

REFINITIV

DELTA REPORT

10-Q

RWT - REDWOOD TRUST INC
10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	6199
CHANGES	586
DELETIONS	1387
ADDITIONS	4226

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: **March 31, 2024** **June 30, 2024**

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 ☒

Accelerated filer ☐

Non-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
10% Series A Fixed-Rate Reset Cumulative Redeemable Preferred Stock, par value \$0.01 per share	RWT PRA	New York Stock Exchange
9.125% Senior Notes Due 2029	RWTN	New York Stock Exchange
9.0% Senior Notes Due 2029	RWTO	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.

REDWOOD TRUST, INC.
2024 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)	(In Thousands, except Share Data) (Unaudited)	March 31, 2024	December 31, 2023	(In Thousands, except Share Data) (Unaudited)	June 30, 2024	December 31, 2023
ASSETS ⁽¹⁾						
Residential consumer loans, held-for-sale, at fair value						
Residential consumer loans, held-for-sale, at fair value						
Residential consumer loans, held-for-sale, at fair value						
Residential consumer loans, held-for-investment, at fair value						
Residential investor loans, held-for-sale, at fair value						
Residential investor loans, held-for-investment, at fair value						
Consolidated Agency multifamily loans, at fair value						
Real estate securities, at fair value						
Home equity investments, at fair value						
Other investments						
Cash and cash equivalents						
Restricted cash						
Goodwill						
Intangible assets						
Derivative assets						
Derivative assets						
Derivative assets						
Other assets						
Total Assets						
LIABILITIES AND EQUITY ⁽¹⁾						
LIABILITIES AND EQUITY ⁽¹⁾						
LIABILITIES AND EQUITY ⁽¹⁾						
Liabilities						
Liabilities						
Liabilities						
Short-term debt, net						
Short-term debt, net						
Short-term debt, net						
Derivative liabilities						
Derivative liabilities						
Asset-backed securities issued (includes \$10,975,688 and \$9,151,263 at fair value), net						

Asset-backed securities issued (includes \$10,975,688 and \$9,151,263 at fair value), net
Asset-backed securities issued (includes \$10,975,688 and \$9,151,263 at fair value), net
Debt obligations, net
Derivative liabilities
Accrued expenses and other liabilities
Asset-backed securities issued (includes \$9,979,891 and \$9,151,263 at fair value), net
Asset-backed securities issued (includes \$9,979,891 and \$9,151,263 at fair value), net
Asset-backed securities issued (includes \$9,979,891 and \$9,151,263 at fair value), net
Long-term debt, net
Total liabilities
Commitments and Contingencies (see Note 17)
Commitments and Contingencies (see Note 18)
Equity
Preferred stock, par value \$0.01 per share, 2,990,000 shares authorized; 2,800,000 issued and outstanding
Preferred stock, par value \$0.01 per share, 2,990,000 shares authorized; 2,800,000 issued and outstanding
Preferred stock, par value \$0.01 per share, 2,990,000 shares authorized; 2,800,000 issued and outstanding
Common stock, par value \$0.01 per share, 392,010,000 shares authorized; 131,870,835 and 131,485,661 issued and outstanding
Common stock, par value \$0.01 per share, 392,010,000 shares authorized; 132,215,757 and 131,485,661 issued and outstanding
Additional paid-in capital
Accumulated other comprehensive loss
Cumulative earnings
Cumulative distributions to stockholders
Total equity
Total Liabilities and Equity

- (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 **March 31, 2024** **June 30, 2024** and December 31, 2023, assets of consolidated VIEs totaled **\$11,850,461** **\$12,844,193** and \$10,988,885, respectively. At **March 31, 2024** **June 30, 2024** and December 31, 2023, liabilities of consolidated VIEs totaled **\$10,921,862** **\$11,866,962** and \$10,096,308, respectively. See Note **4** **15** for further discussion.

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

REDWOOD TRUST, INC. AND SUBSIDIARIES					
CONSOLIDATED STATEMENTS OF INCOME					
(In Thousands, except Share Data)	(In Thousands, except Share Data)	Three Months Ended June 30,		Six Months Ended June 30,	
(In Thousands, except Share Data)					
(In Thousands, except Share Data)					
(Unaudited)	(Unaudited)	2024	2023	2024	2023
(Unaudited)					
(Unaudited)					
Interest Income					
Interest Income					
Interest Income					
Residential consumer loans					
Residential consumer loans					
Residential consumer loans					
Residential investor loans					
Residential investor loans					
Residential investor loans					
Consolidated Agency multifamily loans					
Consolidated Agency multifamily loans					
Consolidated Agency multifamily loans					
Real estate securities					

Real estate securities
Real estate securities
Other interest income
Other interest income
Other interest income
Total interest income
Total interest income
Total interest income
Interest Expense
Interest Expense
Interest Expense
Short-term debt
Short-term debt
Short-term debt
Asset-backed securities issued
Asset-backed securities issued
Asset-backed securities issued
Long-term debt
Long-term debt
Long-term debt
Total interest expense
Total interest expense
Debt obligations
Total interest expense
Net Interest Income
Net Interest Income
Net Interest Income
Non-Interest Income
Non-Interest Income
Non-Interest Income
Mortgage banking activities, net
Mortgage banking activities, net
Mortgage banking activities, net
Investment fair value changes, net
Investment fair value changes, net
Investment fair value changes, net
HEI income, net
HEI income, net
HEI income, net
Other income, net
Other income, net
Other income, net
Realized gains, net
Realized gains, net
Realized gains, net
Total non-interest income, net
Total non-interest income, net
Total non-interest income, net
General and administrative expenses
General and administrative expenses
General and administrative expenses

Portfolio management costs
Portfolio management costs
Portfolio management costs
Loan acquisition costs
Loan acquisition costs
Loan acquisition costs
Other expenses
Other expenses
Other expenses
Net Income before (Provision for) Benefit from Income Taxes
Net Income before (Provision for) Benefit from Income Taxes
Net Income before (Provision for) Benefit from Income Taxes
(Provision for) benefit from income taxes
(Provision for) benefit from income taxes
Net Income Before (Provision for) Benefit From Income Taxes
(Provision for) benefit from income taxes
Net Income
Net Income
Net Income
Dividends on preferred stock
Dividends on preferred stock
Dividends on preferred stock
Net income available to common stockholders
Net income available to common stockholders
Net income available to common stockholders
Net Income Available To Common Stockholders
Basic earnings per common share
Basic earnings per common share
Basic earnings per common share
Diluted earnings per common share
Diluted earnings per common share
Diluted earnings per common share
Basic weighted average common shares outstanding
Basic weighted average common shares outstanding
Basic weighted average common shares outstanding
Diluted weighted average common shares outstanding
Diluted weighted average common shares outstanding
Diluted weighted average common shares outstanding

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

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

(In Thousands)	(In Thousands)	Three Months Ended June 30,	Six Months Ended June 30,
(In Thousands)			
(In Thousands)			
(Unaudited)			
(Unaudited)			
(Unaudited)	(Unaudited)	2024	2023
Net Income			
Net Income			

Net Income
Other comprehensive income:
Other comprehensive income:
Other comprehensive income:
Net unrealized gain on available-for-sale securities
Net unrealized gain on available-for-sale securities
Net unrealized gain on available-for-sale securities
Reclassification of unrealized (gain) on available-for-sale securities to net income
Reclassification of unrealized (gain) on available-for-sale securities to net income
Reclassification of unrealized (gain) on available-for-sale securities to net income
Net unrealized gain (loss) on available-for-sale securities
Net unrealized gain (loss) on available-for-sale securities
Net unrealized gain (loss) on available-for-sale securities
Reclassification of unrealized (gain) loss on available-for-sale securities to net income
Reclassification of unrealized loss on interest rate agreements to net income
Reclassification of unrealized loss on interest rate agreements to net income
Reclassification of unrealized loss on interest rate agreements to net income
Total other comprehensive income
Total other comprehensive income
Total other comprehensive income
Comprehensive Income
Comprehensive Income
Comprehensive Income
Dividends on preferred stock
Dividends on preferred stock
Dividends on preferred stock
Comprehensive income available to Common Stockholders
Comprehensive income available to Common Stockholders
Comprehensive income available to Common Stockholders

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 March 31, 2024 June 30, 2024															
(In Thousands, except Share Data) (Unaudited)	(In Thousands, except Share Data)	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)	Cumulative Earnings	Cumulative Distributions to Stockholders	Total	(In Thousands, except Share Data)	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)	Cumulative Earnings	Cumulative Distributions to Stockholders
December 31, 2023															
December 31, 2023															
December 31, 2023															
March 31, 2024															
March 31, 2024															
March 31, 2024															
Net income															
Other comprehensive income															
Employee stock purchase and incentive plans															

Employee stock purchase
and incentive plans

Employee stock purchase
and incentive plans

Non-cash
equity award
compensation
and other

Preferred dividends declared
(\$0.625 per share)

Preferred dividends declared
(\$0.6250 per share)

Preferred dividends declared
(\$0.625 per share)

Preferred dividends declared
(\$0.6250 per share)

Preferred dividends declared
(\$0.625 per share)

Preferred dividends declared
(\$0.6250 per share)

Common
dividends
declared
(\$0.16 per
share)⁽¹⁾

March 31,
2024

June 30,
2024

For the Three Six Months Ended March 31, 2023 June 30, 2024

(In Thousands, except Share Data)	(In Thousands, except Share Data)	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)	Cumulative Earnings	Cumulative Distributions to Stockholders	Total	(In Thousands, except Share Data)	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)	Cumulative Earnings	Cumulative Distributions to Stockholders	Total
(Unaudited)																
December 31, 2022																
December 31, 2022																
December 31, 2022																
December 31, 2023																
December 31, 2023																
December 31, 2023																

Net income

Other
comprehensive
income

Employee stock purchase
and incentive plans

Employee stock purchase
and incentive plans

Employee stock purchase
and incentive plans

Non-cash
equity award
compensation

Issuance of preferred stock

Issuance of preferred stock

Issuance of preferred stock

Preferred dividends declared (\$0.60417 per share)
Common dividends declared (\$0.23 per share)⁽¹⁾

March 31, 2023

Preferred dividends declared (\$1.2500 per share)
Preferred dividends declared (\$1.2500 per share)
Preferred dividends declared (\$1.2500 per share)

Common dividends declared (\$0.32 per share)⁽¹⁾

June 30, 2024

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

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

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

For the Three Months Ended June 30, 2023

(In Thousands, except Share Data) (Unaudited)	Preferred Stock	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)	Cumulative Earnings	Cumulative Distributions to Stockholders	Total
		Shares	Par Value					
March 31, 2023	\$ 66,923	113,864,456	\$ 1,139	\$ 2,355,139	\$ (63,036)	\$ 1,156,571	\$ (2,379,056)	\$ 1,137,680
Net income	—	—	—	—	—	2,873	—	2,873
Other comprehensive income	—	—	—	—	945	—	—	945
Employee stock purchase and incentive plans	—	313,536	3	(1,664)	—	—	—	(1,661)
Non-cash equity award compensation	—	—	—	5,200	—	—	—	5,200
Preferred dividends declared (\$0.625 per share)	—	—	—	—	—	(1,758)	—	(1,758)
Common dividends declared (\$0.16 per share) ⁽¹⁾	—	—	—	—	—	—	(19,141)	(19,141)
June 30, 2023	<u>\$ 66,923</u>	<u>114,177,992</u>	<u>\$ 1,142</u>	<u>\$ 2,358,675</u>	<u>\$ (62,091)</u>	<u>\$ 1,157,686</u>	<u>\$ (2,398,197)</u>	<u>\$ 1,124,138</u>

For the Six Months Ended June 30, 2023

(In Thousands, except Share Data) (Unaudited)	Preferred Stock	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss)	Cumulative Earnings	Cumulative Distributions to Stockholders	Total
		Shares	Par Value					
December 31, 2022	\$ —	113,484,675	\$ 1,135	\$ 2,349,845	\$ (68,868)	\$ 1,153,370	\$ (2,351,497)	\$ 1,083,985
Net Income	—	—	—	—	—	7,493	—	7,493
Other comprehensive income	—	—	—	—	6,777	—	—	6,777
Employee stock purchase and incentive plans	—	693,317	7	(2,712)	—	—	—	(2,705)

Non-cash equity award compensation	—	—	—	11,542	—	—	—	11,542
Issuance of preferred stock	66,923	—	—	—	—	—	—	66,923
Preferred dividends declared (\$1.22917 per share)	—	—	—	—	—	(3,177)	—	(3,177)
Common dividends declared (\$0.39 per share)	—	—	—	—	—	—	(46,700)	(46,700)
June 30, 2023	\$ 66,923	114,177,992	\$ 1,142	\$ 2,358,675	\$ (62,091)	\$ 1,157,686	\$ (2,398,197)	\$ 1,124,138

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

(In Thousands) (Unaudited)	(In Thousands) (Unaudited)	Three Months Ended March		(In Thousands) (Unaudited)	Six Months Ended June	
		2024	2023		2024	2023
Cash Flows From Operating Activities:						
Net income						
Net income						
Net income						
Adjustments to reconcile net income to net cash (used in) provided by operating activities:						
Amortization of premiums, discounts, and debt issuance costs, net						
Amortization of premiums, discounts, and debt issuance costs, net						
Amortization of premiums, discounts, and debt issuance costs, net						
Depreciation and amortization of non-financial assets						
Originations of held-for-sale loans						
Purchases of held-for-sale loans						
Proceeds from sales of held-for-sale loans						
Principal payments on held-for-sale loans						
Net settlements of derivatives						
Non-cash equity award compensation expense and other						
Market valuation adjustments						
Realized (gains) losses, net						
Net change in:						
Other assets						
Other assets						
Other assets						
Accrued expenses and other liabilities						
Net cash (used in) provided by operating activities						
Cash Flows From Investing Activities:						
Originations and purchases of loan investments						
Originations and purchases of loan investments						
Originations and purchases of loan investments						
Proceeds from sales of loans						
Principal payments on loan investments						
Purchases of real estate securities						
Proceeds from sales of real estate securities						
Principal payments on real estate securities						
Repayments from servicer advance investments, net						
Purchases of HEI						
Repayments on HEI						
Other investing activities, net						
Net cash provided by investing activities						
Cash Flows From Financing Activities:						

