL represent activity from our consolidated CAFL entities.

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 (loss) income for the three and nine months ended September 30, 2022 and 2021.

Table 4 – Segment Results Summary

(In Thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change	2022	2021	Change
Segment Contribution from:						
Residential Mortgage Banking	\$ (640)	\$ 19,406	\$ (20,046)	\$ (7,371)	\$ 74,469	\$ (81,840)
Business Purpose Mortgage Banking	(3,856)	10,837	(14,693)	(27,054)	31,146	(58,200)
Investment Portfolio	(22,404)	71,085	(93,489)	(24,049)	237,135	(261,184)
Corporate/Other	(23,511)	(13,042)	(10,469)	(60,988)	(67,182)	6,194
Net (Loss) Income	<u>\$ (50,411)</u>	<u>\$ 88,286</u>	<u>\$ (138,697)</u>	<u>\$ (119,462)</u>	<u>\$ 275,568</u>	<u>\$ (395,030)</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, 2022.

Corporate/Other

The increase in net expense from Corporate/Other for the three-month periods was primarily due to a \$19 million benefit from taxes in the third quarter of 2021 resulting from the reversal of a deferred tax asset valuation allowance, as well as \$6 million of higher interest expense in the third quarter of 2022 resulting from the issuance of new convertible debt in June 2022 and from our trust preferred securities, which are variable rate and were impacted by higher benchmark interest rates. These increases in expenses were offset by \$11 million and \$20 million decreases in the three- and nine-month periods, respectively, in compensation expense for corporate employees, primarily related to variable compensation, which decreased in association with lower earnings year-over-year.

The decrease in net expense from Corporate/Other for the nine-month periods was primarily due to a \$20 million decrease in compensation expense for corporate employees, primarily related to variable compensation, which decreased in association with lower earnings year-over-year, offset both by \$8 million of higher interest expense in 2022 and the \$19 million benefit from income taxes in 2021 described previously.

Residential Mortgage Banking Segment

Our Residential Mortgage Banking 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 Sequoia private-label securitization program, or transfer into our investment portfolio. 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.

Net income from this segment is primarily comprised of net interest income earned on loans while they are held in inventory, mortgage banking activities income (including mark-to-market adjustments on loans from the time they are purchased to when they are sold or securitized, mark-to-market adjustments on new and outstanding loan purchase commitments and gains/losses from associated hedges), and all direct expenses associated with these activities. 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.

The following table provides the activity of residential loans held in inventory for sale at our mortgage banking business during the three and nine months ended September 30, 2022.

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

(In Thousands)	Three Months Ended		Nine Months Ended	
	September 30, 2022		September 30, 2022	
Balance at beginning of period	\$	990,924	\$	1,673,236
Acquisitions		337,922		3,483,833
Sales		(602,842)		(3,653,601)
Transfers between segments ⁽¹⁾		—		(684,491)
Principal repayments		(29,486)		(72,771)
Changes in fair value, net		(20,060)		(69,748)
Balance at End of Period	\$	676,458	\$	676,458

(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, 2022, our residential mortgage loan conduit locked \$461 million and \$4.10 billion of loans, respectively (\$256 million and \$2.75 billion adjusted for expected pipeline fallout – i.e., loan purchase commitments), including \$379 million and \$3.59 billion of Select loans and \$82 million and \$512 million of Choice loans, respectively, and purchased \$338 million and \$3.48 billion of loans, respectively. During the three months ended September 30, 2022, approximately 80% of locked loans were purchase-money loans and 20% were refinancings. During the three and nine months ended September 30, 2022, we distributed \$612 million and \$3.68 billion of loans (unpaid principal balance) through whole loan sales, respectively. During the nine months ended September 30, 2022, we completed one securitization backed by \$687 million of loans (unpaid principal balance).

At September 30, 2022, we had total net jumbo loan exposure of \$712 million (down 5% from June 30, 2022), with an average gross mortgage rate of 5%. This balance included \$703 million (principal value) of loans in inventory on our balance sheet, \$146 million of loans identified for purchase (locked loans, unadjusted for fallout), and \$137 million of forward sale agreements for loans. Given current market conditions, we reduced our capital allocation to Residential Mortgage Banking to \$150 million at the end of the third quarter of 2022, down from \$200 million at the end of the second quarter of 2022. As we look ahead, we expect conditions in the consumer residential sector to remain challenging for a number of quarters as industry volumes continue to be affected by rapidly increasing mortgage rates, which, along with record home price appreciation in recent years, has pushed housing affordability to new lows.

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, 2022, we had residential warehouse facilities outstanding with nine different counterparties, with \$2.85 billion of total capacity and \$2.10 billion 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 \$1.38 billion of total capacity and marginable facilities with \$1.48 billion 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, 2022.

Table 6 – Residential Mortgage Banking Earnings Summary and Operating Metrics

(In Thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change	2022	2021	Change
Mortgage banking (loss) income	\$ 3,957	\$ 40,121	\$ (36,164)	\$ 5,038	\$ 131,279	\$ (126,241)
Operating expenses	(6,285)	(10,286)	4,001	(20,692)	(33,170)	12,478
Benefit from (provision for) income taxes	1,688	(10,429)	12,117	8,283	(23,640)	31,923
Segment Contribution	\$ (640)	\$ 19,406	\$ (20,046)	\$ (7,371)	\$ 74,469	\$ (81,840)
Loan purchase commitments (loan locks, adjusted for expected fallout)	\$ 256,044	\$ 3,288,102	\$ (3,032,058)	\$ 2,749,910	\$ 9,541,499	\$ (6,791,589)

Residential mortgage banking income presented in the table above is comprised of net interest income from residential loans held-for-sale in inventory and mortgage banking activities, 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 decrease in contribution from our residential mortgage banking operations during the three- and nine-month periods was primarily attributable to lower mortgage banking activities income, as discussed in the preceding *Consolidated Results of Operations* section of this MD&A. While margins improved in the third quarter of 2022, a re-widening of credit spreads or further rate volatility could continue to negatively impact our margins and profitability. The decreases in mortgage banking income were partially offset by lower general and administrative expenses, which declined during the three- and nine-month periods, primarily due to lower variable compensation expenses.

Activity at this segment is performed within our taxable REIT subsidiary and subject to federal and state income taxes. The benefit from income taxes for the third quarter of 2022 was due to an overall GAAP loss incurred at our TRS during that period.

Business Purpose Mortgage Banking Segment

Our Business Purpose Mortgage Banking segment consists of a platform that originates and acquires business purpose loans (consisting of SFR loans and bridge loans) for subsequent securitization, sale to whole loan buyers, or transfer into our investment portfolio. SFR loans are business purpose mortgage loans to investors in single-family (primarily 1-4 unit) rental properties. Bridge loans are business purpose mortgage loans to investors rehabilitating and subsequently reselling or renting residential and multifamily properties. We typically originate SFR loans and distribute most of our SFR loans through our CAFL private-label securitization program and, on occasion, will sell them as whole loans. We originate and acquire bridge loans and typically transfer these loans into our Investment Portfolio where they will be retained for investment; on occasion, we may sell them as whole loans. This segment also includes various derivative financial instruments that we utilize to manage certain risks associated with our inventory of SFR loans held-for-sale.

Net income from this segment is primarily comprised of net interest income earned on loans while they are held in inventory, mortgage banking activities income (including mark-to-market adjustments on loans from the time they are purchased to when they are sold, securitized or transferred into our investment portfolio, fee income earned on originations, and gains/losses from associated hedges), and all direct expenses associated with these activities. Subordinate securities that we retain from our CAFL securitizations (which we consolidate for GAAP purposes) and bridge loans we originate in this segment are transferred to and held in our Investment Portfolio segment.

On July 1, 2022, we closed the previously announced acquisition of Riverbend, a private mortgage lender to investors in transitional residential and multifamily real estate. This acquisition adds capacity, product breadth and geographic footprint to our existing bridge loan origination platform.

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

Table 7 – Business Purpose Loans — Funding Activity

(In Thousands)	Three Months Ended September 30, 2022			Nine Months Ended September 30, 2022		
	Single-Family Rental	Bridge ⁽¹⁾	Total	Single-Family Rental	Bridge ⁽¹⁾	Total
Fair value at beginning of period	\$ 505,171	\$ —	\$ 505,171	\$ 358,309	\$ —	\$ 358,309
Fundings	99,736	470,425	570,161	966,648	1,446,610	2,413,258
Sales	(34,970)	(48,279)	(83,249)	(366,720)	(48,279)	(414,999)
Transfers between segments ⁽²⁾	(266,181)	(423,425)	(689,606)	(561,218)	(1,400,849)	(1,962,067)
Principal repayments	(5,582)	(2,220)	(7,802)	(37,166)	(2,220)	(39,386)
Riverbend loans acquired at acquisition	—	59,748	59,748	—	59,748	59,748
Changes in fair value, net	(17,069)	(116)	(17,185)	(78,748)	1,123	(77,625)
Fair Value at End of Period	\$ 281,105	\$ 56,133	\$ 337,238	\$ 281,105	\$ 56,133	\$ 337,238

(1) We originate bridge loans at our TRS and then transfer them to our REIT. 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 (loss). 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 (loss). For 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 (loss). For the carrying value and activity of our bridge loans held-for-investment, see the Investment Portfolio section that follows.

(2) For single-family rental loans, amounts represent transfers of loans from held-for-sale at our Business Purpose Mortgage Banking segment to held-for-investment at our Investment Portfolio segment, associated with securitizations we sponsored that we consolidate under GAAP. 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.

SFR loan fundings for the three and nine months ended September 30, 2022 included zero and \$100 million of loans acquired from third parties, respectively. Bridge loan fundings for the three and nine months ended September 30, 2022 included zero and \$22 million of loans acquired from third parties, respectively. During the three and nine months ended September 30, 2022, we acquired \$60 million of bridge loans with our acquisition of Riverbend on July 1, 2022. During the nine months ended September 30, 2022, we completed two business purpose loan securitizations backed by \$588 million of SFR loans, including a private securitization of \$274 million of loans in the third quarter with a large global institutional investor. During the nine months ended September 30, 2022, we completed one business purpose loan securitization backed by approximately \$250 million of bridge loans that includes a 24-month revolving feature. At September 30, 2022, we had \$281 million of SFR loans and \$56 million of bridge loans in inventory on our balance sheet.

During the third quarter of 2022, the decline in overall volume was predominantly in our SFR product, as borrowers continue in this higher rate environment to prefer short-term fully prepayable bridge loans, for which demand remains elevated (driven by multifamily product). Given current market conditions, we reduced our capital allocation to Business Purpose Mortgage Banking to \$100 million at the end of the third quarter of 2022, down from \$150 million at the end of the second quarter of 2022 (excluding capital associated with goodwill and intangibles). While the fourth quarter has historically been a very busy one for BPL originations – with sponsors often seeking to complete transactions by year-end – we would expect the recent slowdown in lending activity to continue in some capacity, as transaction flow ebbs and borrowers not facing near-term maturities wait for more favorable conditions.

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, 2022, we had business purpose warehouse facilities outstanding with six different counterparties, with \$3.00 billion of total capacity (used for both SFR and bridge loans) and \$1.66 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, 2022 and 2021.

Table 8 – Business Purpose Mortgage Banking Earnings Summary

(In Thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change	2022	2021	Change
Mortgage banking income	\$ 17,887	\$ 32,387	\$ (14,500)	\$ 22,267	\$ 89,752	\$ (67,485)
Operating expenses	(24,302)	(18,065)	(6,237)	(58,330)	(51,618)	(6,712)
Benefit from income taxes	2,559	(3,485)	6,044	9,009	(6,988)	15,997
Segment Contribution	\$ (3,856)	\$ 10,837	\$ (14,693)	\$ (27,054)	\$ 31,146	\$ (58,200)

Business Purpose Mortgage Banking income presented in the table above is comprised of net interest income from SFR 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 for this segment.

The decrease in contribution from our business purpose mortgage banking operations during the three and nine month periods was attributable to lower mortgage banking income and higher operating expenses. While margins stabilized during the third quarter of 2022, mortgage banking income year-to-date was negatively impacted by severe credit spread widening in the first half 2022 and remains challenged given current market conditions. Continued rate volatility or a further widening of spreads would continue to impact our margins and profitability at this business.

General and administrative expenses increased during the three- and nine-month periods, as lower variable compensation expenses were offset by higher fixed compensation and other costs associated with an increased headcount during 2022, in particular from the addition of employees from the Riverbend acquisition. Additionally, in the third quarter, we incurred \$4 million of employee severance and transition-related expenses at this segment.

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 the three- and nine-month periods in 2022 was due to an overall GAAP loss incurred at our TRS during those periods.

Investment Portfolio Segment

Our Investment Portfolio segment consists of investments sourced through our residential and business purpose mortgage banking operations, including primarily securities retained from our residential and business purpose loan securitization activities (some of which we consolidate for GAAP purposes), business purpose residential and multifamily bridge loans, as well as third-party investments including RMBS issued by third parties (including Agency CRT securities), investments in Freddie Mac K-Series multifamily loan securitizations and re-performing loan securitizations (both of which we consolidate for GAAP purposes), servicer advance investments, HEIs, and other housing-related investments. 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, 2022 and December 31, 2021 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, 2022	December 31, 2021
Organic Residential Investments		
Residential loans at Redwood ⁽¹⁾	\$ 157,804	\$ 172,047
Residential securities at Redwood	106,576	143,838
Residential securities at consolidated Sequoia entities ⁽²⁾	223,920	245,417
Other investments ⁽³⁾	48,100	12,438
Organic Business Purpose Investments		
Bridge loans	1,900,986	944,606
Single-family rental securities at consolidated CAFL SFR entities ⁽⁴⁾	314,431	301,506
Other investments	972	5,935
Third-Party Investments		
Residential securities at Redwood	131,055	195,930
Residential securities at consolidated Freddie Mac SLST entities ⁽⁵⁾	335,185	444,751
Multifamily securities at Redwood	21,232	32,715
Multifamily securities at consolidated Freddie Mac K-Series entities ⁽⁶⁾	32,047	31,657
Servicing investments ⁽⁷⁾	92,530	102,540
HEIs ⁽⁸⁾	214,922	43,638
Other investments	7,664	10,400
Total Segment Investments	\$ 3,587,424	\$ 2,687,418

(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 \$3.24 billion of loans and \$3.01 billion of ABS issued associated with these investments at September 30, 2022. We consolidated \$3.63 billion of loans and \$3.38 billion of ABS issued associated with these investments at December 31, 2021.