Proceeds from borrowings on short-term debt
Proceeds from borrowings on short-term debt
Proceeds from borrowings on short-term debt
Repayments on short-term debt
Proceeds from borrowings on debt obligations
Proceeds from borrowings on debt obligations
Proceeds from borrowings on debt obligations
Repayments on debt obligations
Proceeds from issuance of asset-backed securities
Repayments on asset-backed securities issued
Proceeds from borrowings on long-term debt
Deferred long-term debt issuance costs paid
Repayments on long-term debt
Debt issuance costs paid
Taxes paid on equity award distributions
Net proceeds from issuance of common stock
Net proceeds from issuance of preferred stock
Dividends paid on common stock
Dividends paid on preferred stock
Other financing activities, net
Net cash provided by (used in) financing activities
Net (decrease) increase in cash, cash equivalents and restricted cash
Cash, cash equivalents and restricted cash at beginning of period ⁽¹⁾
Cash, cash equivalents and restricted cash at end of period ⁽¹⁾
Cash, cash equivalents and restricted cash at beginning of period
Cash, cash equivalents and restricted cash at end of period
Cash and cash equivalents at end of period
Cash and cash equivalents at end of period
Cash and cash equivalents at end of period
Restricted cash at end of period
Cash, cash equivalents and restricted cash at end of period

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

(In Thousands) (Unaudited)	Three Months Ended March 31,	
	2024	2023
Supplemental Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 168,578	\$ 138,617
Taxes refunded	(425)	(1,388)
Supplemental Noncash Information:		
Dividends declared but not paid on preferred stock	1,478	1,419
Retention of mortgage servicing rights from loan sales	75	—
Transfers from loans held-for-sale to loans held-for-investment	1,284,529	873,093
Transfers from residential consumer loans to real estate owned	1,846	8,014
Transfers from long-term debt to short-term debt	101,228	—
Right-of-use asset obtained in exchange for operating lease liability	—	337
Reduction in operating lease liability due to lease modification	—	274

(1) Cash, cash equivalents, and restricted cash includes cash and cash equivalents of \$275 million and restricted cash of \$65 million at March 31, 2024, and includes cash and cash equivalents of \$404 million and restricted cash of \$86 million at March 31, 2023.

(In Thousands)	Six Months Ended June 30,
----------------	---------------------------

(Unaudited)	2024		2023	
Supplemental Cash Flow Information:				
Cash paid during the period for:				
Interest	\$	366,088	\$	287,699
Taxes refunded		(370)		(1,049)
Supplemental Noncash Information:				
Dividends declared but not paid on preferred stock		1,478		1,478
Retention of mortgage servicing rights from loan sales		84		—
Transfers from loans held-for-sale to loans held-for-investment		2,818,171		1,137,194
Transfers from residential consumer loans to real estate owned		13,833		11,874
Right-of-use asset obtained in exchange for operating lease liability		—		337
Reduction in operating lease liability due to lease modification		—		274

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

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, June 30, 2024
(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 consumer and residential investor housing credit assets. Our goal is to provide attractive returns to shareholders through a stable and growing stream of earnings and dividends, capital appreciation, and a commitment to technological innovation that facilitates risk-minded scale. We operate our business in three segments: Residential Consumer Mortgage Banking, Residential Investor 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. For a full description of our business, see *Part I, Item 1—Business* in our Annual Report on Form 10-K for the year ended December 31, 2023.

Note 2. Basis of Presentation

The consolidated financial statements presented herein are at **March 31, 2024**, **June 30, 2024** and December 31, 2023, and for the three **and six** months ended **March 31, 2024**, **June 30, 2024** and 2023. 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** **Company's** Annual Report on Form 10-K for the year ended December 31, 2023. In the opinion of management, all normal and recurring adjustments have been made to present fairly the financial condition of the Company at **March 31, 2024**, **June 30, 2024** and results of operations for all periods presented. The results of operations for the three **and six** months ended **March 31, 2024**, **June 30, 2024** should not be construed as indicative of the results to be expected for the full year.

In the first quarter of 2024, we updated the names of our Residential loans to Residential consumer loans and our Business purpose loans to Residential investor loans. There were no changes to the classifications of account balances as a result of **this update** **these updates**, in names. All prior period references **in this document were conformed to this presentation**.

In the second quarter of 2024, we combined the presentation of Short-term and Long-term debt within Debt obligations, net and Goodwill and Intangible assets within Other assets on the consolidated balance sheets and consolidated statements of income, as applicable. There was no impact to the consolidated financial statements as a result of this change and all prior periods in this document were conformed to this presentation.

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, June 30, 2024
(Unaudited)

Note 2. Basis of Presentation - (continued)

Principles of Consolidation

In accordance with GAAP, we determine The consolidated financial statements include the accounts of the entities where the Company has a controlling financial interest. The Company determines whether we must consolidate transferred it has a controlling financial assets and interest in an entity by first evaluating whether the entity is a voting interest entity ("VOE") or a variable interest entities ("VIEs" entity ("VIE").

A VOE is an entity that has sufficient equity and in which equity investors have a controlling financial interest. The usual condition for a controlling financial interest in a VOE is ownership of a majority voting interest. If the Company has a controlling majority voting interest in a VOE, the entity is consolidated.

A VIE is an entity that lacks one or more of the characteristics of a VOE. The Company has a controlling financial interest in and consolidates a VIE when the firm has a variable interest or interests that provide it with (i) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits for the VIE that could potentially be significant to the VIE. See Note 15 for further information about VIEs.

For financial reporting purposes, we currently purposes, we 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 residential investor term our loans and bridge loans ("CAFL") and entities formed in connection with the securitization of home equity investment contracts investments ("HEI"). We also consolidate the assets, which we have determined to be VIEs and liabilities of certain Freddie Mac K-Series and Freddie Mac Seasoned Loans Structured Transaction ("SLST") securitizations (and re-securitization of such SLST securities) 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 a controlling 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 interest. The underlying loans owned at the consolidated Legacy Sequoia, Sequoia and Freddie Mac SLST securitization entities are shown under Residential consumer loans held-for-investment, at fair value, the underlying loans at the consolidated Freddie Mac K-Series entity are shown under Consolidated Agency multifamily and Residential investor loans, at fair value the underlying residential investor term and bridge loans at the on our consolidated CAFL entities are shown under Residential investor loans held-for-investment, at fair value, and the balance sheets. The underlying HEI at the consolidated HEI securitization entities are shown under Home equity investments, at fair value on our consolidated balance sheets. See Note 11 for further discussion on HEI. 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 16 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 15 for further discussion on principles Principles of consolidation.

Use of Estimates

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

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2024
(Unaudited)

Note 2. Basis of Presentation - (continued)

Acquisitions

On July 1, 2022, we acquired Riverbend Funding LLC ("Riverbend"), a private mortgage lender to residential transitional and commercial real estate investors. Refer to our Annual Report on Form 10-K for the year ended December 31, 2023 for additional information regarding this acquisition, including purchase price allocations. Additionally, in 2019 we acquired 5 Arches and CoreVest, originators of residential investor loans. In connection with these acquisitions, we identified and recorded finite-lived intangible assets totaling \$95 million. The table below presents the amortization period and carrying value of our intangible assets, net of accumulated amortization at March 31, 2024.

Table 2.1 – Intangible Assets – Activity

(Dollars in Thousands)	Intangible Assets at Acquisition	Accumulated Amortization at March 31, 2024	Carrying Value at March 31, 2024	Weighted Average Amortization Period (in years)
Borrower network	\$ 56,300	\$ (31,601)	\$ 24,699	7
Broker network	18,100	(18,100)	—	5
Non-compete agreements	11,400	(10,608)	792	3
Tradenames	4,400	(4,234)	166	3
Developed technology	1,800	(1,800)	—	2
Loan administration fees on existing loan assets	2,600	(2,600)	—	1
Total	\$ 94,600	\$ (68,943)	\$ 25,657	6

All of our intangible assets are amortized on a straight-line basis. For the three months ended March 31, 2024, we recorded intangible asset amortization expense of \$3 million. For the three months ended March 31, 2023, we recorded intangible asset amortization expense of \$3 million. Estimated future amortization expense is summarized in the table below.

Table 2.2 – Intangible Asset Amortization Expense by Year

(In Thousands)	March 31, 2024
2024 (9 months)	\$ 6,609
2025	8,426
2026	6,694
2027	1,571
2028 and thereafter	2,357
Total Future Intangible Asset Amortization	\$ 25,657

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 March 31, 2024.

We recorded total goodwill of \$23 million as a result of the total consideration exceeding the fair value of the net assets acquired from Riverbend. For reporting purposes, we included the intangible assets and goodwill from the Riverbend acquisition within our Residential Investor Mortgage Banking segment. There were no changes to the balance of goodwill during the three months ended March 31, 2024.

REDWOOD TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

(Unaudited)

Note 2. Basis of Presentation - (continued)

The potential liability resulting from the contingent consideration arrangement with Riverbend was recorded at its acquisition-date fair value of zero as part of the total consideration for the acquisition of Riverbend. At March 31, 2024, the estimated fair value of this contingent liability was zero on our consolidated balance sheets. Our contingent consideration liability is recorded at fair value and periodic changes in the estimated fair value are recorded through Other expenses on our consolidated statements of income. During the three months ended March 31, 2024, 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.

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, 2023 is a summary of our significant accounting policies.

Recent Accounting Pronouncements

Newly Adopted Accounting Standard Updates ("ASUs")

In June 2022, the FASB issued ASU 2022-03, "Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions." ASU 2022-03 clarifies that a contractual restriction on the sale of an equity security should not be considered in measuring its fair value and introduces new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value in accordance with Topic 820. The amendments in this update are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. We adopted this guidance in the first quarter of 2024, which did not have a material impact on our consolidated financial statements.

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

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024
(Unaudited)

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

Other Recent Accounting Pronouncements Pending Adoption

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

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

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

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." ASU 2023-07 expands the breadth and frequency of segment disclosures by requiring disclosures of significant segment expenses regularly provided to the Chief Operating Decision Maker ("CODM") and included within the reported measures of a segment's profit or loss. Other disclosure requirements involve the amount and composition of other segment items and how the CODM uses the reported measures of profit or loss to assess segment performance and to decide how to allocate resources. The ASU does not change how a public entity identifies its operating segments, aggregates those operating segments or applies the quantitative thresholds to determine its reportable segments. This new guidance is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024. **We are evaluating the accounting expect that this new guidance will result in additional disclosures in our consolidated financial statements and disclosure requirements of ASU 2023-07 and we plan to adopt this new guidance by the required date.**

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." ASU 2023-09 improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation disclosures. Additionally, income taxes paid are required to be disaggregated by jurisdiction, along with other amendments to enhance the effectiveness of income tax disclosures. This new guidance is effective for annual periods beginning after December 15, 2024. Early adoption is permitted and upon adoption, the guidance can be adopted on a prospective or retrospective basis. **We are evaluating the accounting expect that this new guidance will result in additional disclosures in our consolidated financial statements and disclosure requirements of ASU 2023-07 and we plan to adopt this new guidance by the required date.**

In March 2024, the FASB issued ASU 2024-01, "Compensation - Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards." ASU 2024-01 provides clarification for determining whether a profits interest award should be accounted for as a share-based payment arrangement or other compensation. This new guidance is effective for annual and interim periods beginning after December 15, 2024. Early adoption is permitted and upon adoption, the guidance can be adopted on a prospective or retrospective basis. **We are evaluating the accounting expect that this new guidance will not have a material impact on our consolidated financial statements and disclosure requirements of ASU 2024-01 and we plan to adopt this new guidance by the required date.**

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 balance sheets. However, we do not elect to report any of these financial assets or liabilities on a net basis, and instead present them on a gross basis on our consolidated balance sheets.

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2024
(Unaudited)

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

The following table presents financial assets and liabilities that are subject to master netting arrangements or similar agreements categorized by financial instrument, together with corresponding financial instruments and corresponding collateral received or pledged at March 31, 2024 and December 31, 2023.

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

March 31, 2024 (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	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
TBAs	—	—	—	—	—	—
Futures	1,840	—	1,840	(1,716)	—	124
Total Assets	\$ 1,840	\$ —	\$ 1,840	\$ (1,716)	\$ —	\$ 124
Liabilities ⁽²⁾						
TBAs	\$ (5)	\$ —	\$ (5)	\$ —	\$ —	\$ (5)
Futures	(2,422)	—	(2,422)	1,716	706	—
Loan warehouse debt	(196,780)	—	(196,780)	196,780	—	—
Total Liabilities	\$ (199,207)	\$ —	\$ (199,207)	\$ 198,496	\$ 706	\$ (5)

December 31, 2023 (In Thousands)	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Assets (Liabilities) Presented in Consolidated Balance Sheet	Gross Amounts Not Offset in Consolidated Balance Sheet ⁽¹⁾		Net Amount
				Financial Instruments	Cash Collateral (Received) Pledged	
Assets ⁽²⁾						
Interest rate agreements	\$ 1,742	\$ —	\$ 1,742	\$ —	\$ —	\$ 1,742
TBAs	952	—	952	(952)	—	—
Futures	—	—	—	—	—	—
Total Assets	\$ 2,694	\$ —	\$ 2,694	\$ (952)	\$ —	\$ 1,742
Liabilities ⁽²⁾						
TBAs	\$ (27,020)	\$ —	\$ (27,020)	\$ 952	\$ 25,484	\$ (584)
Futures	(3,394)	—	(3,394)	—	3,394	—
Loan warehouse debt	(471,900)	—	(471,900)	471,900	—	—
Total Liabilities	\$ (502,314)	\$ —	\$ (502,314)	\$ 472,852	\$ 28,878	\$ (584)

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

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

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2024
(Unaudited)

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 March 31, 2024, 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 March 31, 2024, 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 the fourth quarter of 2023 and the third quarter of 2021, we co-sponsored two HEI securitization transactions, and we consolidate the respective HEI securitization entities that we determined were VIEs and for which we determined we were the primary beneficiary. At March 31, 2024 and December 31, 2023, we owned a portion of the subordinate certificates issued by these entities and had certain decision-making rights for the entities. See Note 10 for a further description of these entities and the investments it holds and Note 13 for additional information on non-controlling interests in these entities. We consolidate these HEI securitization entities, but the securitization entities are independent of Redwood and the assets and liabilities are not owned by and are not legal obligations of Redwood.