(3) Organic residential other investments at September 30, 2022 includes net risk share investments of \$23 million, representing \$30 million of restricted cash and other assets, net of other liabilities of \$7 million.

(4) Represents our retained economic investment in securities issued by consolidated CAFL SFR securitization VIEs. For GAAP purposes, we consolidated \$3.02 billion of loans and \$2.70 billion of ABS issued associated with these investments at September 30, 2022. We consolidated \$3.49 billion of loans and \$3.21 billion of ABS issued associated with these investments at December 31, 2021.

(5) Represents our economic investment in securities issued by consolidated Freddie Mac SLST securitization entities. For GAAP purposes, we consolidated \$1.48 billion of loans and \$1.15 billion of ABS issued associated with these investments at September 30, 2022. We consolidated \$1.89 billion of loans and \$1.45 billion of ABS issued associated with these investments at December 31, 2021.

(6) Represents our economic investment in securities issued by consolidated Freddie Mac K-Series securitization entities. For GAAP purposes, we consolidated \$427 million of loans and \$395 million of ABS issued associated with these investments at September 30, 2022. We consolidated \$474 million of loans and \$442 million of ABS issued associated with these investments at December 31, 2021.

(7) Represents our economic investment in consolidated Servicing Investment variable interest entities. At September 30, 2022, for GAAP purposes, we consolidated \$308 million of servicing investments and \$233 million of non-recourse short-term securitization debt, as well as other assets and liabilities for these entities. At December 31, 2021, for GAAP purposes, we consolidated \$385 million of servicing investments and \$294 million of non-recourse short-term securitization debt, as well as other assets and liabilities for these entities.

(8) At September 30, 2022 and December 31, 2021, represents HEIs owned at Redwood of \$201 million and \$33 million, respectively, as well as our retained economic investment in securities issued by the consolidated HEI securitization entity of \$14 million and \$10 million, respectively. At September 30, 2022, for GAAP purposes, we consolidated \$140 million of HEIs and \$105 million of ABS issued, as well as other assets and liabilities for the consolidated HEI securitization entity. At December 31, 2021, for GAAP purposes, we consolidated \$160 million of HEIs and \$137 million of ABS issued, as well as other assets and liabilities for the consolidated HEI securitization entity.

The growth in our Investment Portfolio during the first nine months of 2022 was primarily attributable to a net increase in business purpose bridge loans and incremental investments in HEIs through third-party flow purchase agreements. 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, 2022 and 2021.

Table 10 – Investment Portfolio Earnings Summary

(In Thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	Change	2022	2021	Change
Net interest income	\$45,006	\$41,945	\$ 3,061	\$ 140,885	\$ 105,066	\$ 35,819
Investment fair value changes, net	(61,780)	26,324	(88,104)	(165,297)	121,812	(287,109)
Other income, net	3,906	1,842	2,064	15,423	7,121	8,302
Realized gains, net	—	6,703	(6,703)	2,581	17,803	(15,222)
Operating expenses	(3,872)	(4,684)	812	(10,833)	(12,106)	1,273
Benefit from (provision for) income taxes	(5,664)	(1,045)	(4,619)	(6,808)	(2,561)	(4,247)
Segment Contribution	\$ (22,404)	\$ 71,085	\$ (93,489)	\$ (24,049)	\$ 237,135	\$ (261,184)

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

The increase in net interest income from our Investment Portfolio during the nine-month periods primarily resulted from an increase in the average balance of investments in that period in 2022 as we deployed capital into new investments, including primarily into business purpose bridge loans. Net interest income for the nine months ended September 30, 2022, included yield maintenance income (triggered by prepayments) received on retained SFR securities of \$8 million in the first quarter of 2022, \$4 million in the second quarter of 2022, and \$3 million in the third quarter of 2022. Additionally, during the first quarter of 2022, we recorded \$8 million of discount accretion for AFS securities, much of which was associated with securities we expected to be called given high prepayment speeds experienced during 2021. As a result of interest rate increases, early in 2022 we changed our assumptions for expected call dates for certain available-for-sale securities and discount accretion income from these securities declined, resulting in \$1 million of discount accretion in both the second and third quarters of 2022. Net interest income from the investment portfolio was also impacted by higher borrowing costs in 2022, driven primarily by rising benchmark interest rates. While the majority of the floating-rate debt utilized within our investment portfolio finances floating-rate assets, we do have some exposure to rising interest rates and further increases in benchmark interest rates or borrowing spreads could negatively impact our net interest income. Additionally, to the extent market interest rates remain elevated and we refinance fixed-rate debt that matures in the near-term, our interest costs could increase and negatively impact our net interest income.

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). The negative investment fair value changes in the first nine months of 2022 were predominantly unrealized and resulted primarily from credit spread widening across many of our investments. Rising interest rates and slower actual and expected prepayment speeds resulted in positive fair value changes for our interest-only securities and hedges allocated to our investment portfolio, which partially offset the negative fair value changes. Additionally, credit improvements in several of our investments including, in particular, our retained CAFL SFR securities and bridge loans positively impacted fair values for those assets. While our investments generally continue to experience stable credit performance, further spread widening, a deterioration in credit, or declines in home price appreciation could result in additional negative investment fair value changes for our investments.

Other income, net within this segment is primarily comprised of income (loss) 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 2022. Operating expenses at this segment are primarily attributable to compensation expenses and decreased overall during the three and nine month periods, as decreases in variable compensation were partially offset by higher fixed compensation costs resulting from higher headcount in 2022. 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 2022, 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 and their activity during the three and nine months ended September 30, 2022.

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, 2022.

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

Three Months Ended September 30, 2022 (In Thousands)	Residential		Multifamily	Total
	Senior	Subordinate	Mezzanine	
Beginning fair value	\$ 31,496	\$ 231,652	\$ 21,130	\$ 284,278
Acquisitions	—	—	—	—
Sales	(4,142)	—	—	(4,142)
Gains on sales and calls, net	—	—	—	—
Effect of principal payments ⁽²⁾	—	(359)	—	(359)
Change in fair value, net	1,506	(22,173)	102	(20,565)
Ending Fair Value	\$ 28,860	\$ 209,120	\$ 21,232	\$ 259,212

Nine Months Ended September 30, 2022 (In Thousands)	Residential		Multifamily	Total
	Senior	Subordinate	Mezzanine	
Beginning fair value	\$ 21,787	\$ 322,909	\$ 32,715	\$ 377,411
Acquisitions	5,006	10,000	—	15,006
Sales	(14,334)	(13,137)	—	(27,471)
Gains on sales and calls, net	—	1,914	—	1,914
Effect of principal payments ⁽²⁾	—	(16,036)	(8,688)	(24,724)
Change in fair value, net	16,401	(96,530)	(2,795)	(82,924)
Ending Fair Value	\$ 28,860	\$ 209,120	\$ 21,232	\$ 259,212

(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.

At September 30, 2022, our securities at Redwood (exclusive of securities owned in consolidated entities) consisted of fixed-rate assets (90%), adjustable-rate assets (7%), and hybrid assets that reset within the next year (3%).

The following table sets forth activity in our real estate securities portfolio for the three and nine months ended September 30, 2022, 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 interest in securities we own in securitizations we consolidate in accordance with GAAP.

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

Three Months Ended September 30, 2022 (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	\$ 112,562	\$ 236,777	\$ 307,413	\$ 390,416	\$ 31,732	\$ 171,716	\$ 1,250,616
Acquisitions ⁽¹⁾	—	—	13,603	—	—	—	13,603
Sales	—	—	—	—	—	(4,142)	(4,142)
Gains on sales and calls, net	—	—	—	—	—	—	—
Effect of principal payments ⁽²⁾	(123)	(1,856)	—	(13,144)	—	(236)	(15,359)
Change in fair value, net	(5,863)	(11,001)	(6,585)	(42,088)	315	(14,702)	(79,924)
Ending Fair Value	\$ 106,576	\$ 223,920	\$ 314,431	\$ 335,184	\$ 32,047	\$ 152,636	\$ 1,164,794

Nine Months Ended September 30, 2022 (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	\$ 145,757	\$ 245,417	\$ 301,506	\$ 444,751	\$ 31,657	\$ 231,654	\$ 1,400,742
Acquisitions ⁽¹⁾	—	3,742	37,290	—	—	15,006	56,038
Sales	(3,854)	(612)	—	—	—	(23,617)	(28,083)
Gains on sales and calls, net	284	—	—	—	—	1,630	1,914
Effect of principal payments ⁽²⁾	(10,755)	(3,889)	—	(34,716)	—	(13,969)	(63,329)
Change in fair value, net	(24,856)	(20,738)	(24,365)	(74,851)	390	(58,068)	(202,488)
Ending Fair Value	\$ 106,576	\$ 223,920	\$ 314,431	\$ 335,184	\$ 32,047	\$ 152,636	\$ 1,164,794

(1) During the nine months ended September 30, 2022, we retained \$4 million of securities from one Sequoia securitization.

(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.

At September 30, 2022, 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 (1%) 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 term debt and marginable debt in the form of repurchase (or “repo”) financing. At September 30, 2022, real estate securities with a fair value of \$425 million (including securities owned in consolidated Sequoia and CAFL securitization entities) were financed with \$305 million of long-term, non-marginable recourse debt through our subordinate securities financing facilities, re-performing loan securities with a fair value of \$335 million were financed with \$99 million of non-recourse securitization debt, and real estate securities with a fair value of \$170 million (including securities owned in consolidated securitization entities) were financed with \$124 million of short-term debt incurred through repurchase facilities with seven different counterparties. The remaining \$235 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, 2022. 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, 2022 (Dollars in Thousands)	Market Value - IO Securities	Market Value - Non-IO Securities	Principal Balance - Non-IO Securities	Weighted Average Values				
				Gross Weighted Average Coupon	90+ Delinquency	3-Month Prepayment Rate	Investment Thickness ⁽¹⁾	
Sequoia securities on balance sheet	\$ 28,511	\$ 78,065	\$ 140,149	3.8 %	0.4 %	10 %	7 %	
Consolidated Sequoia securities	23,955	199,965	246,570	4.7 %	2.0 %	16 %	42 %	
Total Sequoia Securities	52,466	278,030	386,719	4.4 %	1.5 %	14 %	30 %	
Consolidated Freddie Mac SLST securities	18,089	317,095	498,023	4.5 %	12.9 %	8 %	29 %	
RPL securities on balance sheet	347	31,963	142,734	4.3 %	3.7 %	8 %	2 %	
Total RPL Securities	18,436	349,058	640,757	4.5 %	12.0 %	8 %	26 %	
Consolidated Freddie Mac K-Series securities	—	32,047	36,468	4.3 %	— %	— %	10 %	
Multifamily securities on balance sheet	166	21,066	22,809	4.1 %	— %	24 %	11 %	
Total Multifamily Securities	166	53,113	59,277	4.2 %	— %	10 %	11 %	
Consolidated CAFL securities	34,268	280,163	424,677	5.3 %	2.2 %	16 %	17 %	
Other third-party securities	12	99,082	142,912	3.4 %	0.6 %	10 %	2 %	
Total Securities	\$ 105,348	\$ 1,059,446	\$ 1,654,342					

(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.

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 first nine months of 2022, our investment portfolio continued to demonstrate strong performance across a range of credit metrics, including loan delinquencies which generally remained stable, and loan-to-value ratios (LTVs), which continued to decline or remain stable. Given the seasoned nature of our investments (particularly within our RPL securities and Sequoia securities), many of these investments are supported by substantial home price appreciation and borrower equity in the underlying homes.

Bridge Loans Held-for-Investment

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

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

(In Thousands)	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Fair value at beginning of period	\$ 1,651,489	\$ 944,606
Transfers between portfolios ⁽¹⁾	423,425	1,400,849
Transfers to REO	—	(963)
Principal repayments	(175,007)	(436,545)
Changes in fair value, net	1,079	(6,961)
Fair Value at End of Period	\$ 1,900,986	\$ 1,900,986

(1) We originate bridge loans at our TRS and then transfer them to our REIT. 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 (loss). 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 (loss). For 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 (loss). 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 (loss).

Our \$1.90 billion of bridge loans held-for-investment and \$56 million of bridge loans held-for-sale at September 30, 2022 were comprised of first-lien, interest-only loans with a weighted average coupon of 8.05% and original maturities of six to 36 months. At origination, the weighted average FICO score of borrowers backing these loans was 743 and the weighted average LTV ratio of these loans was 66%. At September 30, 2022, of the 3,579 loans in this portfolio, 49 of these loans with an aggregate fair value of \$31 million and an aggregate unpaid principal balance of \$33 million were in foreclosure and 98 loans with an aggregate fair value of \$38 million and an unpaid principal balance of \$41 million were 90-or-more days delinquent (certain loans in foreclosure were also at least 90 days delinquent).

We finance our bridge loans with a combination of recourse, non-marginable warehouse facilities, non-recourse, non-marginable warehouse facilities, and non-recourse securitization debt. During the second quarter of 2022, we completed our second bridge loan securitization. This bridge loan securitization included a 24-month revolving feature that allows us to add additional loans as loans within the structure pay down. The two bridge securitization structures have \$550 million of total capacity. At September 30, 2022, we had: \$524 million of debt incurred through short-term warehouse facilities with four counterparties, which was secured by \$703 million of business purpose bridge loans; \$565 million of debt incurred through long-term facilities with two different counterparties, which was secured by \$700 million of business purpose bridge loans; and \$485 million of securitization debt secured by \$512 million of business purpose bridge loans and \$16 million of restricted cash.

The following table provides the composition of bridge loans held-for-investment by product type as of September 30, 2022 and December 31, 2021.

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

(In Thousands)	September 30, 2022	December 31, 2021
Multifamily	\$ 1,049,538	\$ 326,004
Renovate / Build to rent	660,870	375,729
Fix and Flip	107,333	150,928
Other	83,245	91,945
Fair Value at End of Period	\$ 1,900,986	\$ 944,606

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, 2022.

Table 16 – Investment Portfolio Residential Loans - Activity

(In Thousands)	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Fair value at beginning of period	\$ 222,144	\$ 172,048
Acquisitions	—	102,258
Sales	(48,759)	(48,759)
Principal repayments	(8,967)	(48,831)
Changes in fair value, net	(6,614)	(18,912)
Fair Value at End of Period	\$ 157,804	\$ 157,804

During the nine months ended September 30, 2022, we called three of our unconsolidated Sequoia securitizations and purchased \$102 million (unpaid principal balance) of loans from the securitization trusts.

Home Equity Investments

Table 17 – HEI at Investment Portfolio Segment - Activity

Home Equity Investments⁽¹⁾ (In Thousands)	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Balance at beginning of period	\$ 276,366	\$ 192,740
New/additional investments	79,050	176,439
Sales/distribution	—	—
Repayments	(9,361)	(35,187)
Changes in fair value, net	(5,618)	6,445
Other	—	—
Balance at End of Period	\$ 340,437	\$ 340,437

(1) Our home equity investments presented in this table as of September 30, 2022, include \$140 million of HEIs owned in our consolidated HEI securitization entity and \$201 million of HEIs owned directly at Redwood. At September 30, 2022, our economic investment in the consolidated HEI securitization entity was \$14 million (for GAAP purposes, we consolidated \$140 million of HEIs and \$105 million of ABS issued, as well as other assets and liabilities for this entity).

Changes in fair value, net for HEIs primarily reflects changes in actual and expected home price appreciation (HPA). While home prices generally increased during the first half of 2022, in the third quarter of 2022, some regions began experiencing home price declines leading to a downward adjustment of our HPA assumptions, which negatively affected HEI valuations. Additional details on our HEIs is 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.

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, 2022.

Table 18 – Other Investments at Investment Portfolio Segment - Activity⁽¹⁾

Three Months Ended September 30, 2022				
(In Thousands)	Servicing Investments⁽²⁾	MSRs and Excess Servicing	Other	Total
Balance at beginning of period	\$ 273,210	\$ 64,363	\$ 1,868	\$ 339,441
New/additional investments	—	—	—	—
Sales/distribution	—	—	(813)	(813)
Servicer advances (repayments), net	5,629	—	—	5,629
Changes in fair value, net	(3,905)	885	25	(2,995)
Other	—	—	(107)	(107)
Balance at End of Period	\$ 274,934	\$ 65,248	\$ 973	\$ 341,155

Nine Months Ended September 30, 2022				
(In Thousands)	Servicing Investments⁽²⁾	MSRs and Excess Servicing	Other	Total
Balance at beginning of period	\$ 350,923	\$ 56,669	\$ 5,935	\$ 413,527
New/additional investments	—	4,543	—	4,543
Sales/distribution	—	—	(5,582)	(5,582)
Servicer (repayments) advances, net	(65,772)	—	—	(65,772)
Changes in fair value, net	(10,217)	4,245	757	(5,215)
Other	—	(209)	(137)	(346)
Balance at End of Period	\$ 274,934	\$ 65,248	\$ 973	\$ 341,155

(1) Excludes \$72 million of Strategic investments which are included in Corporate/Other.

(2) Our servicing investments are owned through our consolidated Servicing Investment entities. At September 30, 2022, our economic investment in these entities was \$93 million (for GAAP purposes, we consolidated \$308 million of servicing investments, \$233 million of non-recourse short-term securitization debt, as well as other assets and liabilities for these entities). At December 31, 2021, our economic investment in these entities was \$103 million (for GAAP purposes, we consolidated \$385 million of servicing investments, \$294 million of non-recourse short-term securitization debt, as well as other assets and liabilities for these entities).

Reductions in investments for our servicing investments primarily represents recoveries of servicing advances within our consolidated servicing VIEs. Changes in fair value, net for MSRs and Excess Servicing for the three and nine months ended September 30, 2022 includes a reduction in basis from the regular receipt of scheduled cash flows, which was more than offset by a positive impact to fair value from a decrease in forecasted prepayment speeds. 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

Taxable 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 2022, our Board of Directors declared a regular dividend of \$0.23 per share for the third quarter of 2022, which was paid on September 30, 2022 to shareholders of record on September 23, 2022. As of September 30, 2022, our year-to-date dividend distributions of \$0.69 per share exceeded our minimum distribution requirements and we believe that we have met 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 2022 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 2022 dividend distributions to be taxable as ordinary income for federal income tax purposes. Any remaining amount is currently expected to be characterized as a return of capital, which in general is nontaxable (provided it does not exceed a shareholder's tax basis in Redwood shares) and reduces a shareholder's basis in Redwood shares (but not below zero). To the extent such distributions exceed a shareholder's basis in Redwood shares, such excess amount would be taxable as capital gain. Under the federal income tax rules applicable to REITs, none of Redwood's 2022 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 2022 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, 2022, we recorded a tax provision of \$1 million and a tax benefit of \$10 million, respectively. For the three and nine months ended September 30, 2021, we recorded tax benefit of \$4 million and a tax provision of \$14 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. For the nine-month periods, the switch to a tax benefit from a tax provision year-over-year was primarily the result of GAAP income being recorded at our TRS during this period in 2021 versus GAAP losses being recorded at our TRS during this period in 2022. For the three-month periods, while GAAP income was earned at the TRS during both periods, the switch to a tax provision from a tax benefit year-over-year was due to the release of valuation allowance on a portion of our deferred tax assets in 2021.

Realization of our deferred tax assets ("DTAs") is dependent on many factors, including generating sufficient taxable income prior to the expiration of NOL carryforwards and generating sufficient capital gains in future periods prior to the expiration of capital loss carryforwards. To the extent we determine it is more likely than not that we will not be able to realize a deferred tax asset, we establish a valuation allowance accordingly. At December 31, 2021, we reported net federal ordinary and capital DTAs with no valuation allowance recorded against them. We continue to believe it is more likely than not that we will realize all of our federal deferred tax assets; therefore, there continues to be no valuation allowance recorded against our net federal DTAs. As we have experienced year-to-date GAAP losses at our TRS, we are continuing to monitor our estimate of the realizability of our net deferred tax assets and will reassess the need for a valuation allowance, in whole or in part, in future periods.

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 operating activities. 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, 2022, our total capital was \$2.02 billion and included \$1.15 billion of equity capital and \$863 million of convertible notes and long-term debt on our consolidated balance sheet, including \$199 million of convertible debt due in 2023, \$150 million of convertible debt due in 2024, \$172 million of exchangeable debt due in 2025, \$215 million of convertible debt due in 2027 and \$140 million of trust-preferred securities due in 2037.

As of September 30, 2022, our unrestricted cash was \$297 million, and we estimate we had approximately \$160 million of available capital. 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 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).

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

At September 30, 2022, in aggregate, we had \$2.86 billion of secured recourse debt outstanding, financing our mortgage banking and investment portfolio, of which \$480 million was marginable and \$2.38 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

During the third quarter of 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. Under this authorization, shares or securities may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. This common stock repurchase authorization replaced the \$100 million common stock repurchase authorization approved by the Board of Directors in 2018, has no time limit, may be modified, suspended or discontinued at any time, and does not obligate us to acquire any specific number of shares or securities. The Board of Directors also continued its previous authorization for the repurchase of outstanding debt securities. Like other investments we may make, any repurchases of our common stock or debt securities under this authorization would reduce our available capital and unrestricted cash described above.

During the three and nine months ended September 30, 2022, we repurchased 3.4 million and 7.1 million shares of our common stock for \$24 million and \$56 million, respectively. At September 30, 2022, \$101 million of the authorization remained available for the repurchase of shares of our common stock and we also continued to be authorized to repurchase outstanding debt securities. Subsequent to September 30, 2022, and through November 4, 2022, we repurchased \$3 million of our convertible notes due in August 2023.

Cash Flows and Liquidity for the Nine Months Ended September 30, 2022

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

Cash Flows from Operating Activities

Cash flows from operating activities were negative \$129 million during the nine months ended September 30, 2022. This amount includes the net cash utilized during the period from the purchase and sale of residential mortgage loans and the origination and sale of our business purpose loans associated with our mortgage banking activities. Purchases of loans are financed to a large extent with short-term and long-term debt, for which changes in cash are included as a component of financing activities. During the first nine months of 2022, excluding cash flows from the purchase, origination, sale, principal payments of loans classified as held-for-sale and the settlement of associated derivatives (which cumulatively totaled \$218 million), cash flows from operating activities were positive \$88 million.

Cash Flows from Investing Activities

During the nine months ended September 30, 2022, our net cash provided by investing activities was \$169 million and primarily resulted from proceeds from principal payments on loans held-for-investment, securities and other investment in excess of cash deployed to these investments. Because many of our investment securities and loans are financed through various borrowing agreements, a significant portion of the proceeds from any sales or principal payments of these assets are generally used to repay balances under these financing sources. Similarly, all or a significant portion of cash flows from principal payments of loans at consolidated securitization entities would generally be used to repay ABS issued by those entities.

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, 2022, we transferred loans between held-for-sale and held-for-investment classification and long-term debt to short-term debt, 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, 2022, our net cash provided by financing activities was \$202 million. This primarily resulted from net long-term debt borrowings of \$787 million, which included the issuance of \$215 million of convertible debt in June 2022, as well as \$132 million of net borrowings under ABS issued, including from the issuance of CAFL SFR, CAFL bridge and Sequoia ABS securitizations during the nine months ended September 30, 2022. These amounts were partially offset by \$1.04 billion of net paydowns on short-term borrowings, resulting primarily from a reduction in financed loan inventory at our mortgage banking operations through September 30, 2022, as well as the payment of our three quarterly dividends totaling \$85 million. Cash raised through stock issuances under our ATM program of \$68 million during the first quarter of 2022 were partially offset by stock repurchases of \$56 million during the second and third quarters of 2022.

During the nine months ended September 30, 2022, we declared dividends of \$0.69 per common share. On September 13, 2022, the Board of Directors declared a regular dividend of \$0.23 per share for the third quarter of 2022, which was paid on September 30, 2022 to shareholders of record on September 23, 2022.

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, 2022 include maturing short-term debt, interest payments on short-term and long-term debt, payments on operating leases, and funding commitments for bridge loans and under HEI flow purchase agreements. Our material cash requirements from known contractual and other obligations beyond the twelve months following September 30, 2022 include maturing long-term debt, interest payments on long-term debt, payments on operating leases and funding commitments for bridge loans and under HEI flow purchase agreements.

At September 30, 2022, we had commitments to fund up to \$990 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 (e.g. funding is dependent on actual progress on a project and we retain the option to conduct due diligence with respect to each draw request to confirm conditions have been met). Approximately \$650 million of the commitments are for longer-term build-for-rent loans (which generally have funding caps below their full commitment amount) and are expected to fund over the next eight quarters. Additionally, at September 30, 2022, we had \$1.66 billion of available warehouse capacity for business purpose loans and the majority of our \$1.96 billion balance of bridge loans outstanding matures over the next 12 to 24 months, which will provide an additional source of cash that can be used to fund our commitments.

At September 30, 2022, we had outstanding flow purchase agreements with multiple third parties, with an aggregate commitment to purchase \$350 million of HEIs, \$149 million of which commitments remained outstanding. These purchase agreements specify monthly minimum and maximum amounts of HEIs subject to such purchase commitments. We may terminate the purchase agreement and associated purchase commitment relating to \$85 million of remaining commitments upon 90 days prior notice. Subsequent to September 30, 2022, we entered into a repurchase agreement providing financing for HEIs. The committed amount and maximum borrowing limit under the facility is \$150 million and the facility has a one-year term. As of the date of this report, there were no borrowings outstanding under this facility.

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, 2021 under the caption *Contractual Obligations*. For additional information on commitments and contingencies as of September 30, 2022 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 16* to the Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2021.

Several of our loan warehouse facilities 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 in the first nine months of 2022 and have other such facilities with scheduled maturities during the next twelve months. While there is no assurance of our ability to renew these facilities, given current market conditions we would expect to extend these in the normal course of business.

We expect to meet our obligations coming due in less than one year from September 30, 2022, 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, or incremental borrowings under existing, new or amended financing arrangements. As of September 30, 2022, we had approximately \$500 million of pledgeable and unencumbered assets.

During the first nine months of 2022, the highest balance of our short-term debt outstanding was \$2.39 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 15* 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, 2022, we had residential warehouse facilities outstanding with nine different counterparties, with \$2.85 billion of total capacity and \$2.10 billion of available capacity. These included non-marginable facilities with \$1.38 billion of total capacity and marginable facilities with \$1.48 billion of total capacity.

At September 30, 2022, we had business purpose warehouse facilities outstanding with six different counterparties, with \$3 billion of total capacity and \$1.66 billion of available capacity. All of these facilities are non-marginable.

Several of these facilities have variable interest rates based on LIBOR or SOFR benchmarks and recent policy statements from the Federal Reserve indicate the likelihood of 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 is mostly comprised of ABS issued, which 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.

ABS issued 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.

Separately, we use non-recourse debt in the form of non-marginable term 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. The remainder of the debt we use to finance our investments is recourse debt. For securities we have financed, the majority of our financing is in the form of recourse non-marginable secured term debt, with the smaller remaining amount being marginable securities repurchase debt. Additionally, a portion of our business purpose bridge loan portfolio is financed with recourse non-marginable secured term debt.

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 likelihood 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.

Corporate Capital

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. See *Note 15* in Part II, Item 8 of our Annual Report on Form 10-K, for additional information on our 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 common stock. Recourse debt incurred under these facilities is generally either the direct obligation of Redwood Trust, Inc., or the direct obligation of subsidiaries of Redwood Trust, Inc. and guaranteed by Redwood Trust, Inc. Risks relating to debt incurred under these facilities are described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021, 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 \$10 million committed line of short-term secured credit from a bank, short-term servicer advance financing, a secured, revolving debt facility collateralized by mortgage servicing rights, and subordinate securities financing facilities.