REDWOOD TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

(Unaudited)

Note 4. Principles of Consolidation - (continued)

During the fourth quarter of 2023, we re-securitized subordinate securities we owned in our consolidated Freddie Mac SLST securitization trusts through the transfer of these financial assets to a re-securitization trust that we sponsored. We retain a subordinate investment in the re-securitization trust and maintain certain discretionary rights associated with the ownership of this investment that we determined reflected a controlling financial interest in the entity, as we have both the power to direct the activities that most significantly impact the performance of the VIE and the right to receive benefits of, and the obligation to absorb losses from, the VIE that could potentially be significant to the VIE.

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.

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 two CAFL bridge loan securitizations and the Freddie Mac SLST re-securitization.

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

Table 4.1 – Assets and Liabilities of Consolidated VIEs

March 31, 2024								Total Consolidated
(Dollars in Thousands)	Legacy Sequoia	Sequoia	CAFL ⁽¹⁾	Freddie Mac SLST ⁽¹⁾	Freddie Mac K-Series	Servicing Investment	HEI	VIEs
Residential consumer loans, held-for-investment	\$ 131,859	\$ 5,640,341	\$ —	\$ 1,332,686	\$ —	\$ —	\$ —	\$ 7,104,886
Residential investor loans, held-for-investment	—	—	3,615,210	—	—	—	—	3,615,210
Consolidated Agency multifamily loans	—	—	—	—	422,788	—	—	422,788

Home equity investments	—	—	—	—	—	—	314,184	314,184
Other investments	—	—	—	—	—	247,308	—	247,308
Cash and cash equivalents	—	—	—	—	—	16,902	—	16,902
Restricted cash	70	94	25,613	—	—	—	8,127	33,904
Accrued interest receivable	310	24,520	20,462	4,759	1,314	2,421	—	53,786
Other assets	—	—	32,382	3,178	—	5,834	99	41,493
Total Assets	\$ 132,239	\$ 5,664,955	\$ 3,693,667	\$ 1,340,623	\$ 424,102	\$ 272,465	\$ 322,410	\$ 11,850,461
Short-term debt	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 147,342	\$ —	\$ 147,342
Accrued interest payable	283	21,428	10,653	4,391	1,184	396	—	38,335
Accrued expenses and other liabilities	—	—	6,316	—	—	36,802	64,878	107,996
Asset-backed securities issued	130,875	5,423,137	3,228,804	1,235,810	389,238	—	220,325	10,628,189
Total Liabilities	\$ 131,158	\$ 5,444,565	\$ 3,245,773	\$ 1,240,201	\$ 390,422	\$ 184,540	\$ 285,203	\$ 10,921,862
Value of our investments in VIEs⁽¹⁾	\$ 984	\$ 217,299	\$ 445,332	\$ 100,053	\$ 33,550	\$ 87,925	\$ 37,207	\$ 922,350
Number of VIEs	20	25	21	3	1	3	2	75

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, June 30, 2024
(Unaudited)

Note 4. Segment Information

Redwood operates in three segments: Residential Consumer Mortgage Banking, Residential Investor 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, 2023. In the normal course of business, loans are originated and acquired at our mortgage banking segments and may subsequently be transferred to our investment portfolio segment either as whole loans or through the retention of securities from securitizations we sponsor and consolidate under GAAP. All of our loans are accounted for under the fair value option and amounts transferred between segments are accounted for at fair value at the time of transfer.

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 are included in the Corporate/Other column as reconciling items to our consolidated financial statements. These unallocated corporate expenses primarily include interest expense for our convertible notes and trust preferred securities (and in 2024 and 2023, realized gains from the repurchase of convertible notes), indirect general and administrative expenses and other expenses.

The following tables present financial information by segment for the three and six months ended June 30, 2024 and 2023.

Table 4.1 – Business Segment Financial Information

(In Thousands)	Three Months Ended June 30, 2024				
	Residential Consumer Mortgage Banking	Residential Investor Mortgage Banking	Investment Portfolio	Corporate/ Other	Total
Interest income	\$ 21,097	\$ 7,008	\$ 196,742	\$ 570	\$ 225,417
Interest expense	(9,922)	(5,504)	(166,812)	(17,886)	(200,124)
Net interest income (expense)	11,175	1,504	29,930	(17,316)	25,293
Non-interest income (loss)					
Mortgage banking activities, net	6,245	12,679	—	—	18,924
Investment fair value changes, net	—	—	2,548	(1,450)	1,098
HEI income, net	—	—	15,839	—	15,839
Other income, net	—	1,174	5,120	(1)	6,293
Realized gains, net	—	—	—	—	—
Total non-interest income (loss), net	6,245	13,853	23,507	(1,451)	42,154
General and administrative expenses	(4,957)	(9,677)	(641)	(18,009)	(33,284)
Portfolio management costs	—	—	(4,834)	(30)	(4,864)

Loan acquisition costs	(980)	(2,433)	(244)	(7)	(3,664)
Other expenses	—	(2,203)	(2,974)	—	(5,177)
(Provision for) benefit from income taxes	(1,560)	(449)	(2,914)	(1)	(4,924)
Segment Contribution	\$ 9,923	\$ 595	\$ 41,830	\$ (36,814)	
Net Income					\$ 15,534
Non-cash amortization (expense), net	\$ (313)	\$ (2,426)	\$ (203)	\$ (2,881)	\$ (5,823)

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

Note 4. Principles of Consolidation Segment Information - (continued)

December 31, 2023	Legacy			Freddie Mac		Freddie Mac	Servicing	Total	
(Dollars in Thousands)	Sequoia	Sequoia	CAFL ⁽¹⁾	SLST ⁽¹⁾	K-Series	Investment	HEI	Consolidated	VIEs
Residential consumer loans, held-for-investment	\$ 139,739	\$ 4,640,464	\$ —	\$ 1,359,242	\$ —	\$ —	\$ —	\$	6,139,445
Residential investor loans, held-for-investment	—	—	3,734,321	—	—	—	—	—	3,734,321
Consolidated Agency multifamily loans	—	—	—	—	425,285	—	—	—	425,285
Home equity investments	—	—	—	—	—	—	305,717	—	305,717
Other investments	—	—	—	—	—	257,489	—	—	257,489
Cash and cash equivalents	—	—	—	—	—	9,482	—	—	9,482
Restricted cash	68	95	33,921	—	—	—	10,821	—	44,905
Accrued interest receivable	332	19,697	20,806	4,821	1,320	822	—	—	47,798
Other assets	—	—	14,886	3,158	—	6,337	62	—	24,443
Total Assets	\$ 140,139	\$ 4,660,256	\$ 3,803,934	\$ 1,367,221	\$ 426,605	\$ 274,130	\$ 316,600	\$	10,988,885
Short-term debt	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 153,653	\$ —	\$	153,653
Accrued interest payable	303	15,990	11,537	4,496	1,190	416	—	—	33,932
Accrued expenses and other liabilities	—	—	2,734	—	—	34,357	59,752	—	96,843
Asset-backed securities issued	138,530	4,430,130	3,362,978	1,265,777	391,977	—	222,488	—	9,811,880
Total Liabilities	\$ 138,833	\$ 4,446,120	\$ 3,377,249	\$ 1,270,273	\$ 393,167	\$ 188,426	\$ 282,240	\$	10,096,308
Value of our investments in VIEs⁽¹⁾	\$ 1,209	\$ 210,429	\$ 424,136	\$ 96,623	\$ 33,308	\$ 85,704	\$ 34,361	\$	885,770
Number of VIEs	20	22	21	3	1	3	2		72

(In Thousands)	Six Months Ended June 30, 2024				
	Residential Consumer Mortgage Banking	Residential Investor Mortgage Banking	Investment Portfolio	Corporate/ Other	Total
Interest income	\$ 35,409	\$ 10,779	\$ 381,640	\$ 2,329	\$ 430,157
Interest expense	(18,188)	(8,381)	(322,110)	(31,975)	(380,654)
Net interest income (expense)	17,221	2,398	59,530	(29,646)	49,503
Non-interest income (loss)					
Mortgage banking activities, net	14,072	19,408	—	—	33,480
Investment fair value changes, net	—	—	23,735	(800)	22,935
HEI income, net	—	—	24,870	—	24,870
Other income, net	—	1,800	9,945	(946)	10,799
Realized gains, net	—	—	314	95	409
Total non-interest income (loss), net	14,072	21,208	58,864	(1,651)	92,493
General and administrative expenses	(9,746)	(21,102)	(2,816)	(34,189)	(67,853)

Portfolio management costs	—	—	(8,422)	(39)	(8,461)
Loan acquisition costs	(1,551)	(4,097)	(244)	(9)	(5,901)
Other expenses	—	(5,008)	(3,530)	—	(8,538)
(Provision for) benefit from income taxes	(3,054)	1,687	(4,060)	(20)	(5,447)
Segment Contribution	<u>\$ 16,942</u>	<u>\$ (4,914)</u>	<u>\$ 99,322</u>	<u>\$ (65,554)</u>	
Net Income					<u>\$ 45,796</u>
Non-cash amortization (expense), net	\$ (597)	\$ (5,499)	\$ (3,220)	\$ (4,821)	\$ (14,137)

(1) Value of our investments in VIEs, as presented in this table, generally represents the fair value of the economic interests we own in VIEs (i.e., the securities or other interests we legally own in the consolidated securitizations or other VIEs). While most of our VIEs are accounted for under the CFE election (whereby the net equity in the VIE generally represents the fair value of our retained interests and associated accrued interest receivable), certain entities, including two CAFL bridge loan securitizations (included within the CAFL column), our SLST re-securitization (included within the Freddie Mac SLST column), and our Servicing Investment VIEs are not accounted for under the CFE election and their associated ABS issued are accounted for at amortized historical cost. As of March 31, 2024 and December 31, 2023, the fair value of our interests in the CAFL term loan securitizations accounted for under the CFE election were \$333 million and \$323 million, respectively, and the fair value of our interest in the CAFL bridge loan securitizations accounted for under the CFE election was \$21 million and \$22 million, respectively, with the difference from the tables above generally representing ABS issued and carried at amortized historical cost and accrued interest on our economic interests. As of March 31, 2024 and December 31, 2023, the fair value of our interests in the Freddie Mac SLST securitizations accounted for under the CFE election were \$271 million and \$274 million, respectively, with the difference from the tables above representing ABS issued and carried at amortized historical cost.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 4. Segment Information - (continued)

(In Thousands)	Three Months Ended June 30, 2023				
	Residential Consumer Mortgage Banking	Residential Investor Mortgage Banking	Investment Portfolio	Corporate/ Other	Total
Interest income	\$ 2,434	\$ 4,397	\$ 169,343	\$ 2,807	\$ 178,981
Interest expense	(1,700)	(3,673)	(132,514)	(14,998)	(152,885)
Net interest income (expense)	734	724	36,829	(12,191)	26,096
Non-interest income (loss)					
Mortgage banking activities, net	7,061	9,491	—	—	16,552
Investment fair value changes, net	—	—	(10,768)	(2,749)	(13,517)
HEI income, net	—	—	8,921	—	8,921
Other income, net	—	1,076	4,013	(931)	4,158
Realized gains, net	—	—	949	107	1,056
Total non-interest income (loss), net	7,061	10,567	3,115	(3,573)	17,170
General and administrative expenses	(3,738)	(11,638)	(1,241)	(14,188)	(30,805)
Portfolio management costs	—	—	(3,087)	(13)	(3,100)
Loan acquisition costs	(149)	(1,295)	—	—	(1,444)
Other expenses	—	(3,107)	(1,868)	—	(4,975)
(Provision for) Benefit from income taxes	(707)	1,406	(1,465)	697	(69)
Segment Contribution	<u>\$ 3,201</u>	<u>\$ (3,343)</u>	<u>\$ 32,283</u>	<u>\$ (29,268)</u>	
Net Income					<u>\$ 2,873</u>
Non-cash amortization (expense), net	(292)	(3,333)	(1,857)	(2,086)	(7,568)

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

The following tables present income (loss) from these VIEs for the three months ended March 31, 2024 and 2023.

Table 4.2 – Income (Loss) from Consolidated VIEs

(Dollars in Thousands)	Three Months Ended March 31, 2024							
	Legacy			Freddie Mac	Freddie Mac	Servicing		Total
	Sequoia	Sequoia	CAFL	SLST	K-Series	Investment	HEI	Consolidated VIEs
Interest income	\$ 2,298	\$ 60,680	\$ 60,994	\$ 14,616	\$ 4,581	\$ 7,551	\$ —	\$ 150,720
Interest expense	(2,194)	(56,628)	(43,283)	(13,980)	(4,199)	(3,219)	—	(123,503)
Net interest income	104	4,052	17,711	636	382	4,332	—	27,217
Non-interest income								
Investment fair value changes, net	(218)	5,346	13,503	3,730	243	(1,503)	—	21,101
HEI income, net	—	—	—	—	—	—	2,888	2,888
Other income	—	—	305	—	—	—	—	305
Realized gains, net	—	—	314	—	—	—	—	314
Total non-interest income, net	(218)	5,346	14,122	3,730	243	(1,503)	2,888	24,608
General and administrative expenses	—	—	—	(14)	—	(51)	—	(65)
Other expenses	—	—	—	—	—	(556)	—	(556)
Income (loss) from Consolidated VIEs	\$ (114)	\$ 9,398	\$ 31,833	\$ 4,352	\$ 625	\$ 2,222	\$ 2,888	\$ 51,204

(Dollars in Thousands)	Three Months Ended March 31, 2023							
	Legacy			Freddie Mac	Freddie Mac	Servicing		Total
	Sequoia	Sequoia	CAFL	SLST	K-Series	Investment	HEI	Consolidated VIEs
Interest income	\$ 2,543	\$ 34,644	\$ 54,437	\$ 15,493	\$ 4,618	\$ 7,814	\$ —	\$ 119,549
Interest expense	(2,504)	(30,055)	(39,542)	(11,218)	(4,241)	(3,848)	—	(91,408)
Net interest income	39	4,589	14,895	4,275	377	3,966	—	28,141
Non-interest income								
Investment fair value changes, net	(94)	2,442	(9,682)	8,934	363	(1,047)	—	916
HEI income, net	—	—	—	—	—	—	425	425
Other income	—	—	172	—	—	—	—	172
Total non-interest income, net	(94)	2,442	(9,510)	8,934	363	(1,047)	425	1,513
General and administrative expenses	—	—	—	—	—	10	—	10
Other expenses	—	—	—	—	—	(577)	—	(577)
Income (loss) from Consolidated VIEs	\$ (55)	\$ 7,031	\$ 5,385	\$ 13,209	\$ 740	\$ 2,352	\$ 425	\$ 29,087

(In Thousands)	Six Months Ended June 30, 2023				
	Residential Consumer	Residential Investor Mortgage	Investment	Corporate/	Total
	Mortgage Banking	Banking	Portfolio	Other	
Interest income	\$ 7,944	\$ 8,891	\$ 335,546	\$ 5,116	\$ 357,497
Interest expense	(8,566)	(7,711)	(258,470)	(30,217)	(304,964)
Net interest income (expense)	(622)	1,180	77,076	(25,101)	52,533
Non-interest income (loss)					
Mortgage banking activities, net	10,426	22,797	—	—	33,223
Investment fair value changes, net	1,076	—	(16,141)	(2,844)	(17,909)
HEI income, net	—	—	13,186	—	13,186
Other income, net	—	3,484	6,181	(951)	8,714
Realized gains, net	—	—	832	222	1,054
Total non-interest income (loss), net	11,502	26,281	4,058	(3,573)	38,268

General and administrative expenses	(8,544)	(25,316)	(2,650)	(29,850)	(66,360)
Portfolio management costs	—	—	(6,597)	(13)	(6,610)
Loan acquisition costs	(324)	(2,409)	—	—	(2,733)
Other expenses	—	(6,215)	(2,444)	—	(8,659)
(Provision for) Benefit from income taxes	(74)	2,109	(1,678)	697	1,054
Segment Contribution	\$ 1,938	\$ (4,370)	\$ 67,765	\$ (57,840)	
Net Income					\$ 7,493
Non-cash amortization (expense), net	(547)	(7,035)	(4,690)	(4,193)	(16,465)

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

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

We consolidate the assets and liabilities of certain Freddie Mac K-Series and SLST securitization (and re-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 MSR. In each case, we maintain certain discretionary rights associated with the ownership of these investments that we determined reflected a controlling financial interest, as we have both the power to direct the activities that most significantly impact the economic performance of the VIEs and the right to receive benefits of and the obligation to absorb losses from the VIEs that could potentially be significant to the VIEs.

Analysis of Unconsolidated VIEs with Continuing Involvement

Since 2012, we have transferred residential consumer loans to 46 Sequoia securitization entities sponsored by us that are still outstanding as of March 31, 2024, and accounted for these transfers as sales for financial reporting purposes, in accordance with GAAP. 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-servicers to perform) and the receipt of interest income associated with the securities we retained.

The following table summarizes presents supplemental balance sheet information by segment at June 30, 2024 and December 31, 2023. Certain balance sheet accounts are not directly assigned or allocated to one of our three segments and are not reflected in the cash flows during the three months ended March 31, 2024 and 2023 between us and the unconsolidated VIEs sponsored by us and accounted for as sales since 2012. supplemental segment information provided below.

Table 4.3.4.2 – Cash Flows Related to Unconsolidated VIEs Sponsored by Redwood Supplemental Segment Information

(In Thousands)	Three Months Ended March 31,	
	2024	2023
MSR fees received	\$ 604	\$ 684
Funding of compensating interest, net	(124)	(1)
Cash flows received on retained securities	3,022	2,963

(In Thousands)	Residential Consumer Mortgage Banking	Residential Investor Mortgage Banking	Investment Portfolio	Corporate/ Other	Total
June 30, 2024					
Residential consumer loans	\$ 962,548	\$ —	\$ 8,247,608	\$ —	\$ 9,210,156
Residential investor loans	—	259,483	4,620,167	—	4,879,650
Consolidated Agency multifamily loans	—	—	421,794	—	421,794

Real estate securities	75,489	—	188,912	—	264,401
Home equity investments	—	—	573,400	719	574,119
Other investments	—	—	290,876	59,030	349,906
Goodwill	—	23,373	—	—	23,373
Intangible assets	—	23,454	—	—	23,454
Total assets	\$ 1,106,416	\$ 371,876	\$ 14,649,885	\$ 362,927	\$ 16,491,104
December 31, 2023					
Residential consumer loans	\$ 911,192	\$ —	\$ 5,999,706	\$ 139,739	\$ 7,050,637
Residential investor loans	—	180,250	5,040,048	—	5,220,298
Consolidated Agency multifamily loans	—	—	425,285	—	425,285
Real estate securities	4,995	—	122,802	—	127,797
Home equity investments	—	—	550,323	113	550,436
Other investments	—	—	287,822	56,108	343,930
Goodwill	—	23,373	—	—	23,373
Intangible assets	—	28,462	—	—	28,462
Total assets	\$ 971,535	\$ 293,225	\$ 12,718,201	\$ 521,366	\$ 14,504,327

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Note 4. Principles of Consolidation - (continued)

5. Mortgage Banking Activities, Net

The following table presents additional information at March 31, 2024 the components of Mortgage banking activities, net, recorded in our consolidated statements of income for the three and December 31, 2023, related to unconsolidated VIEs sponsored by Redwood six months ended June 30, 2024 and accounted for as sales since 2012. 2023.

Table 4.4.5.1 – Unconsolidated VIEs Sponsored by Redwood Mortgage Banking Activities

(In Thousands)	March 31, 2024		December 31, 2023	
On-balance sheet assets, at fair value:				
Interest-only, senior and subordinate securities, classified as trading	\$	35,709	\$	31,690
Subordinate securities, classified as AFS		87,647		78,942
Mortgage servicing rights		11,796		10,885
Maximum loss exposure ⁽¹⁾	\$	135,152	\$	121,517
Assets transferred:				
Principal balance of loans outstanding	\$	3,702,972	\$	3,758,914
Principal balance of loans 30+ days delinquent		22,779		22,367

(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Residential Consumer Mortgage Banking Activities, Net:				
Changes in fair value of:				
Residential consumer loans, at fair value ⁽¹⁾	\$ 14,305	\$ 1,335	\$ 10,451	\$ 8,090
Trading securities ⁽²⁾	2,611	1,923	11,122	1,923
Risk management derivatives ⁽³⁾	(12,019)	2,469	(8,930)	(902)
Other income, net ⁽⁴⁾	1,348	1,334	1,429	1,315
Total residential consumer mortgage banking activities, net	6,245	7,061	14,072	10,426

Residential Investor Mortgage Banking Activities, Net:				
Changes in fair value of:				
Residential investor term loans, at fair value	6,068	(1,132)	5,772	11,534
Residential investor bridge loans, at fair value	1,108	2,297	2,054	3,450
Risk management derivatives ⁽³⁾	(368)	2,957	2,141	(2,139)
Other income, net ⁽⁵⁾	5,871	5,369	9,441	9,952
Total residential investor mortgage banking activities, net	12,679	9,491	19,408	22,797
Mortgage Banking Activities, Net	\$ 18,924	\$ 16,552	\$ 33,480	\$ 33,223

- (1) Maximum loss exposure from our involvement with unconsolidated VIEs pertains Includes changes in fair value for associated loan purchase commitments for residential consumer loans,.
- (2) For the three and six months ended June 30, 2024 and 2023, this represents the fair value changes on trading securities being used as hedges to manage the carrying value of our securities and MSRs retained from these VIEs and represents estimated losses that would be incurred under severe, hypothetical circumstances, such as if the value of our interests and any associated collateral declines to zero. This does not include, for example, any potential exposure to representation and warranty claims mark-to-market risks associated with our initial transfer Residential Consumer Mortgage Banking operations.
- (3) Represents market valuation changes of loans into a securitization, derivatives that were used to manage risks associated with our mortgage banking operations and other derivative financial instruments such as loan purchase commitments and interest rate locks.
- (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 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 March 31, 2024 and December 31, 2023.

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

March 31, 2024				
(Dollars in Thousands)	MSRs	Senior Securities ⁽¹⁾	Subordinate Securities	
Fair value at March 31, 2024	\$ 11,796	\$ 35,709	\$ 87,647	
Expected life (in years) ⁽²⁾	9	11	10	
Prepayment speed assumption (annual CPR) ⁽²⁾	4 %	3 %	6 %	
Decrease in fair value from:				
10% adverse change	\$ 177	\$ 347	\$ 626	
25% adverse change	439	912	642	
Discount rate assumption ⁽²⁾	12 %	12 %	9 %	
Decrease in fair value from:				
100 basis point increase	\$ 471	\$ 1,646	\$ 6,973	
200 basis point increase	900	3,181	12,731	
Credit loss assumption ⁽²⁾	N/A	0.03 %	0.03 %	
Decrease in fair value from:				
10% higher losses	N/A	N/A	\$ 646	
25% higher losses	N/A	N/A	703	
December 31, 2023				
(Dollars in Thousands)	MSRs	Senior Securities ⁽¹⁾	Subordinate Securities	
Fair value at December 31, 2023	\$ 10,885	\$ 31,690	\$ 78,942	
Expected life (in years) ⁽²⁾	8	9	13	
Prepayment speed assumption (annual CPR) ⁽²⁾	6 %	5 %	6 %	
Decrease in fair value from:				

10% adverse change	\$	207	\$	532	\$	200
25% adverse change		513		1,335		477
Discount rate assumption ⁽²⁾		13 %		13 %		9 %
Decrease in fair value from:						
100 basis point increase	\$	405	\$	1,322	\$	6,855
200 basis point increase		827		2,506		12,883
Credit loss assumption ⁽²⁾		N/A		0.03 %		0.03 %
Decrease in fair value from:						
10% higher losses		N/A		N/A	\$	36
25% higher losses		N/A		N/A		96

(1) Senior securities are comprised entirely of interest-only securities at March 31, 2024 and at December 31, 2023.

(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 March 31, 2024 and December 31, 2023, grouped by asset type.

Table 4.6 – Third-Party Sponsored VIE Summary

(In Thousands)	March 31, 2024		December 31, 2023	
Mortgage-Backed Securities				
Senior	\$	62,246	\$	4,419
Mezzanine		9,219		—
Subordinate		17,486		12,746
Total Mortgage-Backed Securities		88,951		17,165
Excess MSR		4,848		5,224
Total Investments in Third-Party Sponsored VIEs	\$	93,799	\$	22,389

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, 6. 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, Determination of Fair Value

Included in Note 5 to the Consolidated Financial Statements of Financial Instruments - (continued)

The following table presents our Annual Report on Form 10-K for the carrying values and estimated fair values year ended December 31, 2023 is a more detailed description of assets and liabilities that are required to be recorded or disclosed our financial instruments measured at fair value at March 31, 2024 and December 31, 2023.

Table 5.1 – Carrying Values their significant inputs, as well as the general classification of such instruments pursuant to the Level 1, Level 2, and Fair Values of Assets Level 3 valuation hierarchy. At June 30, 2024, our valuation policy and Liabilities

(In Thousands)	March 31, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Residential consumer loans, held-for-sale, at fair value	\$ 511,706	\$ 511,706	\$ 911,192	\$ 911,192
Residential consumer loans, held-for-investment, at fair value	7,104,886	7,104,886	6,139,445	6,139,445
Residential investor loans, held-for-sale, at fair value	280,551	280,551	180,249	180,250
Residential investor loans, held-for-investment, at fair value	4,901,443	4,901,443	5,040,048	5,040,048
Consolidated Agency multifamily loans, at fair value	422,788	422,788	425,285	425,285
Real estate securities, at fair value	212,307	212,307	127,797	127,797
HEI ⁽¹⁾	560,745	560,745	550,436	550,436
Servicer advance investments ⁽²⁾	216,033	216,033	225,345	225,345
MSRs ⁽²⁾	27,417	27,417	24,877	24,877
Excess MSRs ⁽²⁾	36,122	36,122	37,367	37,367
Other investments ⁽²⁾	3,224	3,224	3,193	3,193
Cash and cash equivalents	275,394	275,394	293,104	293,104
Restricted cash	64,993	64,993	75,684	75,684
Derivative assets	3,155	3,155	14,212	14,212
Margin receivable ⁽³⁾	19,409	19,409	33,414	33,414
Liabilities				
Short-term debt ⁽⁴⁾	\$ 1,135,653	\$ 1,132,812	\$ 1,415,664	\$ 1,414,644
Margin payable ⁽⁵⁾	—	—	350	350
Guarantee obligations ⁽⁵⁾	5,650	3,516	5,781	3,772
HEI securitization non-controlling interest	64,878	64,878	59,752	59,752
Derivative liabilities	5,849	5,849	33,828	33,828
ABS issued, net				
at fair value	9,979,891	9,979,891	9,151,263	9,151,263
at amortized cost	648,298	643,417	660,617	637,816
Other long-term debt, net ⁽⁶⁾	1,152,475	1,151,248	1,180,918	1,177,287
Convertible notes, net ⁽⁶⁾	474,049	465,835	503,728	488,341
Trust preferred securities and subordinated notes, net ⁽⁶⁾	138,825	96,255	138,813	92,070
Senior Notes ⁽⁶⁾	57,581	61,200	—	—

(1) Includes HEI held at Redwood and HEI held at consolidated HEI securitization entities. See further discussion processes had not changed from those described in Note 10 our Annual Report on Form 10-K for the year ended December 31, 2023.