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, 2022, only our short-term securities repurchase facilities (with \$124 million of borrowings outstanding at September 30, 2022), and six of our residential mortgage loan warehouse facilities (with \$356 million of borrowings outstanding at September 30, 2022) 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, 2021 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, 2021 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, 2021 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, 2021 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, 2021 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, 2021 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, 2022, 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, 2022 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, 2022 our level of recourse indebtedness resulted in our being in compliance with these covenants at a level such that we could incur more than \$5 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, 2022, 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, 2021, incorporated herein by reference, for the same information on these assets and liabilities as of December 31, 2021. 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, 2021, 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, 2021.

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, 2021.

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, 2021, 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, 2021.

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 2022 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 16* to the Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2021 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, 2021.

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

During the three months ended September 30, 2022, 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 authorized the repurchase of up to \$125 million of common stock. This common stock repurchase authorization replaces the \$100 million common stock repurchase authorization approved by the Board of Directors in 2018, has no time limit and may be modified, suspended or discontinued at any time. The Board of Directors also continued its previous authorization for the repurchase of outstanding debt securities. This repurchase authorization does not obligate us to acquire any specific number of shares or securities. Under this authorization, shares or securities may be repurchased in privately negotiated and/or open market transactions, including under plans complying with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. During the three months ended September 30, 2022, we repurchased 3.4 million shares of our common stock for a total cost of \$24 million. At September 30, 2022, \$101 million of this current authorization remained available for the repurchase of shares of our common stock and outstanding debt securities. During the nine months ended September 30, 2022, we repurchased 7.1 million shares of our common stock for a total cost of \$56 million under our current and previously-approved Board of Director authorizations.

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, 2022.

(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, 2022 - July 31, 2022	—	\$ —	—	\$ —
August 1, 2022 - August 31, 2022	1,126	\$ 8.07	1,126	\$ 115,907
September 1, 2022 - September 30, 2022	2,322	\$ 6.30	2,322	\$ 101,265
Total	<u>3,448</u>	\$ 6.88	<u>3,448</u>	\$ 101,265

Item 3. Defaults Upon Senior Securities

None.

Item 4. Not Applicable

Item 5. Other Information

Effective November 2, 2022, our Board of Directors adopted Amended and Restated Bylaws of the Company in order to incorporate changes to the provisions in Article II of the Bylaws relating to annual meetings of stockholders. These changes include, among other things, updated provisions related to stockholder meetings held by phone, video, and remote communications, updated requirements related to the form of proxy cards and proxy solicitation by stockholders, updated information required to be included in a stockholder's notice of nomination of individuals for election as a director, and accompanying certifications to be made by the stockholder submitting such nomination, and clarify provisions relating to compliance with federal proxy rules, including Exchange Act Rule 14a-9, by stockholders submitting nominations.

The preceding summary of the amendment and restatement of the Bylaws of the Company is qualified in its entirety by reference to, and should be read in connection with, the complete copy of the Amended and Restated Bylaws attached as Exhibit 3.2.1 to this Quarterly Report on Form 10-Q and incorporated by reference herein.

On November 3, 2022, Redwood amended and restated its employment agreements with each of Christopher J. Abate (Redwood's CEO), Dashiell I. Robinson (Redwood's President), Brooke E. Carillo (Redwood's CFO), Andrew P. Stone (Redwood's Executive Vice President, Chief Legal Officer, and Secretary), and Sasha G. Macomber (Redwood's Chief Human Resource Officer). These agreements were amended and restated to, among other things, update or clarify certain defined terms, update and clarify certain notice and cure terms, and update provisions related to arbitration and costs related to dispute resolution, as well as to reflect previously disclosed compensation terms applicable to these officers.

The preceding summary of the five amended and restated employment agreements is qualified in its entirety by reference to, and should be read in connection with, the complete copies of the amended and restated employment agreements attached as Exhibits 10.2, 10.3, 10.4, 10.5 and 10.6 to this Quarterly Report on Form 10-Q and incorporated by reference herein.

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 20, 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)
3.2.1	Amended and Restated Bylaws of the Registrant, as adopted on November 2, 2022 (filed herewith)
10.1*	Third Amendment to Amended and Restated Executive Deferred Compensation Plan, effected as of August 25, 2022 (filed herewith)
10.2*	Seventh Amended and Restated Employment Agreement, dated as of November 3, 2022, by and between Christopher J. Abate and the Registrant (filed herewith)
10.3*	Fifth Amended and Restated Employment Agreement, dated as of November 3, 2022, by and between Dashiell I. Robinson and the Registrant (filed herewith)
10.4*	Second Amended and Restated Employment Agreement, dated as of November 3, 2022, by and between Brooke E. Carillo and the Registrant (filed herewith)
10.5*	Seventh Amended and Restated Employment Agreement, dated as of November 3, 2022, by and between Andrew P. Stone and the Registrant (filed herewith)
10.6*	Second Amended and Restated Employment Agreement, dated as of November 3, 2022, by and between Sasha G. Macomber 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, 2022, is filed in inline XBRL-formatted interactive data files:</p> <ul style="list-style-type: none"> (i) Consolidated Balance Sheets at September 30, 2022 and December 31, 2021; (ii) Consolidated Statements of Income (Loss) for the three and nine months ended September 30, 2022 and 2021; (iii) Statements of Consolidated Comprehensive Income (Loss) for the three and nine months ended September 30, 2022 and 2021; (iv) Consolidated Statements of Changes in Stockholders' Equity for the three and nine months ended September 30, 2022 and 2021; (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2022 and 2021; 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 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 4, 2022

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

Date: November 4, 2022

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

Date: November 4, 2022

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

REDWOOD TRUST, INC.
AMENDED AND RESTATED BYLAWS
(As adopted November 2, 2022)

Article I

OFFICES

Section 1. Principal Office. The principal office of the Corporation in the State of Maryland shall be located at such place as the Board of Directors may designate.

Section 2. Additional Offices. The Corporation may have additional offices, including a principal executive office, at such places as the Board of Directors may from time to time determine or the business of the Corporation may require.

Article II

MEETINGS OF STOCKHOLDERS

Section 3. Place. All meetings of stockholders shall be held at the principal executive office of the Corporation or at such other place as shall be set by the Board of Directors and stated in the notice of the meeting. The Board of Directors is authorized to determine that a meeting not be held at any place, but instead may be held partially or solely by means of remote communication. In accordance with these Bylaws and subject to any guidelines and procedures adopted by the Board of Directors, stockholders and proxy holders may participate in any meeting of stockholders held by means of remote communication and may vote at such meeting as permitted by Maryland law. Participation in a meeting by these means constitutes presence in person at the meeting.

Section 4. Annual Meeting. An annual meeting of the stockholders for the election of directors and the transaction of any business within the powers of the Corporation shall be held on a date and at the time and place set by the Board of Directors.

Section 5. Special Meetings.

(a) General. The Chair of the Board, the Chief Executive Officer, the President, a majority of the Board of Directors or a majority of the Independent Directors (as defined in Section 2 of Article III hereof) may call a special meeting of the stockholders. Subject to subsection (b) of this Section 3, a special meeting of stockholders shall also be called by the Secretary of the Corporation upon the written request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

(b) Stockholder Requested Special Meetings. (1) Any stockholder of record seeking to have stockholders request a special meeting shall, by sending written notice to the Secretary (the "Record Date Request Notice") by registered mail, return receipt requested, request the Board of Directors to fix a record date to determine the stockholders entitled to request a special meeting (the "Request Record Date"). The Record Date Request Notice shall set forth the purpose of the meeting and the matters proposed to be acted on at it, shall be signed by one or more stockholders of record as of the date of signature (or their agent(s) duly

authorized in a writing accompanying such Record Date Request Notice), shall bear the date of signature of each such stockholder (or such agent) and shall set forth all information relating to each such stockholder that must be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Upon receiving the Record Date Request Notice, the Board of Directors may fix a Request Record Date. The Request Record Date shall not precede and shall not be more than ten days after the close of business on the date on which the resolution fixing the Request Record Date is adopted by the Board of Directors. If the Board of Directors, within ten days after the date on which a valid Record Date Request Notice is received, fails to adopt a resolution fixing the Request Record Date, the Request Record Date shall be the close of business on the tenth day after the first date on which the Record Date Request Notice is received by the Secretary.

(1) In order for any stockholder to request a special meeting to act on any matter that may properly be considered at a meeting of stockholders, one or more written requests for a special meeting (the "Special Meeting Request") signed by stockholders of record (or their agents duly authorized in a writing accompanying the request) as of the Request Record Date entitled to cast not less than a majority (the "Special Meeting Percentage") of all of the votes entitled to be cast at such meeting shall be delivered to the Secretary. In addition, the Special Meeting Request (i) shall set forth the purpose of the meeting and the matters proposed to be acted on at it (which shall be limited to those lawful matters set forth in the Record Date Request Notice received by the Secretary), (ii) shall bear the date of signature of each such stockholder (or such agent) signing the Special Meeting Request, (iii) shall set forth (A) the name and address, as they appear in the Corporation's books, of each stockholder signing such request (or on whose behalf the Special Meeting Request is signed), (B) the class, series and number of all shares of stock of the Corporation which are owned by each such stockholder, and (C) the nominee holder for, and number of, shares owned by such stockholder beneficially but not of record, (iv) shall be sent to the Secretary by registered mail, return receipt requested, and (v) shall be received by the Secretary within 60 days after the Request Record Date. Any requesting stockholder (or agent duly authorized in a writing accompanying the revocation or the Special Meeting Request) may revoke such stockholder's request for a special meeting at any time by written revocation delivered to the Secretary.

(2) The Secretary shall inform the requesting stockholders of the reasonably estimated cost of preparing and mailing the notice of meeting (including the Corporation's proxy materials). The Secretary shall not be required to call a special meeting upon stockholder request and such meeting shall not be held unless, in addition to the documents required by paragraph (2) of this Section 3(b), the Secretary receives payment of such reasonably estimated cost prior to the preparation and mailing of any notice of the meeting.

(3) Except as provided in the next sentence, any special meeting shall be held at such place, date and time as may be designated by the Chair of the Board, the Chief Executive Officer, the President, the Board of Directors or the Independent Directors, whoever has called the meeting. In the case of any special meeting called by the Secretary upon the request of stockholders (a "Stockholder Requested Meeting"), such meeting shall be held at such place, date and time as may be designated by the Board of Directors; provided, however, that the date of any Stockholder Requested Meeting shall be not more than 90 days after the record date for such meeting (the "Meeting Record Date"); and provided further that if the Board of Directors fails to designate, within ten days after the date that a valid Special Meeting Request is actually received by the Secretary (the "Delivery Date"), a date and time for a Stockholder Requested Meeting, then such meeting shall be held at 2:00 p.m. local time on the 90th day after the Meeting Record Date or, if such 90th day is not a Business Day (as defined below), on the first preceding Business Day; and provided further that in the event that the Board of Directors

fails to designate a place for a Stockholder Requested Meeting within ten days after the Delivery Date, then such meeting shall be held at the principal executive office of the Corporation. In fixing a date for any special meeting, the Chair of the Board, the Chief Executive Officer, the President, the Board of Directors or the Independent Directors may consider such factors as such person(s) deem relevant within the good faith exercise of business judgment, including, without limitation, the nature of the matters to be considered, the facts and circumstances surrounding any request for the meeting and any plan of the Board of Directors to call an annual meeting or a special meeting. In the case of any Stockholder Requested Meeting, if the Board of Directors fails to fix a Meeting Record Date that is a date within 30 days after the Delivery Date, then the close of business on the 30th day after the Delivery Date shall be the Meeting Record Date. The Board of Directors may revoke the notice for any Stockholder Requested Meeting in the event that the requesting stockholders fail to comply with the provisions of paragraph (3) of this Section 3(b).

(4) If written revocations of the Special Meeting Request have been delivered to the Secretary and the result is that stockholders of record (or their agents duly authorized in writing), as of the Request Record Date, entitled to cast less than the Special Meeting Percentage have delivered, and not revoked, requests for a special meeting to the Secretary, the Secretary shall: (i) if the notice of meeting has not already been mailed, refrain from mailing the notice of the meeting and send to all requesting stockholders who have not revoked such requests written notice of any revocation of a request for the special meeting, or (ii) if the notice of meeting has been mailed and if the Secretary first sends to all requesting stockholders who have not revoked requests for a special meeting written notice of any revocation of a request for the special meeting and written notice of the Secretary's intention to revoke the notice of the meeting, revoke the notice of the meeting at any time before ten days before the commencement of the meeting. Any request for a special meeting received after a revocation by the Secretary of a notice of a meeting shall be considered a request for a new special meeting.

(5) The Chair of the Board, the Chief Executive Officer, the President, the Board of Directors or the Independent Directors may appoint regionally or nationally recognized independent inspectors of elections to act as the agent of the Corporation for the purpose of promptly performing a ministerial review of the validity of any purported Special Meeting Request received by the Secretary. For the purpose of permitting the inspectors to perform such review, no such purported request shall be deemed to have been delivered to the Secretary until the earlier of (i) five Business Days after receipt by the Secretary of such purported request and (ii) such date as the independent inspectors certify to the Corporation that the valid requests received by the Secretary represent, as of the Request Record Date, stockholders of record entitled to cast not less than a majority of the votes that would be entitled to be cast at such meeting. Nothing contained in this paragraph (6) shall in any way be construed to suggest or imply that the Corporation or any stockholder shall not be entitled to contest the validity of any request, whether during or after such five Business Day period, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

(6) For purposes of these Bylaws, "Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of California are authorized or obligated by law or executive order to close.