(2) Certain of our Other investments (inclusive of strategic investments in early-stage companies) are Level 3 financial instruments that we account for under the fair value option. These investments are included in Other 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 our consolidated balance sheets.

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

(4) Short-term observable price changes, such as follow-on capital raises by these companies or secondary sales of these, or similar, equity or debt excludes short-term convertible notes, which are included under "Convertible notes, net."

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

(6) These liabilities are primarily included in Long-term debt, net on our consolidated balance sheets. Convertible notes, net will also includes convertible notes classified as Short-term debt, evaluate impacts to valuation from changing market conditions and underlying business performance. As of June 30, 2024, the carrying value of these investments was \$3 million. See Note 14 12 for

more information further discussion on Short-term debt.

During the three months ended March 31, 2024 and 2023, we elected the fair value option for \$48 million and \$2 million of securities, respectively, \$1.00 billion and \$53 million (principal balance) of residential consumer loans, respectively, and \$327 million and \$442 million (principal balance) of residential investor loans, respectively. Additionally, during the three months ended March 31, 2024 and 2023, we elected the fair value option for \$0.3 million and \$17 million of HEI, respectively. For the three months ended March 31, 2024 and 2023, we elected the fair value option for \$0.2 million and zero, respectively, of Other investments. Investments.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 5.6. 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 March 31, 2024 June 30, 2024 and December 31, 2023, as well as the fair value hierarchy of the valuation inputs used to measure fair value.

Table 5.2.6.1 – Assets and Liabilities Measured at Fair Value on a Recurring Basis

March 31, 2024		Carrying Value	Fair Value Measurements Using							
June 30, 2024			Fair Value Measurements Using							
(In Thousands)	(In Thousands)	Fair Value	Level 1	Level 2	Level 3	(In Thousands)	Level 1	Level 2	Level 3	
Assets										
Residential consumer loans										
Residential consumer loans										
Residential consumer loans										
Residential investor loans										
Consolidated Agency multifamily loans										
Real estate securities										
HEI										
Servicer advance investments										
MSRs										
Excess MSRs										
Other investments										
Derivative assets										
Liabilities										
Liabilities										
Liabilities										
HEI securitization non-controlling interest										
HEI securitization non-controlling interest										
HEI securitization non-controlling interest										
Derivative liabilities										
ABS issued										
December 31, 2023	December 31, 2023	Carrying Value	Level 1	Level 2	Level 3	(In Thousands)	Fair Value	Level 1	Level 2	Level 3
(In Thousands)	(In Thousands)		1							
Assets										
Residential consumer loans										
Residential consumer loans										
Residential consumer loans										
Residential investor loans										
Consolidated Agency multifamily loans										
Real estate securities										
HEI										

Servicer advance investments
MSRs
Excess MSRs
Other investments
Derivative assets
Liabilities
Liabilities
Liabilities
HEI securitization non-controlling interest
HEI securitization non-controlling interest
HEI securitization non-controlling interest
Derivative liabilities
ABS issued

REDWOOD TRUST, INC. AND SUBSIDIARIES

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(Unaudited)

Note 5.6. 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 three six months ended March 31, 2024 June 30, 2024.

Table 5.3 6.2 – Changes in Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis

	Assets																
	Consolidated										Consolidated						
	Residential Consumer	Residential Consumer	Residential Investor	Agency Multifamily	Trading Securities	AFS Securities	Servicer HEI Investments	Excess MSRs	Other Investments	Residential Consumer	Residential Investor	Agency Multifamily	Trading Securities	AFS Securities	Servicer HEI Investments	Excess MSRs	Other Investments
(In Thousands)	Loans	Loans	Loans	Loans	Securities	Securities	HEI Investments	MSRs	Investments	Loans	Loans	Loans	Securities	Securities	HEI Investments	MSRs	Investments
Beginning balance - December 31, 2023																	
Beginning balance - December 31, 2023																	
Beginning balance - December 31, 2023																	
Acquisitions																	
Originations																	
Sales																	
Principal paydowns																	
Gains (losses) in net income, net																	
Unrealized gains in OCI, net																	

Other
settlements,
net ⁽¹⁾

Ending
balance -
March 31,
2024

Ending
balance -
June 30,
2024

(In Thousands)	Liabilities					
	Derivatives ⁽²⁾	Derivatives ⁽²⁾	HEI Securitization Non-Controlling Interest	ABS		ABS
				Issued	Derivatives ⁽²⁾	HEI Securitization Non-Controlling Interest Issued
Beginning balance - December 31, 2023						
Beginning balance - December 31, 2023						
Beginning balance - December 31, 2023						
Acquisitions						
Sales						
Principal paydowns						
Gains (losses) in net income, net						
Other settlements, net ⁽¹⁾						
Ending balance - March 31, 2024						
Ending balance - June 30, 2024						

- (1) Other settlements, net: for residential consumer and residential investor 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 consumer and residential investor loans; and for **MSRs mortgage servicing rights ("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, are presented on a net basis.

REDWOOD TRUST, INC. AND SUBSIDIARIES

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Note 5.6. 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 **March 31, 2024** **June 30, 2024** and 2023. Gains or losses incurred on assets or liabilities sold, matured, called, or fully written down during the three and six months ended **March 31, 2024** **June 30, 2024** and 2023 are not included in this presentation.

Table 5.4.6.3 – Portion of Net Fair Value Gains (Losses) Attributable to Level 3 Assets and Liabilities Still Held at **March 31, 2024 **June 30, 2024** and **March 31, 2023** **June 30, 2023** Included in Net Income**

		Included in Net Income (loss)		Included in Net Income (loss)	
		Three Months Ended March 31,		Six Months Ended June 30,	
(In Thousands)	(In Thousands)	2024	2023	2024	2023
(In Thousands)					
(In Thousands)					
Assets					
Assets					
Assets					
Residential consumer loans at Redwood					
Residential consumer loans at Redwood					

Residential consumer loans at Redwood
Residential investor loans
Residential investor loans
Residential investor loans
Net investments in consolidated Sequoia entities ⁽¹⁾
Net investments in consolidated Sequoia entities ⁽¹⁾
Net investments in consolidated Sequoia entities ⁽¹⁾
Net investments in consolidated Freddie Mac SLST entities ⁽¹⁾
Net investments in consolidated Freddie Mac SLST entities ⁽¹⁾
Net investments in consolidated Freddie Mac SLST entities ⁽¹⁾
Net investments in consolidated Freddie Mac K-Series entities ⁽¹⁾
Net investments in consolidated Freddie Mac K-Series entities ⁽¹⁾
Net investments in consolidated Freddie Mac K-Series entities ⁽¹⁾
Net investments in consolidated CAFL entities ⁽¹⁾
Net investments in consolidated CAFL entities ⁽¹⁾
Net investments in consolidated CAFL entities ⁽¹⁾
Net investment in consolidated HEI securitization entities ⁽¹⁾
Net investment in consolidated HEI securitization entities ⁽¹⁾
Net investments in consolidated CAFL Term entities ⁽¹⁾
Net investment in consolidated HEI securitization entities ⁽¹⁾
Trading securities
Trading securities
Trading securities
Available-for-sale securities
Available-for-sale securities
Available-for-sale securities
HEI at Redwood
HEI at Redwood
HEI at Redwood
Servicer advance investments
Servicer advance investments
Servicer advance investments
MSRs
MSRs
MSRs
Excess MSRs
Excess MSRs
Excess MSRs
Other investments
Other investments
Other investments
Loan purchase commitments
Loan purchase commitments
Loan purchase commitments
Liabilities
Liabilities
Liabilities
Liabilities
Loan purchase commitments
Loan purchase commitments
Loan purchase commitments

Loan purchase commitments

Loan purchase commitments

- (1) Represents the portion of net fair value gains or losses included in our consolidated statements of income related to securitized loans, securitized HEI, Home Equity Investments ("HEI"), and the associated ABS issued at our consolidated securitization entities held at March 31, 2024 June 30, 2024 and March 31, June 30, 2023, which, netted together, represent the change in value of our investments at the consolidated VIEs under the CFE election, excluding REO.

The following table presents information on assets recorded at fair value on a non-recurring basis at March 31, 2024. 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 March 31, 2024.

Table 5.5 – Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis at March 31, 2024

March 31, 2024 (In Thousands)	Carrying Value	Fair Value Measurements Using			Gain (Loss) for
		Level 1	Level 2	Level 3	Three Months Ended
					March 31, 2024
Assets					
Strategic Investments ⁽¹⁾	\$ 1,600	\$ —	\$ —	\$ 1,600	\$ 650
REO	66,978	—	—	66,978	(3,000)

- (1) Strategic investments represent investments we made in companies either through our RWT Horizons venture investment platform or separately at a corporate level. See Note 11 for further detail regarding Strategic Investments

REDWOOD TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 5.6. 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 six months ended March 31, 2024 June 30, 2024 and 2023.

Table 5.6 6.4 – Market Valuation Gains and Losses, Net

		Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,		Six Months Ended June 30,	
		2024		2023		2024		2023	
(In Thousands)	(In Thousands)								
(In Thousands)									
(In Thousands)									
Mortgage Banking Activities, Net									
Mortgage Banking Activities, Net									
Mortgage Banking Activities, Net									
Residential consumer loans held-for-sale									
Residential consumer loans held-for-sale									
Residential consumer loans held-for-sale									
Residential consumer loan purchase commitments									
Residential consumer loan purchase commitments									
Residential consumer loan purchase commitments									
Residential investor term loans held-for-sale									
Residential investor term loans held-for-sale									
Residential investor term loans held-for-sale									
Residential investor bridge loans									

Residential investor bridge loans
Residential investor term loan interest rate lock commitments
Residential investor bridge loans
Trading securities ⁽¹⁾
Trading securities ⁽¹⁾
Trading securities ⁽¹⁾
Risk management derivatives, net
Risk management derivatives, net
Risk management derivatives, net
Total mortgage banking activities, net ⁽²⁾
Total mortgage banking activities, net ⁽²⁾
Total mortgage banking activities, net ⁽²⁾
Investment Fair Value Changes, Net
Investment Fair Value Changes, Net
Investment Fair Value Changes, Net
Residential consumer loans held-for-investment, at Redwood (called Sequoia loans)
Residential consumer loans held-for-investment, at Redwood (called Sequoia loans)
Residential consumer loans held-for-investment, at Redwood (called Sequoia loans)
Residential investor term loans held-for-sale
Residential investor term loans held-for-sale
Residential investor term loans held-for-sale
Residential investor bridge loans held-for-investment
Residential investor bridge loans held-for-investment
Residential investor bridge loans held-for-investment
Trading securities
Trading securities
Trading securities
Servicer advance investments
Servicer advance investments
Servicer advance investments
Excess MSRs
Excess MSRs
Excess MSRs
Net investments in Legacy Sequoia entities ⁽³⁾
Net investments in Legacy Sequoia entities ⁽³⁾
Net investments in Legacy Sequoia entities ⁽³⁾
Net investments in Sequoia entities ⁽³⁾
Net investments in Sequoia entities ⁽³⁾
Net investments in Sequoia entities ⁽³⁾
Net investments in Freddie Mac SLST entities ⁽³⁾
Net investments in Freddie Mac SLST entities ⁽³⁾
Net investments in Freddie Mac SLST entities ⁽³⁾
Net investment in Freddie Mac K-Series entity ⁽³⁾
Net investment in Freddie Mac K-Series entity ⁽³⁾
Net investment in Freddie Mac K-Series entity ⁽³⁾
Net investments in CAFL entities ⁽³⁾
Net investments in CAFL entities ⁽³⁾
Net investments in CAFL entities ⁽³⁾
Other investments

Other investments
Other investments
Risk management derivatives, net
Risk management derivatives, net
Risk management derivatives, net
Credit recoveries (losses) on AFS securities
Credit recoveries (losses) on AFS securities
Credit recoveries (losses) on AFS securities
Other
Total investment fair value changes, net
Total investment fair value changes, net
Total investment fair value changes, net
HEI income, Net
HEI income, Net
HEI income, Net
HEI at Redwood
HEI at Redwood
HEI at Redwood
Net investments in HEI securitization entities ⁽³⁾
Net investments in HEI securitization entities ⁽³⁾
Net investments in HEI securitization entities ⁽³⁾
Total HEI income, net
Total HEI income, net
Total HEI income, net
Other Income
Other Income
Other Income
MSRs
MSRs
MSRs
Other
Other
Other
Total other income ⁽⁴⁾
Total other income ⁽⁴⁾
Total other income ⁽⁴⁾
Total Market Valuation Gains (Losses), Net
Total Market Valuation Gains (Losses), Net
Total Market Valuation Gains (Losses), Net
Total Market Valuation Gains, Net

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 5.6. Fair Value of Financial Instruments - (continued)

Footnotes to Table 5.6 6.4

- (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 consumer mortgage banking Residential Consumer Mortgage Banking operations.

- (2) Mortgage banking activities, net presented above does not include fee income from loan originations or acquisitions, provisions for repurchases, or 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 consumer loans held-for-investment, securitized HEI, 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.

At March 31, 2024, 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, 2023.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 5.6. Fair Value of Financial Instruments - (continued)

The following table provides quantitative information about the significant unobservable inputs used in the valuation of our Level 3 assets and liabilities measured at fair value.

Table 5.7 6.5 – Fair Value Methodology for Level 3 Financial Instruments

March 31, 2024		Fair Value	Input Values				
June 30, 2024			Input Values				
(Dollars in Thousands, except Input Values)	(Dollars in Thousands, except Input Values)		Unobservable Input		Range		Weighted Average(1)
							(Dollars in Thousands, except Input Values)
Assets							
Residential consumer loans:							
Residential consumer loans:							
Residential consumer loans:							
Jumbo loans							
Jumbo loans							
Jumbo loans							
Subordinate credit spread(2)							
Subordinate credit spread(2)							
Subordinate credit spread(2)							
215 - 700 bps							
305 bps							
200 - 650 bps							
bp							
Senior credit support(2)							
7 - 7 %							
IO discount rate(2)							
24 - 24 %							
24 %							
Prepayment rate (annual CPR)(2)							
15 - 15 %							
15 %							
Jumbo loans committed to sell							
Jumbo loans committed to sell							
Jumbo loans committed to sell							

Loans held by Legacy
Sequoia (3)

Loans held by Legacy
Sequoia (3)

Loans held by Legacy
Sequoia (3)

Loans held by Sequoia (3)

Loans held by Sequoia (3)

Loans held by Sequoia (3)

Loans held by Freddie Mac
SLST (3)

Loans held by Freddie Mac
SLST (3)

Loans held by Freddie Mac
SLST (3)

Residential investor loans:

Residential investor loans:

Residential investor loans:

Residential investor term
loans

Residential investor term
loans

Residential investor term loans	253,774	Senior credit spread(2)	Senior credit spread(2)		120	-	-	120	bps	bps		120	bps	bps		217,761
		Subordinate credit spread(2)								180	-	-	780	bps	bps	383
		Senior credit support(2)								34	-	-	34	%	%	34
		Prepayment rate (annual CPR)(2)														
		Prepayment rate (annual CPR)(2)														
		Prepayment rate (annual CPR)(2)								3	%	%				
		Dollar price of non- performing loans														

Residential investor term
loans held by CAFL (3)

Residential investor term
loans held by CAFL (3)

Residential investor term
loans held by CAFL (3)

Residential investor bridge
loans held by CAFL (3)

Residential investor bridge
loans held by CAFL (3)

Residential investor bridge
loans held by CAFL (3)

Residential investor bridge
loans

Residential investor bridge loans

1,313,010	Whole loan discount rate	Whole loan discount rate		9	-	-	13	%	%	10	%	%	1,690,111	
Whole loan spread				Whole loan spread			485	-	-	485	bps	bps	485	b
Dollar price of non-performing loans														

Multifamily loans held by
Freddie Mac K-Series (3)

Trading and AFS securities

Trading and AFS securities

212,307	Discount rate	Discount rate		6	-	-	27	%	%	13	%	%	264,401	%
Prepayment rate (annual CPR)				Prepayment rate (annual CPR)	2	-	-	65	%	%			10	%
Default rate				Default rate	—	-	-	9	%	%			0.2	%
Loss severity				Loss severity	—	-	-	50	%	%			22	%

Home Equity Investments (HEI)

Home Equity Investments (HEI)

[illegible]HEI held by HEI securitization entities⁽³⁾

Service advance investments

Service advance investments

Service advance investments	227,363	Discount rate	3	-	6	%	4	%	
		Prepayment rate (annual CPR)			11	-	30	%	14 %
		Expected remaining life ⁽⁴⁾			5	-	5	yrs	5 yrs

				Mortgage servicing income	3	-	18 bps	10 bps	
MSRs									
MSRs									
MSRs	28,653	Discount rate	10	-	46	%	10	%	
		Prepayment rate (annual CPR)	2	-	16	%	5	%	
	Per loan annual cost to service								

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Note 5.6. Fair Value of Financial Instruments - (continued)

Table 5.7.6.5 – Fair Value Methodology for Level 3 Financial Instruments (continued)

March 31, 2024			Input Values		
(Dollars in Thousands, except Input Values)	Fair Value	Unobservable Input	Range		Weighted Average ⁽¹⁾
Assets (continued)					
Servicer advance investments	\$ 216,033	Discount rate	2	- 4 %	3 %
		Prepayment rate (annual CPR)	11	- 30 %	14 %
		Expected remaining life ⁽⁴⁾	5	- 5 yrs	5 yrs
		Mortgage servicing income	3	- 18 bps	10 bps
MSRs	27,417	Discount rate	12	- 73 %	12 %
		Prepayment rate (annual CPR)	2	- 14 %	4 %
		Per loan annual cost to service	\$ 93	- \$ 93	\$ 93
Excess MSRs	36,122	Discount rate	12	- 19 %	18 %
		Prepayment rate (annual CPR)	10	- 100 %	17 %
		Excess mortgage servicing amount	8	- 20 bps	11 bps
Liabilities					
Residential consumer loan purchase commitments, net	2,107	Senior credit spread to TBA price ⁽²⁾	\$ 1.13	- \$ 2.25	\$ 1.23
		Subordinate credit spread ⁽²⁾	215	- 700 bps	305 bps
		Senior credit support ⁽²⁾	7	- 7 %	7 %
		IO discount rate ⁽²⁾	20	- 20 %	20 %
		Prepayment rate (annual CPR) ⁽²⁾	15	- 15 %	15 %
		Pull-through rate	18	- 100 %	69 %
		Committed sales price	\$ 102	- \$ 103	\$ 103
ABS issued ⁽³⁾ :					
At consolidated Sequoia entities	5,554,012	Discount rate	4	- 40 %	8 %
		Prepayment rate (annual CPR)	4	- 23 %	8 %
		Default rate	—	- 18 %	1 %
		Loss severity	25	- 50 %	30 %
At consolidated CAFL Term entities	2,519,547	Discount rate	5	- 12 %	7 %
		Prepayment rate (annual CPR)	—	- 3 %	0.1 %
		Default rate	3	- 13 %	7 %
		Loss severity	25	- 35 %	25 %

At consolidated Freddie Mac SLST entities	1,064,788	Discount rate	5 -	9 %	6 %
		Prepayment rate (annual CPR)	6 -	6 %	6 %
		Default rate	14 -	16 %	15 %
		Loss severity	25 -	25 %	25 %
At consolidated Freddie Mac K-Series entities ⁽³⁾	389,238	Discount rate	5 -	10 %	6 %
At consolidated HEI entities ⁽⁵⁾	220,325	Discount rate	8 -	12 %	9 %
		Prepayment rate (annual CPR)	15 -	15 %	15 %
		Home price appreciation (depreciation)	3 -	3 %	3 %
At consolidated CAFL Bridge entities	231,982	Discount rate	7 -	15 %	8 %
		Prepayment rate (annual CPR)	40 -	40 %	40 %
		Default rate	—	5 %	3 %
		Loss severity	25 -	25 %	25 %

REDWOOD TRUST, INC. AND SUBSIDIARIES

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

Footnotes to Table 5.7

June 30, 2024		Input Values			
(Dollars in Thousands, except Input Values)	Fair Value	Unobservable Input	Range		Weighted Average ⁽¹⁾
Assets (continued)					
Excess MSRs	\$ 34,754	Discount rate	12 -	19 %	18 %
		Prepayment rate (annual CPR)	10 -	100 %	17 %
		Excess mortgage servicing amount	8 -	20 bps	11 bps
Residential consumer loan purchase commitments, net	3,670	Senior Credit Spread to TBA price	\$ 1.13 - \$	2.00	1.21
		Subordinate Credit Spread to Swap rate	200 -	650 bps	276 bps
		Senior Credit Support	7 -	7 %	7 %
		IO Discount Rate	20 -	20 %	20 %
		Prepayment rate (Annual CPR)	15 -	15 %	15 %
		Pull-through rate	18 -	100 %	74 %
		Committed Sales Price	\$ 101 - \$	103	\$ 103
Liabilities					
ABS issued ⁽³⁾					
At consolidated Sequoia entities	6,686,531	Discount rate	4 -	28 %	8 %
		Prepayment rate (annual CPR)	2 -	44 %	9 %
		Default rate	— -	11 %	1 %
		Loss severity	25 -	50 %	29 %
At consolidated CAFL Term entities	2,409,559	Discount rate	5 -	12 %	7 %
		Prepayment rate (annual CPR)	— -	3 %	0.1 %
		Default rate	3 -	13 %	6 %
		Loss severity	25 -	25 %	25 %
At consolidated Freddie Mac SLST entities	1,041,807	Discount rate	5 -	10 %	6 %
		Prepayment rate (annual CPR)	6 -	6 %	6 %
		Default rate	14 -	16 %	15 %
		Loss severity	25 -	25 %	25 %
At consolidated Freddie Mac K-Series entities ⁽³⁾	387,791	Discount rate	5 -	10 %	6 %
At consolidated HEI entities ⁽⁵⁾	218,203	Discount rate	8 -	12 %	9 %
		Prepayment rate (annual CPR)	15 -	15 %	15 %
		Home price appreciation (depreciation)	4 -	4 %	4 %
At consolidated CAFL Bridge entities	231,797	Discount rate	7 -	14 %	8 %
		Prepayment rate (annual CPR)	40 -	40 %	40 %

Default rate	—	5 %	3 %
Loss severity	25	25 %	25 %

- (1) The weighted average input values for all loan types are based on unpaid principal balance. The weighted average input values for all other assets and liabilities are based on relative fair value.
- (2) Values represent pricing inputs used in securitization pricing model. Credit spreads represent spreads to applicable swap rates unless specified otherwise.
- (3) The fair value of the loans and HEI held by consolidated entities is based on the fair value of the ABS issued by these entities and the securities and other investments we own in those entities, which we determined were more readily observable in accordance with accounting guidance for collateralized financing entities. At **March 31, 2024** **June 30, 2024**, the fair value of securities we owned at the consolidated Sequoia, CAFL Term, CAFL Bridge (under CFE), Freddie Mac SLST, Freddie Mac K-Series, and HEI securitization entities was **\$218 million** **\$264 million**, **\$333 million** **\$337 million**, **\$21** **\$25 million**, **\$271 million** **\$258 million**, \$34 million, and **\$37 million** **\$41 million**, respectively. CAFL Bridge only includes the one securitization entity for which we made the CFE election.
- (4) Represents the estimated average duration of outstanding servicer advances at a given point in time (not taking into account new advances made with respect to the pool).
- (5) Fair value presented in this line item for ABS issued at consolidated HEI entities does not include non-controlling interests in our HEI entities, which we account for separately as liabilities in our Consolidated Balance Sheets and carry at fair value. However, given the HEI non-controlling interests are priced using the same model and inputs, the unobservable inputs and input values provided in this section include those for the HEI non-controlling interests.

Determination

REDWOOD TRUST, INC. AND SUBSIDIARIES

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Note 6. Fair Value of Financial Instruments - (continued)

The following table summarizes the estimated fair values presents of assets and liabilities that are not measured at fair value at June 30, 2024 and December 31, 2023.

Table 6.6 – Carrying Values and Estimated Fair Value Values of Assets and Liabilities

(In Thousands)	June 30, 2024		December 31, 2023	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Guarantee obligations ⁽¹⁾	\$ 4,649	\$ 3,385	\$ 5,781	\$ 3,772
ABS issued, net				
at fair value	\$ 10,975,688	\$ 10,975,688	\$ 9,151,263	\$ 9,151,263
at amortized cost	579,862	584,155	660,617	637,816
Total ABS issued, net	<u>\$ 11,555,550</u>	<u>\$ 11,559,843</u>	<u>\$ 9,811,880</u>	<u>\$ 9,789,079</u>
Debt obligation facilities and other financing	\$ 2,670,129	\$ 2,669,070	\$ 2,596,582	\$ 2,591,931
Convertible notes, net	466,110	469,876	503,728	488,341
Trust preferred securities and subordinated notes, net	138,836	93,465	138,813	92,070
Senior Notes	139,551	144,460	—	—
Total debt obligations, net	<u>\$ 3,414,626</u>	<u>\$ 3,376,871</u>	<u>\$ 3,239,123</u>	<u>\$ 3,172,342</u>

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

During the three and six months ended June 30, 2024, we elected the fair value option for \$16 million and \$64 million of securities, respectively, \$1.87 billion and \$2.87 billion (principal balance) of residential consumer loans, respectively, and \$452 million and \$779 million (principal balance) of residential investor loans, respectively. Additionally, during the three and six months ended June 30, 2024, we elected the fair value option for \$0.3 million and \$0.6 million of HEI, respectively. For the three and six months ended June 30, 2024, we elected the fair value option for \$9 thousand and \$0.2 million, respectively, of Other investments.

Nonrecurring Fair Values

We generally use both market comparable information and discounted cash flow modeling techniques to determine measure the fair value of our Level 3 certain assets and liabilities. Use of these techniques requires determination of relevant inputs and assumptions, some of which represent significant unobservable inputs as indicated liabilities on a nonrecurring basis when events or changes 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, 2023 is a more detailed description of our financial instruments measured at fair value and their significant inputs, as well as the general classification of such instruments pursuant to the Level 1, Level 2, and Level 3 valuation hierarchy.

Certain of our Other investments (inclusive of strategic investments in early-stage companies) are Level 3 financial instruments circumstances indicate 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 by these companies or secondary sales of these, or similar, equity or debt instruments, and will also evaluate impacts to valuation from changing market conditions and underlying business performance. As of March 31, 2024, the carrying value may be impaired. Adjustments to fair value generally result from the write-down of these investments was \$3 million, asset value due to impairment. Refer to Note 14 for further information on our Real estate owned ("REO").

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 6.7. Residential Consumer Loans

We acquire residential consumer 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 consumer loans owned at Redwood and at the consolidated Sequoia and Freddie Mac SLST entities at March 31, 2024 June 30, 2024 and December 31, 2023.