Section 1. Notice. Not less than ten nor more than 90 days before each meeting of stockholders, the Secretary shall give to each stockholder entitled to vote at such meeting and to each stockholder not entitled to vote who is entitled to notice of the meeting notice stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by applicable law, the purpose for which the meeting is called, either

by mail, by presenting it to such stockholder personally, by leaving it at the stockholder's residence or usual place of business, by electronic transmission (except to any stockholder who has requested notice not be sent by electronic transmission) or by any other means permitted by Maryland law. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the stockholder at the stockholder's address as it appears on the records of the Corporation, with postage thereon prepaid. If transmitted electronically, such notice shall be deemed to be given when transmitted to the stockholder by an electronic transmission to any address or number of the stockholder at which the stockholder receives electronic transmissions. Failure to give notice of any meeting to one or more stockholders, or any irregularity in such notice, shall not affect the validity of any meeting fixed in accordance with this Article II, or the validity of any proceedings at any such meeting. A single notice shall be effective as to all stockholders who share an address, except to the extent that a stockholder at such address objects to such single notice.

Subject to Section 11(a) of this Article II, any business of the Corporation may be transacted at an annual meeting of stockholders without being specifically designated in the notice, except such business as is required by applicable law to be stated in such notice. No business shall be transacted at a special meeting of stockholders except as specifically designated in the notice. The Corporation may postpone or cancel a meeting of stockholders by making a "public announcement" (as defined in Section 11(c)(3) of this Article II) of such postponement or cancellation prior to the meeting.

Section 2. Organization and Conduct. Every meeting of stockholders shall be conducted by an individual appointed by the Board of Directors to be chair of the meeting or, in the absence of such appointment, by the Chair of the Board or, in the case of a vacancy in the office or absence of the Chair of the Board, by one of the following officers present at the meeting: the Chief Executive Officer, the President, the Chief Financial Officer, the Vice Presidents in their order of rank and seniority, or, in the absence of such officers, a chair chosen by the stockholders by the vote of a majority of the votes cast by stockholders present in person or by proxy. The Secretary, or, in the Secretary's absence, an Assistant Secretary, or in the absence of both the Secretary and Assistant Secretaries, a person appointed by the Board of Directors or, in the absence of such appointment, a person appointed by the chair of the meeting, shall act as Secretary.

In the event that the Secretary presides at a meeting of the stockholders, an Assistant Secretary, or in the absence of Assistant Secretaries, an individual appointed by the Board of Directors or the chair of the meeting, shall record the minutes of the meeting. The order of business and all other matters of procedure at any meeting of stockholders shall be determined by the chair of the meeting. The chair of the meeting may prescribe such rules, regulations and procedures and take such action as, in the discretion of such chair and without any action by the stockholders, are appropriate for the proper conduct of the meeting, including, without limitation, (a) restricting admission to the time set for the commencement of the meeting; (b) limiting attendance at the meeting to stockholders of record of the Corporation, their duly authorized proxies and other such individuals as the chair of the meeting may determine; (c) limiting participation at the meeting on any matter to stockholders of record of the Corporation entitled to vote on such matter, their duly authorized proxies and other such individuals as the chair of the meeting may determine; (d) limiting the time allotted for questions or comments by participants; (e) determining when the polls should be opened and closed; (f) maintaining order and security at the meeting; (g) removing any stockholder or any other individual who refuses to comply with meeting procedures, rules or guidelines as set forth by the chair of the meeting; (h) concluding a meeting or recessing or adjourning the meeting (whether or not a quorum is present) to a later date and time and at a place announced at the meeting and (i) complying with any state and local laws and regulations concerning safety and security. Unless otherwise determined by the chair

of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 3. Quorum. At any meeting of stockholders, the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at such meeting on any matter shall constitute a quorum; but this section shall not affect any requirement under applicable law or the charter of the Corporation (the "Charter") for the vote necessary for the adoption of any measure. If, however, such quorum shall not be present at any meeting of the stockholders, as provided in Section 5 of this Article II, the chair of the meeting shall have the power to adjourn the meeting from time to time to a date not more than 120 days after the original record date without notice other than announcement at the meeting. The date, time and place of the meeting, as reconvened, shall be either (a) announced at the meeting or (b) provided at a future time through means announced at the meeting. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

At a meeting which has been duly called and convened, the stockholders present either in person or by proxy may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 4. Voting. A majority of the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to approve any matter which may properly come before the meeting, unless more than a majority of the votes cast is required by applicable law or by the Charter; provided, however, that directors shall be elected in the manner set forth in the following paragraphs (a) through (e):

(a) Each nominee for election as a director by the stockholders of the Corporation shall be elected by a majority of the votes cast with respect to such nominee at a meeting of the stockholders for the election of directors at which a quorum is present (an "Election Meeting"); provided, however, that if the Board of Directors determines that the number of nominees for election as a director exceeds the number of directors to be elected at an Election Meeting (a "Contested Election"), whether or not the election ceases to be a Contested Election after such determination, each nominee for election as a director at such Election Meeting shall be elected by a plurality of the votes cast at such Election Meeting.

(b) For purposes of this Section 7, a "majority of the votes cast" means that the number of votes cast "for" a nominee for election as a director exceeds the number of votes cast "against" that nominee (with "abstentions" and "broker non-votes" not counted as votes cast either "for" or "against" such director's election).

(c) In an election other than a Contested Election, stockholders will be given the choice to cast votes "for" or "against" the election of each nominee or to "abstain" from such vote. In a Contested Election, stockholders will be given the choice to cast votes "for" the election of each nominee or to "withhold" votes with respect to each nominee.

(d) In the event an Election Meeting involves the election of directors by separate votes by class or classes or series, the determination as to whether an election constitutes a Contested Election shall be made on a class by class or series by series basis, as applicable.

(e) The Board of Directors has established procedures under which any incumbent director who is nominated for election but not elected shall tender such director's resignation to the Board of Directors.

Unless otherwise provided by applicable law or by the Charter, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders. Each share may be voted for as many individuals as there are directors to be elected and for whose election the share is entitled to be voted. There shall be no cumulative voting. Voting on any question or in any election may be viva voce unless the chair of the meeting shall order that voting be by ballot or otherwise.

Section 1. Proxies. A stockholder may cast the votes entitled to be cast by the holder of the shares of stock owned of record by the stockholder in person or by proxy that is (a) executed by the stockholder or by the stockholder's duly authorized agent in any manner permitted by law, (b) compliant with Maryland law and these Bylaws and (c) filed in accordance with the procedures established by the Corporation. Such proxy or evidence of authorization of such proxy shall be filed with the Secretary of the Corporation before or at the meeting. No proxy shall be valid more than eleven months after its date unless otherwise provided in the proxy.

Any stockholder directly or indirectly soliciting proxies from other stockholders must use a proxy card color other than white, which shall be reserved for the exclusive use by the Board of Directors.

Section 2. Voting of Stock by Certain Holders. Stock of the Corporation registered in the name of a corporation, partnership, trust or other entity, if entitled to be voted, may be voted by the president or a vice president, a general partner or trustee thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such stock pursuant to a bylaw or a resolution of the governing body of such corporation or other entity or agreement of the partners of a partnership presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such stock. Any director or other fiduciary may vote stock registered in such director's or other fiduciary's name in their capacity as such fiduciary, either in person or by proxy.

Shares of stock of the Corporation directly or indirectly owned by it shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares entitled to be voted at any given time, unless they are held by it in a fiduciary capacity, in which case they may be voted and shall be counted in determining the total number of outstanding shares at any given time.

The Board of Directors may adopt by resolution a procedure by which a stockholder may certify in writing to the Corporation that any shares of stock registered in the name of the stockholder are held for the account of a specified person other than the stockholder. The resolution shall set forth the class of stockholders who may make the certification; the purpose for which the certification may be made; the form of certification and the information to be contained in it; if the certification is with respect to a record date or closing of the stock transfer books, the time after the record date or closing of the stock transfer books within which the certification must be received by the Corporation; and any other provisions with respect to the procedure which the Board of Directors considers necessary or desirable. On receipt of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the stockholder of record of the specified stock in place of the stockholder who makes the certification.

Section 3. Inspectors. The Board of Directors or the chair of the meeting may appoint, before or at the meeting, one or more inspectors for the meeting and any successor thereto. The inspectors, if any, shall (i) determine the number of shares of stock represented at the meeting, in person or by proxy and the validity and effect of proxies, (ii) receive and tabulate all votes, ballots or consents, (iii) report such tabulation to the chair of the meeting, (iv) hear and

determine all challenges and questions arising in connection with the right to vote, and (v) do such acts as are proper to conduct the election or vote with fairness to all stockholders. Each such report shall be in writing and signed by the inspector or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be prima facie evidence thereof.

Section 4. Advance Notice of Stockholder Nominees for Director and Other Stockholder Proposals.

(f) Annual Meetings of Stockholders. (1) Nominations of individuals for election to the Board of Directors and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who was a stockholder of record at the record date set by the Board of Directors for the purpose of determining stockholders entitled to vote at the annual meeting, at the time of giving of notice by the stockholder as provided for in this Section 11(a) and at the time of the annual meeting (and any postponement or adjournment thereof), who is entitled to vote at the meeting in the election of each individual so nominated or on any such other business and who has complied with this Section 11(a).

(1) For any nomination or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a)(1) of this Section 11, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and any such other business must otherwise be a proper matter for action by the stockholders. To be timely, a stockholder's notice shall set forth all information and certifications required under this Section 11 and shall be delivered to the Secretary at the principal executive office of the Corporation not earlier than the 150th day nor later than 5:00 p.m., Pacific Time, on the 120th day prior to the first anniversary of the date of the proxy statement (as defined in Section 11(c)(4) of this Article II) for the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of the preceding year's annual meeting, in order for notice by the stockholder to be timely, such notice must be so delivered not earlier than the 150th day prior to the date of such annual meeting and not later than 5:00 p.m., Pacific Time, on the later of the 120th day prior to the date of such annual meeting, as originally convened, or the tenth day following the day on which public announcement of the date of such meeting is first made. The public announcement of a postponement or adjournment of an annual meeting shall not commence a new time period for the giving of a stockholder's notice as described above.

(1) Such stockholder's notice shall set forth:

(i) as to each individual whom the stockholder proposes to nominate for election or reelection as a director (each, a "Proposed Nominee"), all information relating to the Proposed Nominee that would be required to be disclosed in connection with the solicitation of proxies for the election of the Proposed Nominee as a director in an election contest (even if an election contest is not involved), or would otherwise be required in connection with such solicitation, in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act;

(ii) as to any other business that the stockholder proposes to bring before the meeting, (A) a description of such business (including the text of any proposal), the stockholder's reasons for proposing such business at the meeting and any material interest in

such business of such stockholder or any Stockholder Associated Person (as defined below), individually or in the aggregate, including any anticipated benefit to the stockholder or the Stockholder Associated Person therefrom and (B) any other information relating to such item of business that would be required to be disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies in support of the business proposed to be brought before the meeting pursuant to Regulation 14A (or any successor provision) of the Exchange Act;

(iii) as to the stockholder giving the notice, any Proposed Nominee and any Stockholder Associated Person,

(A) the name, age, business address and residential address of such stockholder, Proposed Nominee or Stockholder Associated Person,

(B) the class, series and number of all shares of stock or other securities of the Corporation or any affiliate thereof (collectively, the "Company Securities"), if any, which are owned (beneficially or of record) by such stockholder, Proposed Nominee or Stockholder Associated Person, the date on which each such Company Security was acquired and the investment intent of such acquisition, and any short interest (including any opportunity to profit or share in any benefit from any decrease in the price of such stock or other security) in any Company Securities of any such person,

(C) the nominee holder for, and number of, any Company Securities owned beneficially but not of record by such stockholder, Proposed Nominee or Stockholder Associated Person,

(D) whether and the extent to which such stockholder, Proposed Nominee or Stockholder Associated Person, directly or indirectly (through brokers, nominees or otherwise), is subject to or during the last six months has engaged in any hedging, derivative or other transaction or series of transactions or entered into any other agreement, arrangement or understanding (including any short interest, any borrowing or lending of securities or any proxy or voting agreement), the effect or intent of which is to (I) manage risk or benefit of changes in the price of (x) Company Securities or (y) any security of any entity that was a component company of the National Association of Real Estate Investment Trusts, Inc. Mortgage REIT index (a "NAREIT Company") for such stockholder, Proposed Nominee or Stockholder Associated Person or (II) increase or decrease the voting power of such stockholder, Proposed Nominee or Stockholder Associated Person in the Corporation or any affiliate thereof (or, as applicable, in any NAREIT Company) disproportionately to such person's economic interest in the Company Securities (or, as applicable, in any NAREIT Company);

(E) any substantial interest, direct or indirect (including, without limitation, any existing or prospective commercial, business or contractual relationship with the Corporation), by security holdings or otherwise, of such stockholder, Proposed Nominee or Stockholder Associated Person, in the Corporation or any affiliate thereof, other than an interest arising from the ownership of Company Securities where such stockholder, Proposed Nominee or Stockholder Associated Person receives no extra or special benefit not shared on a *pro rata* basis by all other holders of the same class or series;

(iv) as to the stockholder giving the notice, any Stockholder Associated Person with an interest or ownership referred to in clauses (ii) or (iii) of this paragraph (3) of this Section 11(a) and any Proposed Nominee,

(A) the name and address of such stockholder, as they appear on the Corporation's stock ledger, and the current name and address, if different, of each such Stockholder Associated Person and any Proposed Nominee and

(B) the investment strategy or objective, if any, of such stockholder and each such Stockholder Associated Person who is not an individual and a copy of the prospectus, offering memorandum or similar document, if any, provided to investors or potential investors in such stockholder and each such Stockholder Associated Person;

(v) the name and address of any person who contacted or was contacted by the stockholder giving the notice or any Stockholder Associated Person about the Proposed Nominee or other business proposal; and

(vi) to the extent known by the stockholder giving the notice, the name and address of any other person supporting the nominee for election or reelection as a director or the proposal of other business.