Table 6.1 7.1 – Classifications and Carrying Values of Residential Consumer Loans

March 31, 2024					
(In Thousands)					
	Redwood	Legacy Sequoia	Sequoia	Freddie Mac SLST	Total
Held-for-sale at fair value	\$ 511,706	\$ —	\$ —	\$ —	\$ 511,706
Held-for-investment at fair value	—	131,859	5,640,341	1,332,686	7,104,886
Total Residential Consumer Loans	\$ 511,706	\$ 131,859	\$ 5,640,341	\$ 1,332,686	\$ 7,616,592
December 31, 2023					
(In Thousands)					
	Redwood	Legacy Sequoia	Sequoia	Freddie Mac SLST	Total
Held-for-sale at fair value	\$ 911,192	\$ —	\$ —	\$ —	\$ 911,192
Held-for-investment at fair value	—	139,739	4,640,464	1,359,242	6,139,445
Total Residential Consumer Loans	\$ 911,192	\$ 139,739	\$ 4,640,464	\$ 1,359,242	\$ 7,050,637
June 30, 2024					
(In Thousands)					
	Redwood	Sequoia	Freddie Mac SLST	Total	
Held-for-sale at fair value	\$ 962,548	\$ —	\$ —	\$ 962,548	
Held-for-investment at fair value	—	6,950,586	1,297,022	8,247,608	
Total Residential Consumer Loans	\$ 962,548	\$ 6,950,586	\$ 1,297,022	\$ 9,210,156	
December 31, 2023					
(In Thousands)					
	Redwood	Sequoia	Freddie Mac SLST	Total	
Held-for-sale at fair value	\$ 911,192	\$ —	\$ —	\$ 911,192	
Held-for-investment at fair value	—	4,780,203	1,359,242	6,139,445	
Total Residential Consumer Loans	\$ 911,192	\$ 4,780,203	\$ 1,359,242	\$ 7,050,637	

At March 31, 2024 June 30, 2024, we owned mortgage servicing rights associated with \$504 million \$946 million (principal balance) of residential consumer loans owned at Redwood that were purchased from third-party originators. The value of these MSRs is included in the carrying value of the associated loans on our consolidated balance sheets. We contract with licensed sub-servicers that perform servicing functions for these loans.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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(Unaudited)

Note 6.7. Residential Consumer Loans - (continued)

Residential Consumer Loans Held-for-Sale

The following table summarizes the characteristics of residential consumer loans held-for-sale at March 31, 2024 June 30, 2024 and December 31, 2023.

Table 6.27.2 – Characteristics of Residential Consumer Loans Held-for-Sale

(Dollars in Thousands)	(Dollars in Thousands)	March 31, 2024	December 31, 2023	(Dollars in Thousands)	June 30, 2024	December 31, 2023
Number of loans						
Unpaid principal balance						
Unpaid principal balance						
Unpaid principal balance						
Fair value of loans						
Market value of loans pledged as collateral under short-term borrowing agreements						
Weighted average coupon	Weighted average coupon	6.74 %	6.25 %	Weighted average coupon	7.14 %	6.25 %

At both **March 31, 2024** and **June 30, 2024**, there were no residential consumer loans held-for-sale that were 90 days or more delinquent or in foreclosure.

The following table provides the activity of residential consumer loans held-for-sale during the three **and six** months ended **March 31, 2024** and **June 30, 2024** and 2023.

Table 6.37.3 – Activity of Residential Consumer Loans Held-for-Sale

		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
(In Thousands)	(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
(In Thousands)	(In Thousands)	2024	2023	2024	2023
Principal balance of loans acquired					
Principal balance of loans acquired					
Principal balance of loans acquired					
Principal balance of loans sold					
Principal balance of loans sold					
Principal balance of loans sold					
Principal balance of loans transferred from HFS to HFI					
Principal balance of loans transferred from HFS to HFI					
Principal balance of loans transferred from HFS to HFI					
Net market valuation gains recorded ⁽¹⁾					
Net market valuation gains recorded ⁽¹⁾					
Net market valuation gains recorded ⁽¹⁾					
Net market valuation gains (losses) recorded ⁽¹⁾					

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

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 6.7. Residential Consumer Loans - (continued)

Residential Consumer 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 consumer loans owned by these entities for financial reporting purposes in accordance with GAAP. The following tables summarize the characteristics of the residential consumer loans owned at consolidated Sequoia and Freddie Mac SLST entities at **March 31, 2024** and **June 30, 2024** and December 31, 2023.

Table 6.47.4 – Characteristics of Residential Consumer Loans Held-for-Investment

March 31, 2024	Legacy Sequoia	Sequoia	Freddie Mac SLST
(Dollars in Thousands)			

Number of loans	1,017	7,078	10,187
Unpaid principal balance	\$ 146,688	\$ 6,294,974	\$ 1,593,040
Fair value of loans ⁽¹⁾	\$ 131,859	\$ 5,640,341	\$ 1,332,686
Weighted average coupon	6.59 %	4.52 %	4.50 %
<u>Delinquency information</u>			
Number of loans with 90+ day delinquencies ⁽²⁾	15	14	743
Unpaid principal balance of loans with 90+ day delinquencies ⁽²⁾	\$ 4,328	\$ 11,904	\$ 125,401
Number of loans in foreclosure	5	6	286
Unpaid principal balance of loans in foreclosure	\$ 1,086	\$ 5,335	\$ 47,490

December 31, 2023	Legacy		Freddie Mac
(Dollars in Thousands)	Sequoia	Sequoia	SLST
Number of loans	1,059	6,070	10,302
Unpaid principal balance	\$ 156,053	\$ 5,242,860	\$ 1,614,974
Fair value of loans ⁽¹⁾	\$ 139,739	\$ 4,640,464	\$ 1,359,242
Weighted average coupon	6.54 %	4.08 %	4.50 %
<u>Delinquency information</u>			
Number of loans with 90+ day delinquencies ⁽²⁾	16	11	796
Unpaid principal balance of loans with 90+ day delinquencies ⁽²⁾	\$ 4,141	\$ 8,882	\$ 132,307
Number of loans in foreclosure	7	5	292
Unpaid principal balance of loans in foreclosure	\$ 1,848	\$ 3,386	\$ 47,654

June 30, 2024		Freddie Mac
(Dollars in Thousands)	Sequoia	SLST
Unpaid principal balance	\$ 7,639,727	\$ 1,569,864
Average loan balance (UPB)	\$ 835	\$ 156
Fair value of loans ⁽¹⁾	\$ 6,950,586	\$ 1,297,022
Weighted average coupon	4.98 %	4.50 %
<u>Delinquency information</u>		
Unpaid principal balance of loans with 90+ day delinquencies ⁽²⁾	\$ 15,653	\$ 111,958
Average 90+ days delinquent balance (UPB)	\$ 460	\$ 174
Unpaid principal balance of loans in foreclosure	\$ 7,572	\$ 42,231
Average foreclosure balance (UPB)	\$ 527	\$ 164

December 31, 2023		Freddie Mac
(Dollars in Thousands)	Sequoia	SLST
Unpaid principal balance	\$ 5,398,913	\$ 1,614,974
Average loan balance (UPB)	\$ 757	\$ 157
Fair value of loans ⁽¹⁾	\$ 4,780,203	\$ 1,359,242
Weighted average coupon	4.15 %	4.50 %
<u>Delinquency information</u>		
Unpaid principal balance of loans with 90+ day delinquencies ⁽²⁾	\$ 13,023	\$ 132,307
Average 90+ days delinquent balance (UPB)	\$ 482	\$ 166
Unpaid principal balance of loans in foreclosure	\$ 5,234	\$ 47,654
Average foreclosure balance (UPB)	\$ 436	\$ 163

(1) 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 [the](#) accounting guidance for collateralized financing entities. The net impact to our income statement associated with our economic investment in these securitization entities is presented in Table [4.2](#) [17.2](#).

(2) For loans held at consolidated entities, the number and unpaid principal balance of loans 90+ days delinquent includes loans in foreclosure.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 6.7. Residential Consumer 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 the measurement alternative provided for collateralized financing entity guidelines, entities, and are recorded in Investment fair value changes, net on our consolidated statements of income. The following table provides the activity of residential consumer loans held-for-investment at consolidated entities during the three and six months ended March 31, 2024 June 30, 2024 and 2023.

Table 6.5 7.5 – Activity of Residential Consumer Loans Held-for-Investment at Consolidated Entities

		Three Months Ended March 31, 2024				Three Months Ended March 31, 2023			
		Legacy		Freddie Mac		Legacy		Freddie Mac	
		Three Months Ended June 30, 2024		Three Months Ended June 30, 2024		Three Months Ended June 30, 2023		Three Months Ended June 30, 2023	
				Freddie Mac				Freddie Mac	
(In Thousands)	(In Thousands)	Sequoia	SLST	Sequoia	SLST	Sequoia	SLST	Sequoia	SLST
Principal value of loans transferred from HFS to HFI (1)	Principal value of loans transferred from HFS to HFI (1)	N/A	\$1,187,961	N/A	N/A	\$ 657,295	N/A	N/A to HFI (1)	\$1,424,026
Net market valuation gains (losses) recorded									

		Six Months Ended June 30, 2024				Six Months Ended June 30, 2023			
		Sequoia		Freddie Mac SLST		Sequoia		Freddie Mac SLST	
(In Thousands)		Sequoia	SLST	Sequoia	SLST	Sequoia	SLST	Sequoia	SLST
Principal value of loans transferred from HFS to HFI (1)		\$ 2,611,987	N/A	\$ 657,295	N/A				
Net market valuation gains (losses) recorded		(103,399)	(15,401)	14,357	(11,710)				

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

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Note 7.8. Residential Investor Loans

We originate and invest in residential investor loans, including term loans and bridge loans. The following table summarizes the classifications and carrying values of the residential investor loans owned at Redwood and at consolidated CAFL entities at **March 31, 2024**, **June 30, 2024** and December 31, 2023.

Table 7.18.1 – Classifications and Carrying Values of Residential Investor Loans

March 31, 2024										
June 30, 2024										
(In Thousands)										
(In Thousands)										
(In Thousands)	Redwood	CAFL	Redwood	CAFL	Total	Redwood	CAFL	Redwood	CAFL	Total
Held-for-sale at fair value										
Held-for-investment at fair value										
Total Residential Investor Loans										
December 31, 2023	Residential Investor Term				Residential Investor Bridge					
(In Thousands)	Redwood		CAFL		Total	Redwood		CAFL		Total
Held-for-sale at fair value	\$	144,359	\$	—		\$	35,891	\$	—	\$
Held-for-investment at fair value		—		2,971,725		1,305,727		762,596		5,040,048
Total Residential Investor Loans	\$	144,359	\$	2,971,725	\$	1,341,618	\$	762,596	\$	5,220,298

Nearly all of the outstanding residential investor term loans at **March 31, 2024**, **June 30, 2024** were first-lien, fixed-rate loans with original maturities of three, five, seven, or ten years.

The outstanding residential investor bridge loans held-for-investment at **March 31, 2024**, **June 30, 2024** were first-lien, interest-only loans with original maturities of 6 to 36 months and were comprised of 73% 67% one-month SOFR-indexed adjustable-rate loans, and 27% 33% fixed-rate loans.

At **March 31, 2024**, **June 30, 2024**, we had \$513 million \$448 million in commitments to fund residential investor bridge loans. See Note 17 18 for additional information on these commitments.

During the three months and six months ended June 30, 2024, we sold \$135 million and \$187 million, of residential investor bridge loans, net of \$6 million and \$21 million, respectively, of construction draws, to our joint ventures. See Note 12 for additional information on these joint ventures.

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Note 7.8. Residential Investor Loans - (continued)

The following table provides the activity of residential investor loans at Redwood during the three and six months ended **March 31, 2024**, **June 30, 2024** and 2023.

Table 7.28.2 – Activity of Residential Investor Loans at Redwood

		Three Months Ended March 31, 2024		Three Months Ended March 31, 2023						
		Three Months Ended June 30, 2024		Three Months Ended June 30, 2023						
(In Thousands)	(In Thousands)	Residential Investor Term at Redwood	Residential Investor Bridge at Redwood	Residential Investor Term at Redwood	Residential Investor Bridge at Redwood	(In Thousands)	Term at Redwood	Bridge at Redwood	Term at Redwood	Bridge at Redwood
Principal balance of loans originated										

Principal balance of
loans acquired

Principal balance of
loans sold to third
parties ⁽¹⁾

Fair value of loans
transferred ⁽²⁾

Mortgage banking activities income
(loss) recorded ⁽³⁾

Mortgage banking activities income
(loss) recorded ⁽³⁾

Mortgage banking activities income
(loss) recorded ⁽³⁾

Investment fair value
changes recorded

(In Thousands)	Six Months Ended June 30, 2024		Six Months Ended June 30, 2023	
	Term at Redwood	Bridge at Redwood	Term at Redwood	Bridge at Redwood
Principal balance of loans originated	334,628	428,144	302,700	524,865
Principal balance of loans acquired	648	15,677	—	17,234
Principal balance of loans sold to third parties ⁽¹⁾	258,456	209,515	398,106	31,807
Fair value of loans transferred ⁽²⁾	—	(187,933)	—	(220,978)
Mortgage banking activities income recorded ⁽³⁾	5,661	2,054	11,534	3,453
Investment fair value changes recorded	(1,337)	(17,210)	(13,625)	(7,266)

- (1) The For the three and six months ended June 30, 2024 the principal balance of loans sold to third parties is net of \$15\$6 million and \$21 million, respectively, related to construction draws on residential investor bridge loans sold to the Oaktree our joint venture, ventures. See Note 12 for additional information on these joint ventures.
- (2) For residential investor term at Redwood, represents the transfer of loans from held-for-sale to held-for-investment associated with CAFL term securitizations. For residential investor bridge at Redwood, represents the transfer of residential investor bridge loans from "Bridge at Redwood" to "Bridge at CAFL" resulting from their inclusion in one of our bridge loan securitizations, which generally have replenishment features.
- (3) Represents loan origination fee income and net market valuation changes from the time a loan is originated to when it is sold, securitized or transferred to our investment portfolio. See Table 20.1 5.1 for additional detail on Mortgage banking activities income (loss).

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Note 8. Residential Investor Loans - (continued)

Residential Investor Loans Held-for-Investment at CAFL

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

The following table provides the activity of residential investor loans held-for-investment at CAFL during the three and six months ended March 31, 2024 June 30, 2024 and 2023.