(vii) if the stockholder is proposing one or more Proposed Nominees, a representation that such stockholder, Proposed Nominee or Stockholder Associated Person intends or is part of a group which intends to solicit the holders of shares representing at least 67% of the voting power of shares entitled to vote on the election of directors in support of Proposed Nominees in accordance with Rule 14a-19 of the Exchange Act; and

(viii) all other information regarding the stockholder giving the notice and each Stockholder Associated Person that would be required to be disclosed by the stockholder in connection with the solicitation of proxies for the election of directors in an election contest (even if an election contest is not involved), or would otherwise be required in connection with such a solicitation, in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act.

(2) Such stockholder's notice shall, with respect to any Proposed Nominee, be accompanied by a:

(i) written undertaking executed by the Proposed Nominee:

(A) that such Proposed Nominee (I) is not, and will not become, a party to any agreement, arrangement or understanding with any person or entity other than the Corporation in connection with service or action as a director that has not been disclosed to the Corporation, (II) will serve as a director of the Corporation if elected and will notify the Corporation simultaneously with the notification to the stockholder of the Proposed Nominee's actual or potential unwillingness or inability to serve as a director and (III) does not need any permission or consent from any third party to serve as a director of the Corporation, if elected, that has not been obtained, including any employer or any other board or governing body on which such Proposed Nominee serves;

(B) attaching copies of any and all requisite permissions or consents; and

(C) attaching a completed Proposed Nominee questionnaire (which questionnaire shall be provided by the Corporation, upon request, to the stockholder providing the notice and shall include all information relating to the Proposed Nominee that would be required to be disclosed in connection with the solicitation of proxies for the election of the Proposed Nominee as a director in an election contest (even if an election contest is not involved), or would otherwise be required in connection with such solicitation, in each case

pursuant to Regulation 14A (or any successor provision) under the Exchange Act, or would be required pursuant to the rules of any national securities exchange on which any securities of the Corporation are listed or over-the-counter market on which any securities of the Corporation are traded); and

(ii) certificate executed by the stockholder certifying that such stockholder will:

(A) comply with Rule 14a-19 promulgated under the Exchange Act in connection with such stockholder's solicitation of proxies in support of any Proposed Nominee;

(B) notify the Corporation as promptly as practicable of any determination by the stockholder to no longer solicit proxies for the election of any Proposed Nominee as a director at the annual meeting;

(C) furnish such other or additional information as the Corporation may request for the purpose of determining whether the requirements of this Section 11 have been complied with and of evaluating any nomination or other business described in the stockholder's notice; and

(D) appear in person or by proxy at the meeting to nominate any Proposed Nominees to bring such business before the meeting, as applicable, and acknowledges that if the stockholder does not so appear in person or by proxy at the meeting to nominate such Proposed Nominees or bring such business before the meeting, as applicable, the Corporation need not bring such Proposed Nominee or such business for a vote at such meeting and any proxies or votes cast in favor of the election of any such Proposed Nominee or of any proposal related to such other business need not be counted or considered.

(3) Notwithstanding anything in this subsection (a) of this Section 11 to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased, and there is no public announcement of such action at least 130 days prior to the first anniversary of the date of the proxy statement (as defined in Section 11(c)(4) of this Article II) for the preceding year's annual meeting, a stockholder's notice required by clause (iii) of paragraph (a)(1) of this Section 11 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive office of the Corporation not later than 5:00 p.m., Pacific Time, on the tenth day following the day on which such public announcement is first made by the Corporation.

(4) For purposes of this Section 11, "Stockholder Associated Person" of any stockholder shall mean (i) any person acting in concert with such stockholder or another Stockholder Associated Person or who is otherwise a participant (as defined in Instruction 3 to Item 4 of Schedule 14A under the Exchange Act) in the solicitation, (ii) any beneficial owner of shares of stock of the Corporation owned of record or beneficially by such stockholder (other than a stockholder that is a depositary) and (iii) any person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such stockholder or such Stockholder Associated Person.

(a) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting and, except as contemplated by and in accordance with the next two sentences of this Section 11(b), no stockholder may nominate an individual for election to the Board of Directors or make a proposal of other business to be considered at a special

meeting. Nominations of individuals for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected only by or at the direction of the Board of Directors or, provided that the special meeting has been called in accordance with Section 3(a) of this Article II for the purpose of electing directors, by any stockholder of the Corporation who is a stockholder of record at the record date set by the Board of Directors for the purpose of determining stockholders entitled to vote at the special meeting, at the time of giving of notice provided for in this Section 11 and at the time of the special meeting (and any postponement or adjournment thereof), who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the notice procedures set forth in this Section 11. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more individuals to the Board of Directors, any stockholder may nominate an individual or individuals (as the case may be) for election as a director as specified in the Corporation's notice of meeting, if the stockholder's notice, containing the information and certifications required by paragraphs (a)(3) and (4) of this Section 11, is delivered to the Secretary at the principal executive office of the Corporation not earlier than the 150th day prior to such special meeting and not later than 5:00 p.m., Pacific Time, on the later of the 120th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting. The public announcement of a postponement or adjournment of a special meeting shall not commence a new time period for the giving of a stockholder's notice as described above.

(b) General. (1) If any information or certification submitted pursuant to this Section 11 by any stockholder proposing a nominee for election as a director or any proposal for other business at a meeting of stockholders, including any certification from a Proposed Nominee, shall be inaccurate in any material respect, such information or certification may be deemed not to have been provided in accordance with this Section 11. Any such stockholder shall notify the Corporation of any inaccuracy or change (within two Business Days of becoming aware of such inaccuracy or change) in any such information or certification. Upon written request by the Secretary or the Board of Directors, any such stockholder or Proposed Nominee shall provide, within five Business Days of delivery of such request (or such other period as may be specified in such request), (i) written verification, satisfactory, in the discretion of the Board of Directors or any authorized officer of the Corporation, to demonstrate the accuracy of any information submitted by the stockholder pursuant to this Section 11, (ii) a written update of any information (including, if requested by the Corporation, written confirmation by such stockholder that it continues to intend to bring such nomination or other business proposal before the meeting and, if applicable, satisfy the requirements of Rule 14a-19(a)(3)) submitted by the stockholder pursuant to this Section 11 as of an earlier date and (iii) an updated certification by each Proposed Nominee that such individual will serve as a director of the Corporation if elected. If a stockholder or Proposed Nominee fails to provide such written verification, update or certification within such period, the information as to which such written verification, update or certification was requested may be deemed not to have been provided in accordance with this Section 11

(5) Only such individuals who are nominated in accordance with this Section 11 shall be eligible for election by stockholders as directors, and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with this Section 11. A stockholder proposing a Proposed Nominee shall have no right to (i) nominate a number of Proposed Nominees that exceed the number of directors to be elected at the meeting or (ii) substitute or replace any Proposed Nominee unless such substitute or replacement is nominated in accordance with this Section 11 (including the timely provision of all information and certifications with respect to such substitute or replacement Proposed Nominee in accordance with the deadlines set forth in this Section 11). If the Corporation provides notice to a stockholder that the number of Proposed Nominees proposed by such stockholder exceeds the number of directors to be elected at a meeting, the stockholder must

provide written notice to the Corporation within five Business Days stating the names of the Proposed Nominees that have been withdrawn so that the number of Proposed Nominees proposed by such stockholder no longer exceeds the number of directors to be elected at a meeting. If any individual who is nominated in accordance with this Section 11 becomes unwilling or unable to serve on the Board of Directors, then the nomination with respect to such individual shall no longer be valid and no votes may validly be cast for such individual. The chair of the meeting shall have the power to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with this Section 11.

(6) Notwithstanding the foregoing provisions of this Section 11, the Corporation shall disregard any proxy authority granted in favor of, or votes for, director nominees other than the Corporation's nominees if the stockholder or Stockholder Associated Person (each, a "Soliciting Stockholder") soliciting proxies in support of such director nominees abandons the solicitation or does not (i) comply with Rule 14a-19 promulgated under the Exchange Act, including any failure by the Soliciting Stockholder to (A) provide the Corporation with any notices required thereunder in a timely manner or (B) comply with the requirements of Rule 14a-19(a)(2) and Rule 14a-19(a)(3) promulgated under the Exchange Act or (ii) timely provide sufficient evidence in the determination of the Board of Directors sufficient to satisfy the Corporation that such Soliciting Stockholder has met the requirements of Rule 14a-19(a)(3) promulgated under the Exchange Act in accordance with the following sentence. Upon request by the Corporation, if any Soliciting Stockholder provides notice pursuant to Rule 14a-19(b) promulgated under the Exchange Act (or is not required to provide notice because the information required by Rule 14a-19(b) has been provided in a preliminary or definitive proxy statement previously filed by such Soliciting Stockholder), such Soliciting Stockholder shall deliver to the Corporation, no later than five Business Days prior to the applicable meeting, sufficient evidence in the judgment of the Board of Directors that it has met the requirements of Rule 14a-19(a)(3) promulgated under the Exchange Act.

(1) For purposes of this Section 11, "the date of the proxy statement" shall have the same meaning as "the date of the company's proxy statement released to shareholders" as used in Rule 14a-8(e) promulgated under the Exchange Act, as interpreted by the Securities and Exchange Commission from time to time. "Public announcement" shall mean disclosure (A) in a press release reported by the Dow Jones News Service, Associated Press, Business Wire, PR Newswire or other widely circulated news or wire service or (B) in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to the Exchange Act.

(2) Notwithstanding the foregoing provisions of this Section 11, a stockholder shall also comply with all applicable requirements of state law and of the Exchange Act with respect to the matters set forth in this Section 11. Nothing in this Section 11 shall be deemed to affect any right of a stockholder to request inclusion of a proposal in, or the right of the Corporation to omit a proposal from, any proxy statement filed by the Corporation with the Securities and Exchange Commission pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act. Nothing in this Section 11 shall require disclosure of revocable proxies received by the stockholder or Stockholder Associated Person pursuant to a solicitation of proxies after the filing of an effective Schedule 14A by such stockholder or Stockholder Associated Person under Section 14(a) of the Exchange Act.

(3) Notwithstanding anything in these Bylaws to the contrary, except as otherwise determined by the chair of the meeting, if the stockholder giving notice as provided

for in this Section 11 does not appear in person or by proxy at such annual or special meeting to present each nominee for election as a director or the proposed business, as applicable, such matter shall not be considered at the meeting.

Article III

DIRECTORS

Section 5. General Powers. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. All the powers of the Corporation are vested in and shall be exercised by or under the authority of the Board of Directors except as otherwise prescribed by applicable law, by the Charter or by these Bylaws.

Section 6. Number, Election and Term. At any regular meeting or at any special meeting called for that purpose, a majority of the entire Board of Directors may establish, increase or decrease the number of directors, provided that the number thereof shall never be less than the minimum number required by the Maryland General Corporation Law (the "MGCL"), nor more than 15, and further provided that the tenure of office of a director shall not be affected by any decrease in the number of directors.

At all times, except in the case of a vacancy, a majority of the Board of Directors shall be Independent Directors (as hereinafter defined). For the purposes of these Bylaws, "Independent Director" shall mean a director of the Corporation who is not an officer or employee of the Corporation or any subsidiary of the Corporation. Directors need not be stockholders in the Corporation.

Section 7. Vacancies. If for any reason any or all the directors cease to be directors, such event shall not terminate the Corporation or affect these Bylaws or the powers of the remaining directors hereunder. Pursuant to the Corporation's election to be subject to Section 3-804(c) of the MGCL, except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, any vacancy on the Board of Directors may be filled only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum; provided, however, that Independent Directors shall nominate replacements for vacancies among the Independent Directors, which replacements must be elected by a majority of the directors, including a majority of the Independent Directors. Any director elected to fill a vacancy shall serve for the remainder of the full term in which the vacancy occurred and until a successor is elected and qualifies.

Section 8. Resignations. Any director or member of a committee may resign at any time. Such resignation shall be made in writing and shall take effect at the time of receipt by the Chair of the Board, the Chief Executive Officer, the President or the Secretary or at such later time specified therein. Acceptance of a resignation shall not be necessary to make it effective unless otherwise stated in the resignation.

Section 9. Committees of the Board of Directors. The Board of Directors may appoint from among its members an Executive Committee, an Audit Committee, a Governance and Nominating Committee, a Compensation Committee and other committees composed of one or more directors and delegate to these committees any of the powers of the Board of Directors, except as prohibited by law.

Unless provided otherwise by the Board of Directors, each committee may fix rules of procedure for its business. A majority of the members of a committee shall constitute a quorum for the transaction of business and the act of a majority of those present at a meeting at

which a quorum is present shall be the act of the committee. The members of a committee present at any meeting, whether or not they constitute a quorum, may appoint a director to act in the place of an absent member; provided, however, that in the event of the absence or disqualification of any Independent Director, such appointee shall be an Independent Director. Any action required or permitted to be taken at any meeting of a committee of the Board of Directors may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by each member of the committee and is filed with the minutes of proceedings of such committee. The members of a committee may conduct any meeting thereof by telephone or video conference in accordance with the provisions of Section 6 of this Article.

Subject to the provisions hereof, the Board of Directors shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternative members to replace any absent or disqualified member, or to dissolve any such committee.

Section 10. Meetings of the Board of Directors. Meetings of the Board of Directors, regular or special, may be held at any place in or out of the State of Maryland as the Board of Directors may from time to time determine or as shall be specified in the notice of such meeting.

Members of the Board of Directors may participate in a meeting by means of a telephone or video conference or other communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by such means constitutes presence in person at a meeting.

The first meeting of each newly elected Board of Directors shall be held as soon as practicable after the annual meeting of the stockholders at which the directors were elected. The meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, except that no notice shall be necessary if such meeting is held immediately after the adjournment, and at the site, of the annual meeting of stockholders.

Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called at any time by two (2) or more directors or by a majority of the members of the executive committee, if one be constituted, in writing with or without a meeting of such committee, or by the Chair of the Board, the Chief Executive Officer or the President.

Special meetings may be held at such place or places in or out of the State of Maryland as may be designated from time to time by the Board of Directors; in the absence of such designation, such meetings shall be held at such places as may be designated in the notice of meeting.

Any meeting of the Board of Directors, regular or special, may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by announcement at the meeting.

Section 11. Notice. Notice of any special meeting of the Board of Directors shall be delivered personally or by telephone, electronic mail, facsimile transmission, United States mail or courier to each director at such director's business or residence address. Notice by personal delivery, telephone, electronic mail or facsimile transmission shall be given at least 24 hours prior to the meeting. Notice by United States mail shall be given at least three days prior to the meeting. Notice by courier shall be given at least two days prior to the meeting.

Telephone notice shall be deemed to be given when the director or such director's agent is personally given such notice in a telephone call to which the director or such director's agent is a party. Electronic mail notice shall be deemed to be given upon transmission of the message to the electronic mail address given to the Corporation by the director. Facsimile transmission notice shall be deemed to be given upon completion of the transmission of the message to the number given to the Corporation by the director and receipt of a completed answer-back indicating receipt. Notice by United States mail shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid. Notice by courier shall be deemed to be given when deposited with or delivered to a courier properly addressed. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Board of Directors need be stated in the notice, unless specifically required by applicable law or these Bylaws.

Section 12. Consent by Directors Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if a consent in writing or by electronic transmission to such action is given by each director and is filed with the minutes of proceedings of the Board of Directors.

Section 13. Quorum and Voting. At all meetings of the Board of Directors, a majority of the Board of Directors shall constitute a quorum for the transaction of business, and the action of a majority of the directors present at any meeting at which a quorum is present shall be the action of the Board of Directors unless the concurrence of a greater proportion is required for such action by applicable law, the Charter or these Bylaws. If, pursuant to applicable law, the Charter or these Bylaws, the vote of a majority of a particular group of directors is required for action, a quorum must also include a majority of such group. The directors present at a meeting which has been duly called and convened may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum. If enough directors have withdrawn from a meeting to leave less than a quorum but the meeting is not adjourned, the action of the majority of that number of directors necessary to constitute a quorum at such meeting shall be the action of the Board of Directors, unless the concurrence of a greater proportion is required for such action by applicable law, the Charter or these Bylaws. If a quorum shall not be present at any meeting of directors, the directors present thereat may, by a majority vote, adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 14. Organization. The Chair of the Board shall preside at each meeting of the Board of Directors. In the absence or inability of the Chair of the Board to preside at a meeting, the Chief Executive Officer or, in the Chief Executive Officer's absence or inability to act, another director chosen by a majority of the directors present shall act as chair of the meeting and preside thereat. The Secretary (or, in the Secretary's absence or inability to act, any person appointed by the chair of the meeting) shall act as Secretary of the meeting and keep the minutes thereof.

Section 15. Compensation of Directors. Independent Directors shall receive compensation for their services, and expenses of attendance for attendance at each regular or special meeting of the Board of Directors, or of any committee thereof or both, as may be determined from time to time by the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 16. Investment Policies and Restrictions. The Board of Directors, including a majority of the Independent Directors, shall approve the investment policies of the Corporation. The investment policies and compliance therewith shall be reviewed by the

Independent Directors to determine whether any changes or updates are appropriate in light of the business and affairs of the Corporation.

Section 17. Presumption of Assent. A director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless such director's dissent or abstention shall be entered in the minutes of the meeting or unless such director shall file the director's written dissent to such action with the person acting as the Secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to any director who votes in favor of such action.

Section 18. Advisory Directors. The Board of Directors may by resolution appoint advisory directors to the Board, who may also serve as directors emeriti, and shall have such authority and receive such compensation and reimbursement as the Board of Directors shall provide. Advisory directors or directors emeriti shall not have the authority to participate by vote in the transaction of business.

Section 19. Ratification. The Board of Directors or the stockholders may ratify any act, omission, failure to act or determination made not to act (an "Act") by the Corporation or its officers to the extent that the Board of Directors or the stockholders could have originally authorized the Act and, if so ratified, such Act shall have the same force and effect as if originally duly authorized, and such ratification shall be binding upon the Corporation and its stockholders. Any Act questioned in any proceeding on the ground of lack of authority, defective or irregular execution, adverse interest of a director, officer or stockholder, non-disclosure, miscomputation, the application of improper principles or practices of accounting or otherwise, may be ratified, before or after judgment, by the Board of Directors or by the stockholders, and such ratification shall constitute a bar to any claim or execution of any judgment in respect of such questioned Act.

Section 20. Emergency Provisions. Notwithstanding any other provision in the charter or these Bylaws, this Section 16 shall apply during the existence of any catastrophe, or other similar emergency condition, as a result of which a quorum of the Board of Directors under Article III of these Bylaws cannot readily be obtained (an "Emergency"). During any Emergency, unless otherwise provided by the Board of Directors, (i) a meeting of the Board of Directors or a committee thereof may be called by any director or officer by any means feasible under the circumstances; (ii) notice of any meeting of the Board of Directors during such an Emergency may be given less than 24 hours prior to the meeting to as many directors and by such means as it may be feasible at the time, including publication, television or radio, and (iii) the number of directors necessary to constitute a quorum shall be one-third of the entire Board of Directors.

Article IV

OFFICERS

Section 5. Officers. The officers of the Corporation shall be the Chair of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, one or more Vice Presidents, the Treasurer, the Secretary, and such other individuals holding such other titles, as the Board of Directors from time to time shall expressly designate as officers of the Corporation. Officers shall be elected by the Board of Directors to serve during the pleasure of the Board and until their respective successors are elected and qualified, except as otherwise provided in any

employment agreement between the Corporation and any officer. The Chair of the Board shall always be a member of the Board of Directors.

Section 6. Subordinate Officers, Committees and Agents. The Board of Directors may from time to time elect such other officers and appoint such committees, employees or other agents as the business of the Corporation may require, including one or more Assistant Secretaries, and one or more Assistant Treasurers, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these Bylaws, or as the Board of Directors may from time to time determine. The Board of Directors may delegate to any officer or committee the power to elect subordinate officers and to retain or appoint employees or other agents.

Section 7. Chair of the Board. The Board of Directors may designate from among its members a Chair of the Board, who shall not, solely by reason of these Bylaws, be an officer of the Corporation. The Board of Directors may designate the Chair of the Board as an executive or non-executive chair. The Chair of the Board shall preside at all meetings of the Board of Directors at which the Chair of the Board is present. The Chair of Board shall perform such other duties as may be assigned to the Chair of the Board by these Bylaws or the Board of Directors.

Section 8. Chief Executive Officer. The Board of Directors shall designate a Chief Executive Officer. The Chief Executive Officer shall have general responsibility for implementation of the policies of the Corporation, as determined by the Board of Directors, and for the management of the business and affairs of the Corporation. The Chief Executive Officer may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of Chief Executive Officer and such other duties as may be prescribed by the Board of Directors from time to time.

Section 9. President. The Board of Directors shall designate a President. In the absence of a Chief Executive Officer, the President shall in general supervise and control all of the business and affairs of the Corporation. In the absence of a designation of a Chief Operating Officer by the Board of Directors, the President shall be the chief operating officer. The President may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 10. Chief Financial Officer. The Board of Directors shall designate a Chief Financial Officer. The Chief Financial Officer shall perform all duties incident to the office of Chief Financial Officer and shall perform such other duties as from time to time may be assigned to the Chief Financial Officer by the Chief Executive Officer, the President, or the Board of Directors.

Section 11. Vice Presidents. The Board of Directors shall designate one or more Vice President(s). The Vice President or Vice Presidents, in order of their seniority or in any other order determined by the Board of Directors, shall perform such duties as from time to time may be assigned to such person(s) by the Chief Executive Officer, the President, or the Board of Directors.

Section 12. Secretary. The Board of Directors shall designate a Secretary. The Secretary shall keep the minutes of the stockholders' and of the Board of Directors' meetings in

one or more books provided for that purpose, see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law, be custodian of the corporate records and of the seal of the Corporation and keep a register of the post office address of each stockholder which shall be furnished to the Secretary by such stockholder, have general charge of the stock transfer books of the Corporation and, in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to the Secretary by the Chief Executive Officer, the President, or the Board of Directors.

Section 13. Treasurer. The Board of Directors shall designate a Treasurer. The Treasurer shall have charge and custody of and be responsible for all funds and securities of the Corporation, receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with these Bylaws and in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to the Treasurer by the Chief Executive Officer, the President, the Chief Financial Officer, or the Board of Directors.

Section 14. Other Officers. The other officers of the Corporation shall perform such duties as the Chief Executive Officer may from time to time assign to them.

Section 15. Removal. Any officer or agent of the Corporation may be removed, with or without cause, by the Board of Directors if in its judgment the best interests of the Corporation would be served thereby. Any other employee of the Corporation may be removed or dismissed at any time by the Chief Executive Officer. The removal of an officer does not prejudice any of such officer's contract rights.

Section 16. Resignation. Any officer or agent may resign at any time by giving written notice to the Board of Directors, or to the Chief Executive Officer or Secretary of the Corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 17. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, shall be filled by the Board of Directors or by the officer or remaining members of the committee to which the power to fill such office has been delegated pursuant to Section 2 of this Article, as the case may be, and if the office is one for which these Bylaws prescribe a term, shall be filled for the unexpired portion of the term.

Section 18. Compensation. The salaries or other compensation, if any, of the officers elected by the Board of Directors shall be fixed from time to time by the Board of Directors or by such officer as may be designated by resolution of the Board of Directors or a duly authorized committee thereof. The salaries or other compensation of any other officers, employees and other agents shall be fixed from time to time by the Board of Directors, or by the officer or committee to which such matters have been delegated pursuant to Section 2 of this Article. No officer shall be prevented from receiving such salary or other compensation by reason of the fact that such officer is also a director of the Corporation.

Article V ████

STOCK

Section 21. Certificates; Required Information. Except as may be otherwise provided by the Board of Directors, stockholders of the Corporation are not entitled to

certificates representing the shares of stock held by them. In the event that the Corporation issues shares of stock represented by certificates, such certificates shall be in such form as prescribed by the Board of Directors or a duly authorized officer, shall contain the statements and information required by the MGCL and shall be signed by the officers of the Corporation in the manner permitted by the MGCL. In the event that the Corporation issues shares of stock without certificates, to the extent then required by the MGCL, the Corporation shall provide to the record holders of such shares a written statement of the information required by the MGCL to be included on stock certificates. There shall be no differences in the rights and obligations of stockholders based on whether or not their shares are represented by certificates.

Section 22. Lost Certificates. Any officer of the Corporation may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, destroyed, stolen or mutilated, upon the making of an affidavit of that fact by the person claiming the certificate to be lost, destroyed, stolen or mutilated; provided, however, if such shares have ceased to be certificated, no new certificate shall be issued unless requested in writing by such stockholder and the Board of Directors has determined such certificates may be issued. Unless otherwise determined by an officer of the Corporation, the owner of such lost, destroyed, stolen or mutilated certificate or certificates, or such owner's legal representative, shall be required, as a condition precedent to the issuance of a new certificate or certificates, to give the Corporation a bond in such sums as it may direct as indemnity against any claim that may be made against the Corporation.

Section 23. Transfer Agents and Registrars. At such time as the Corporation lists its securities on a national securities exchange or the Nasdaq National Market, or such earlier time as the Board of Directors may elect, the Board of Directors shall appoint one or more banks or trust companies in such city or cities as the Board of Directors may deem advisable, from time to time, to act as transfer agents and/or registrars of the shares of stock of the Corporation; and, upon such appointments being made, no certificate representing shares shall be valid until countersigned by one of such transfer agents and registered by one of such registrars.

Section 24. Transfer of Stock. No transfers of shares of stock of the Corporation shall be made if (i) void ab initio pursuant to the Charter, or (ii) the Board of Directors, pursuant to the Charter, shall have refused to transfer such shares; provided, however, that nothing contained in these Bylaws shall impair the settlement of transactions entered into on the facilities of the New York Stock Exchange or any other national securities exchange or automated inter-dealer quotation system. Permitted transfers of shares of stock of the Corporation shall be made on the stock records of the Corporation only upon the instruction of the registered holder thereof, or by such holder's attorney thereunto authorized by power of attorney duly executed and filed with the Secretary or with a transfer agent or transfer clerk, and upon surrender of the certificate or certificates, if issued, for such shares properly endorsed or accompanied by a duly executed stock transfer power and the payment of all taxes thereon. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, as to any transfers not prohibited by the Charter or by action of the Board of Directors thereunder, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 25. Fixing of Record Dates. The Board of Directors may fix, in advance, a date as the record date for the purpose of determining stockholders entitled to notice of, or to vote at, any meeting of stockholders, or stockholders entitled to receive payment of any dividend or the allotment of any rights, or in order to make a determination of stockholders for any other proper purpose. Such date, in any case, may not be prior to the close of business on the day the record date is fixed nor more than 90 days, or in case of a meeting of stockholders, less

than ten days, prior to the date on which the particular action requiring such determination of stockholders is to be taken.

When a record date for the determination of stockholders entitled to notice of or to vote at any meeting of stockholders has been set as provided in this section, such record date shall continue to apply to the meeting if postponed or adjourned, except if the meeting is postponed or adjourned to a date more than 120 days after the record date originally fixed for the meeting, in which case a new record date for such meeting shall be determined as set forth herein.

Section 26. Registered Stockholders. The Corporation shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Maryland.

Section 27. Regulations; Book-Entry System. The Board of Directors may make such additional rules and regulations, not inconsistent with the Bylaws or the Charter, as it may deem expedient concerning the issue, transfer and registration of certificates for shares of stock of the Corporation. The Corporation may participate in one or more systems under which certificates for shares of stock are replaced by electronic book-entry pursuant to such rules, terms and conditions as the Board of Directors may approve and subject to applicable law, notwithstanding any provisions to the contrary set forth in this Article.

Article VI [REDACTED]

SEAL

The Board of Directors may provide a suitable seal for the Corporation, which may be either facsimile or any other form of seal and shall remain in the custody of the Secretary. If the Board of Directors so provides, it shall be affixed to all certificates of the Corporation's stock and to other instruments requiring a seal. If the Corporation is required to place its corporate seal to a document, it is sufficient to meet the requirement of any law, rule, or regulation relating to a corporate seal to place the word "(seal)" adjacent to the signature of the person authorized to sign the document on behalf of the Corporation.

Article VII [REDACTED]

CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Contracts. The Board of Directors may authorize any officer or agent to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document shall be valid and binding upon the Corporation when duly authorized or ratified by action of the Board of Directors and executed by an authorized person.

Section 2. Checks and Drafts. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or agent of the Corporation in such manner as shall from time to time be determined by the Board of Directors.

Section 3. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may designate.

Article VIII

FISCAL YEAR

The fiscal year of the Corporation shall be the twelve calendar months period ending December 31 in each year, unless otherwise provided by the Board of Directors.

Article IX

INDEMNIFICATION AND ADVANCE OF EXPENSES

Section 28. General. To the maximum extent permitted by Maryland law in effect from time to time, the Corporation shall indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, shall pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any individual who is a present or former director or officer of the Corporation and who is made, or threatened to be made, a party to the proceeding by reason of such individual's service in that capacity or (b) any individual who, while a director or officer of the Corporation and at the request of the Corporation, serves or has served as a director, officer, partner or trustee of any other corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made, or threatened to be made, a party to the proceeding by reason of such individual's service in such capacity. The Corporation may, with the approval of its Board of Directors, provide such indemnification and advance for expenses to a person who served a predecessor of the Corporation in any of the capacities described in (a) or (b) above and to any employee or agent of the Corporation or a predecessor of the Corporation.

Section 29. Procedure. Any indemnification, or payment of expenses in advance of the final disposition of any proceeding, to which a director or officer may be entitled pursuant to applicable law or the Charter or this Bylaw (as defined in Section 4 of this Article IX) shall be made promptly, and in any event within 60 days, upon the written request of the director or officer entitled to seek indemnification or advance of expenses (the "Indemnified Party"). The right to indemnification and advance of expenses hereunder shall be enforceable by the Indemnified Party in any court of competent jurisdiction, if (i) the Corporation denies such request, in whole or in part, or (ii) no disposition thereof is made within 60 days. The Indemnified Party's costs and expenses incurred in connection with successfully establishing the right to indemnification, in whole or in part, in any such action shall be reimbursed by the Corporation. It shall be a defense to any action for advance for expenses that the Corporation has not received either (i) an undertaking as required by law to repay such advances in the event it shall ultimately be determined that the standard of conduct has not been met or (ii) a written affirmation by the Indemnified Party of such Indemnified Party's good faith belief that the standard of conduct necessary for indemnification by the Corporation has been met.

Section 30. Exclusivity, Etc. The indemnification and advance of expenses provided by the Charter and this Bylaw shall not be deemed exclusive of any other rights to which a person seeking indemnification or advance of expenses may be entitled under any law, or any agreement, vote of stockholders or disinterested directors or other provision that is consistent with law, both as to action in such person's official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the

Corporation, shall continue in respect of all events occurring while a person was a director or officer after such person has ceased to be a director or officer, and shall inure to the benefit of the estate, heirs, executors and administrators of such person. All rights to indemnification and advance of expenses under the Charter and this Bylaw shall be deemed to be a contract between the Corporation and each director or officer of the Corporation who serves or served in such capacity at any time while this Bylaw is in effect. Nothing herein shall prevent the amendment of this Bylaw, provided that no such amendment shall diminish the rights of any person hereunder with respect to events occurring or claims made before its adoption or as to claims made after its adoption in respect of events occurring before its adoption. Any repeal or modification of this Bylaw shall not in any way diminish any rights to indemnification or advance of expenses of such director or officer or the obligations of the Corporation arising hereunder with respect to events occurring, or claims made, while this Bylaw or any provision hereof is in force. The Corporation shall not be liable for any payment under this Bylaw in connection with a claim made by a director or officer to the extent such director or officer has otherwise actually received payment under insurance policy, agreement, vote or otherwise, of the amounts otherwise indemnifiable hereunder.

Section 31. Severability; Definitions. The invalidity or unenforceability of any provision of this Article IX shall not affect the validity or enforceability of any other provision hereof. The phrase “this Bylaw” in this Article IX means this Article IX in its entirety.

Article X [REDACTED]

SUNDRY PROVISIONS

Section 19. Books and Records. The Corporation shall keep correct and complete books and records of its accounts and transactions and minutes of the proceedings of its stockholders and Board of Directors and of any executive or other committee when exercising any of the powers of the Board of Directors. The books and records of the Corporation may be in written form or in any other form which can be converted within a reasonable time into written form for visual inspection. Minutes shall be recorded in written form but may be maintained in the form of a reproduction. The original or a certified copy of the Bylaws shall be kept at the principal office of the Corporation.

Section 20. Voting Upon Shares in Other Corporations. Stock of other corporations or associations, registered in the name of the Corporation, may be voted by the Chief Executive Officer, the President or a proxy appointed by either of them. The Board of Directors, however, may by resolution appoint some other person to vote such shares, in which case such person shall be entitled to vote such shares upon the production of a certified copy of such resolution.

Section 21. Annual Statement of Affairs. The Chief Executive Officer, President, Chief Financial Officer, or principal accounting officer shall prepare annually a full and correct statement of the affairs of the Corporation, to include a balance sheet and a financial statement of operations for the preceding fiscal year. The statement of affairs shall be submitted at the annual meeting of the stockholders and, within 20 days after the meeting, placed on file at the Corporation’s principal office.

Section 22. Mail. Except as herein expressly provided, any notice or other document which is required by these Bylaws to be mailed shall be deposited in the United States mails, postage prepaid.

Section 23. Reliance. Each director and officer of the Corporation shall, in the performance of such person's duties with respect to the Corporation, be entitled to rely on any information, opinion, report or statement, including any financial statement or other financial data, prepared or presented by an officer or employee of the Corporation whom the director or officer reasonably believes to be reliable and competent in the matters presented, by a lawyer, certified public accountant or other person, as to a matter which the director or officer reasonably believes to be within the person's professional or expert competence, or, with respect to a director, by a committee of the Board of Directors on which the director does not serve, as to a matter within its designated authority, if the director reasonably believes the committee to merit confidence.

Section 24. Certain Rights of Directors, Officers, Employees and Agents. The directors shall have no responsibility to devote their full time to the affairs of the Corporation. Any director or officer, employee or agent of the Corporation, in their personal capacity or in a capacity as an affiliate, employee or agent of any other person, or otherwise, may have business interests and engage in business activities similar to or in addition to those of or relating to the Corporation.

Section 25. Loss of Deposits. No director shall be liable for any loss which may occur by reason of the failure of any bank, trust company, savings and loan association or other institution with whom moneys or stock of the Corporation have been deposited.

Section 26. Maryland Control Share Acquisition Act. Notwithstanding any other provision of the Charter or these Bylaws, Title 3, Subtitle 7 of the MGCL, or any successor statute, shall not apply to the voting rights of any shares of stock of the Corporation acquired and held by any person pursuant to a grant by the Board of Directors of a waiver to such person of the stock ownership limitation contained in the Charter. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

Section 27. Waiver of Notice. Whenever any notice is required to be given pursuant to the Charter or these Bylaws or pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

Article XI

AMENDMENTS

These Bylaws may be amended or replaced, or new Bylaws may be adopted, either (1) by the vote of the stockholders entitled to cast at least a majority of the votes which all stockholders are entitled to cast thereon at any duly organized annual or special meeting of stockholders, or (2), with respect to those matters which are not by statute reserved exclusively to the stockholders, by vote of a majority of the Board of Directors, including a majority of the Independent Directors of the Corporation, in office at any regular or special meeting of the Board of Directors. It shall not be necessary to set forth such proposed amendment, repeal or new Bylaws, or a summary thereof, in any notice of such meeting, whether annual, regular or special.

ARTICLE XII

EXCLUSIVE FORUM FOR CERTAIN LITIGATION

Unless the Corporation consents in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that Court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, shall, to the fullest extent permitted by law, be the sole and exclusive forum for (a) any Internal Corporate Claim, as such term is defined in Section 1-101(p) of the MGCL, or any successor provision thereof, (b) any derivative action or proceeding brought on behalf of the Corporation, (c) any action asserting a claim of breach of any duty owed by any director, officer or employee of the Corporation to the Corporation or to the stockholders of the Corporation, (d) any action asserting a claim against the Corporation or any director, officer or employee of the Corporation arising pursuant to any provision of the MGCL or the Charter or these Bylaws, or (e) any other action asserting a claim against the Corporation or any director, officer or employee of the Corporation that is governed by the internal affairs doctrine. If any action the subject matter of which is within the scope of the preceding sentence is filed in a court other than a court located within the State of Maryland (a "Foreign Action") in the name of any stockholder, such stockholder shall be deemed to have consented to (a) the personal jurisdiction of the state and federal courts located within the State of Maryland in connection with any action brought in any such court to enforce the preceding sentence and (b) having service of process made upon such stockholder in any such action by service upon such stockholder's counsel in the Foreign Action as agent for such stockholder. None of the foregoing actions, claims or proceedings may be brought in any court sitting outside the State of Maryland, unless the Corporation consents in writing to such court.

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

THIS THIRD AMENDMENT (this “Third 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 August 25th, 2022 (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 five hundred thousand (500,000) 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 Third Amendment shall be and is hereby incorporated into and forms a part of the Plan.
3. Except as expressly provided in this Third 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 Third Amendment was duly adopted by the Board of Directors of Redwood Trust, Inc. on August 25th, 2022.
Executed on this 25th day of August, 2022.

By:

/s/ ANDREW P. STONE

Name: Andrew P. Stone

Title: Executive Vice President, Chief Legal Officer & Secretary

SEVENTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Seventh Amended and Restated Employment Agreement (“Agreement”), effective as of November 3, 2022 (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 Sixth Amended and Restated Employment Agreement by and between the Executive and the Company dated June 10, 2021 (the “Prior Agreement”).

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

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

1. Employment and Responsibilities. During the Term, the Executive shall serve as 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, 2022; provided, however, that (i) on January 1, 2023 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.

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 \$6,500,000.

(iii) Equity Awards. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). If the Executive's employment shall be terminated by the Company without Cause, all stock options or other equity-related awards 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 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: _____
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.

a. Any provision and employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information except for those inventions that either:

1. Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
2. Result from any work performed by the employee for the employer.

b. To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

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.”

FIFTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Fifth Amended and Restated Employment Agreement (“Agreement”), effective as of November 3, 2022 (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 Fourth Amended and Restated Employment Agreement by and between the Executive and the Company dated June 10, 2021 (the “Prior Agreement”).

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

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

1. Employment and Responsibilities. During the Term, the Executive shall serve as 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, 2022; provided, however, that (i) on January 1, 2023 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 \$825,000 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.

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);

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

(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) 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 \$4,000,000.

(iii) Equity Awards. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). If the Executive's employment shall be terminated by the Company without Cause, all stock options or other equity-related awards 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: _____
Dashiehl 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: _____
Dashiell I. Robinson

Date: _____

COMPANY

Name: _____

Date: _____

EXHIBIT C
Section 2870 of California Labor Code

Section 2870 of California Labor Code: Application of provision providing that employee shall assign or offer to assign rights in invention to employer.

a. Any provision and employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information except for those inventions that either:

1. Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
2. Result from any work performed by the employee for the employer.

b. To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

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.”

SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Second Amended and Restated Employment Agreement (“Agreement”), effective as of November 3, 2022 (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 Amended and Restated Employment Agreement by and between the Executive and the Company dated June 10, 2021 (the “Prior Agreement”).

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

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

1. Employment and Responsibilities. During the Term, the Executive shall serve as 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, 2022; provided, however, that (i) on January 1, 2023 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 \$700,000 per year, paid in accordance with the customary payroll practices of the Company subject to annual review and increase by the Board in its sole discretion (or by the Board’s separately designated Compensation Committee in its sole discretion). For the avoidance of doubt, references to the Board in this Section 3 shall include the Board’s separately designated Compensation Committee.

(b) **Performance Bonus.** The Executive shall be eligible to receive an annual bonus. The Board in its discretion will determine whether such annual bonus will be paid, the amount of such bonus and its form of payment. The Executive’s target annual bonus amount is 175% of 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.

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 \$3,750,000.

(iii) Equity Awards. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). If the Executive's employment shall be terminated by the Company without Cause, all stock options or other equity-related awards 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 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 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: _____
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.

a. Any provision and employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information except for those inventions that either:

1. Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
2. Result from any work performed by the employee for the employer.

b. To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

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.”

SEVENTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Seventh Amended and Restated Employment Agreement (“Agreement”), effective as of November 3, 2022 (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 Sixth Amended and Restated Employment Agreement by and between the Executive and the Company dated June 10, 2021 (the “Prior Agreement”).

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

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

1. Employment and Responsibilities. During the Term, the Executive shall serve as 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, 2022; provided, however, that (i) on January 1, 2023 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 \$445,000 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.

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 \$1,750,000.

(iii) Equity Awards. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). If the Executive's employment shall be terminated by the Company without Cause, all stock options or other equity-related awards 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 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 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: _____
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.

a. Any provision and employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information except for those inventions that either:

1. Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
2. Result from any work performed by the employee for the employer.

b. To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

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.”

SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Second Amended and Restated Employment Agreement (“Agreement”), effective as of November 3, 2022 (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 Amended and Restated Employment Agreement by and between the Executive and the Company dated June 10, 2021 (the “Prior Agreement”).

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

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

1. Employment and Responsibilities. During the Term, the Executive shall serve as 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, 2022; provided, however, that (i) on January 1, 2023 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 \$425,000 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.

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 \$1,250,000.

(iii) Equity Awards. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). If the Executive's employment shall be terminated by the Company without Cause, all stock options or other equity-related awards 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 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: _____
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 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: _____
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.

a. Any provision and employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities or trade secret information except for those inventions that either:

1. Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
2. Result from any work performed by the employee for the employer.

b. To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

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.”

**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 4, 2022

/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 4, 2022

/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, 2022 (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 4, 2022

/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, 2022 (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 4, 2022

/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.