Table 7.3 8.3 – Activity of Residential Investor Loans Held-for-Investment at CAFL

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023

(In Thousands)	(In Thousands)	Residential Investor Term at CAFL	Residential Investor Bridge at CAFL	Residential Investor Term at CAFL	Residential Investor Bridge at CAFL	(In Thousands)	Term at CAFL	Bridge at CAFL	Term at CAFL	Bridge at CAFL
Net market valuation gains (losses) recorded ⁽¹⁾										
Fair value of loans transferred to HFI										

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Note 7. Residential Investor Loans - (continued)

Footnote to Table 7.3

(In Thousands)	Six Months Ended June 30, 2024				Six Months Ended June 30, 2023			
	Term at		Bridge at CAFL		Term at		Bridge at CAFL	
	CAFL		CAFL		CAFL		CAFL	
Net market valuation gains (losses) recorded ⁽¹⁾	\$	11,113	\$	(1,180)	\$	(601)	\$	600
Fair value of loans transferred to HFI	\$	=	\$	187,933	\$	=	\$	220,978

(1) Net market valuation gains (losses) on residential investor loans held-for-investment at CAFL are recorded through Investment fair value changes, net on our consolidated statements of income. For loans held at our consolidated CAFL Term entities and one CAFL Bridge 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 Tables 15.1 and 15.2. We did not elect to account for two of our CAFL Bridge securitizations under the collateralized financing entity guidelines but have elected to account for the loans in these securitizations at fair value, and changes in fair value for these loans are recorded through Investment fair value changes, net on our consolidated statements of income.

REDWOOD TRUST, INC. AND SUBSIDIARIES

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Note 7.8. Residential Investor Loans - (continued)

Residential Investor Loan Characteristics

The following tables summarize the characteristics of the residential investor loans owned at Redwood and at consolidated CAFL entities at March 31, 2024, June 30, 2024 and December 31, 2023.

Table 7.4.8.4 – Characteristics of Residential Investor Loans

March 31, 2024		Term at			
(Dollars in Thousands)	Term at Redwood	CAFL ⁽¹⁾	Bridge at Redwood	Bridge at CAFL	
Number of loans	73	1,022	850		1,849
Unpaid principal balance	\$ 263,048	\$ 3,066,563	\$ 1,336,820	\$	752,084
Fair value of loans	\$ 253,774	\$ 2,853,052	\$ 1,313,010	\$	762,158
Weighted average coupon	6.95 %	5.34 %	10.35 %		10.62 %
Weighted average remaining loan term (years)	7	5	1		1
Market value of loans pledged as collateral under short-term debt facilities	\$ 5,307	N/A	\$ 35,653		N/A
Market value of loans pledged as collateral under long-term debt facilities	\$ 212,589	N/A	\$ 1,223,044		N/A
<u>Delinquency information</u>					
Number of loans with 90+ day delinquencies ⁽²⁾	2	42	48		61
Unpaid principal balance of loans with 90+ day delinquencies	\$ 28,064	\$ 137,447	\$ 92,810	\$	11,741
Fair value of loans with 90+ day delinquencies ⁽²⁾	\$ 15,623	N/A	\$ 81,326		N/A

Number of loans in foreclosure	2	10	34	59
Unpaid principal balance of loans in foreclosure ⁽³⁾	\$ 28,064	\$ 25,158	\$ 76,483	\$ 5,295
Fair value of loans in foreclosure ⁽³⁾	\$ 15,623	N/A	\$ 64,999	N/A
December 31, 2023				
(Dollars in Thousands)	Term at Redwood	Term at CAFL⁽¹⁾	Bridge at Redwood	Bridge at CAFL
Number of loans	38	1,055	925	1,912
Unpaid principal balance	\$ 152,213	\$ 3,194,131	\$ 1,360,957	\$ 756,574
Fair value of loans	\$ 144,359	\$ 2,971,725	\$ 1,341,618	\$ 762,596
Weighted average coupon	6.92 %	5.34 %	10.41 %	10.82 %
Weighted average remaining loan term (years)	7	5	1	1
Market value of loans pledged as collateral under short-term debt facilities	\$ 2,393	N/A	\$ 92,832	N/A
Market value of loans pledged as collateral under long-term debt facilities	\$ 122,541	N/A	\$ 1,205,366	N/A
<u>Delinquency information</u>				
Number of loans with 90+ day delinquencies ⁽²⁾	2	45	54	52
Unpaid principal balance of loans with 90+ day delinquencies	\$ 28,263	\$ 143,623	\$ 96,934	\$ 10,646
Fair value of loans with 90+ day delinquencies ⁽²⁾	\$ 16,822	N/A	\$ 86,137	N/A
Number of loans in foreclosure	2	7	36	47
Unpaid principal balance of loans in foreclosure ⁽³⁾	\$ 28,263	\$ 15,708	\$ 79,841	\$ 3,931
Fair value of loans in foreclosure ⁽³⁾	\$ 16,822	N/A	\$ 69,046	N/A

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Note 7. Residential Investor Loans - (continued)

Footnotes to Table 7.4

June 30, 2024				
(Dollars in Thousands)	Term at Redwood	Term at CAFL⁽¹⁾	Bridge at Redwood	Bridge at CAFL
<u>Unpaid principal balance</u>	\$ 228,059	\$ 2,946,186	\$ 1,266,729	\$ 680,187
<u>Average UPB of loans</u>	\$ 2,887	\$ 3,044	\$ 7,917	\$ 2,001
<u>Fair value of loans</u>	\$ 217,761	\$ 2,737,466	\$ 1,238,795	\$ 685,627
<u>Weighted average coupon</u>	7.20 %	5.34 %	10.19 %	10.59 %
<u>Weighted average remaining loan term (years)</u>	7	5	1	1
<u>Market value of loans pledged as collateral under debt facilities</u>	\$ 166,221	N/A	\$ 1,201,822	N/A
<u>Delinquency information</u>				
<u>Unpaid principal balance of loans with 90+ day delinquencies ⁽²⁾</u>	\$ 27,529	\$ 139,628	\$ 107,094	\$ 20,593
<u>Average UPB of 90+ days delinquent loans ⁽²⁾</u>	\$ 27,529	\$ 3,103	\$ 7,650	\$ 1,872
<u>Fair value of loans with 90+ day delinquencies ⁽²⁾</u>	\$ 14,750	N/A	\$ 94,730	N/A
<u>Unpaid principal balance of loans in foreclosure ⁽³⁾</u>	\$ 27,529	\$ 18,646	\$ 87,804	\$ 13,771
<u>Average UPB of loans in foreclosure ⁽³⁾</u>	\$ 27,529	\$ 2,664	\$ 7,317	\$ 1,967
<u>Fair value of loans in foreclosure ⁽³⁾</u>	\$ 14,750	N/A	\$ 76,299	N/A
December 31, 2023				
(Dollars in Thousands)	Term at Redwood	Term at CAFL⁽¹⁾	Bridge at Redwood	Bridge at CAFL
<u>Unpaid principal balance</u>	\$ 152,213	\$ 3,194,131	\$ 1,360,957	\$ 756,574
<u>Average UPB of loans</u>	\$ 4,006	\$ 3,028	\$ 8,453	\$ 2,162
<u>Fair value of loans</u>	\$ 144,359	\$ 2,971,725	\$ 1,341,618	\$ 762,596
<u>Weighted average coupon</u>	6.92 %	5.34 %	10.41 %	10.82 %
<u>Weighted average remaining loan term (years)</u>	7	5	1	1
<u>Market value of loans pledged as collateral under debt facilities</u>	\$ 124,934	N/A	\$ 1,298,198	N/A
<u>Delinquency information</u>				
<u>Unpaid principal balance of loans with 90+ day delinquencies ⁽²⁾</u>	\$ 28,263	\$ 143,623	\$ 96,934	\$ 10,646
<u>Average UPB of 90+ days delinquent loans ⁽²⁾</u>	\$ 14,132	\$ 3,192	\$ 5,702	\$ 1,774
<u>Fair value of loans with 90+ day delinquencies ⁽²⁾</u>	\$ 16,822	N/A	\$ 86,137	N/A

Unpaid principal balance of loans in foreclosure ⁽³⁾	\$	28,263	\$	15,708	\$	79,841	\$	3,931
Average UPB of loans in foreclosure ⁽³⁾	\$	14,132	\$	2,244	\$	5,323	\$	1,310
Fair value of loans in foreclosure ⁽³⁾	\$	16,822		N/A	\$	69,046		N/A

- (1) The fair value of the loans held by consolidated CAFL Term entities and one CAFL Bridge entity were 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 the accounting guidance for collateralized financing entities.
- (2) The number of loans 90+ days delinquent includes loans in foreclosure.
- (3) May include loans that are less than 90 days delinquent.

At March 31, 2024 and December 31, 2023, in addition to residential investor bridge and term loans that were 90 or more days delinquent, residential investor bridge loans with an aggregate unpaid principal balance of \$142 million and \$207 million, respectively, and an aggregate fair value of \$137 million and \$201 million, respectively, were on non-accrual status.

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Note 8. Residential Investor Loans - (continued)

The following table presents the unpaid principal balance of business purpose loans recorded on our consolidated balance sheets at March 31, 2024 June 30, 2024 by collateral/strategy type.

Table 7.5 8.5 – Residential Investor Loans Collateral/Strategy Type

March 31, 2024		Term at			
June 30, 2024	Term at Redwood	CAFL ⁽¹⁾	Term at Bridge at Redwood	CAFL ⁽¹⁾	Bridge at CAFL ⁽¹⁾
(Dollars in Thousands)	Term at Redwood	CAFL ⁽¹⁾	Bridge at Redwood	CAFL ⁽¹⁾	Bridge at CAFL ⁽¹⁾
Term					
Term					
Term					
Single family rental					
Single family rental					
Single family rental					
Multifamily					
Bridge					
Renovate / Build for Rent ("BFR") ⁽²⁾					
Renovate / Build for Rent ("BFR") ⁽²⁾					
Renovate / Build for Rent ("BFR") ⁽²⁾					
Single Asset Bridge ("SAB") ⁽³⁾					
Multifamily ⁽⁴⁾					
Third-Party Originated					
Total Residential Investor Loans					

- (1) The fair value of the loans held by consolidated CAFL Term entities and one CAFL Bridge entity were 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 GAAP for collateralized financing entities.
- (2) Includes loans to finance acquisition and/or stabilization of existing housing stock or to finance new construction of residential properties for rent.
- (3) Includes loans for light to moderate renovation of residential and small multifamily properties (generally less than 20 units).
- (4) Includes loans for predominantly light to moderate rehabilitation projects on multifamily properties.

Loan Modifications

We may amend or modify a loan depending on the loan's specific facts and circumstances. These loan modifications typically include amendments and restructuring and include terms such as additional time for the borrower to refinance or sell the collateral property, interest rate reductions and/or deferral of scheduled principal and/or interest payments. In some instances, a loan amendment or restructuring may bring the loan out of delinquent status. In exchange for a modification, we may receive a partial repayment of principal, a short-term accrual of capitalized interest for a portion of interest due, a capital infusion to replenish interest or capital improvement reserves and/or termination of all or a portion of the remaining unfunded loan commitment.

For the three and six months ended June 30, 2024, we modified residential investor loans with an aggregate unpaid principal balance of \$379 million and \$429 million, respectively, with an aggregate fair value of \$369 million and \$417 million, respectively. At the time of modification, the weighted average length of time these loans were past due was under three months for both the three and six months ended June 30, 2024. Of the modified loans for the three months ending June 30, 2024, \$43 million included loans in forbearance without a rate reduction and \$335 million included reductions in interest rates (including, in certain cases, deferrals of interest), among other terms, and in certain cases, combined with infusions of fresh capital from either the existing sponsor or new sources. For the three and six months ended June 30, 2024, the average length of maturity extensions granted on residential investor bridge loans was just under five months and seven months, respectively.

Nonaccrual Loans

Interest income is accrued on loans in the period the coupon interest is contractually earned until such time a loan is placed on non-accrual status.

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Note 8. Residential Investor Loans - (continued)

A loan is placed on non-accrual status when it is probable that all principal and interest due under the contractual terms will not be collected and a loan is past due more than 90 days. Income from non-accrual loans is generally recognized on a cash basis when it is received. At the time a loan is placed on non-accrual status, all previously accrued but uncollected interest is reversed against interest income and interest subsequently collected is recognized on a cash basis to the extent the loan balance is deemed collectible or until such time the loan qualifies to be placed back on accrual status.

Generally, a loan is placed back on accrual status when the loan becomes contractually current or the collection of past due and future payments is reasonably assured either through reinstatement by the borrower, estimated net equity in the underlying real estate property or both.

At June 30, 2024 and December 31, 2023, residential investor loans with an aggregate unpaid principal balance of \$324 million and \$340 million, respectively, and an aggregate fair value of \$290 million and \$312 million, respectively, were on non-accrual status. Of this balance, loans with an aggregate unpaid principal balance of \$204 million and \$207 million were less than 90 days past due (including loans that were contractually current) as of June 30, 2024 and December 31, 2023, respectively.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 8.9. Consolidated Agency Multifamily Loans

We invest in multifamily subordinate securities issued by a Freddie Mac K-Series securitization trust and consolidate the underlying multifamily loans owned by this entity for financial reporting purposes in accordance with GAAP. The following table summarizes the characteristics of the multifamily loans consolidated at Redwood at March 31, 2024 June 30, 2024 and December 31, 2023.

Table 8.19.1 – Characteristics of Consolidated Agency Multifamily Loans

(Dollars in Thousands)	(Dollars in Thousands)	March 31, 2024	December 31, 2023	(Dollars in Thousands)	June 30, 2024	December 31, 2023
Number of loans						
Unpaid principal balance						
Unpaid principal balance						
Unpaid principal balance						
Fair value of loans						
Weighted average coupon	Weighted average coupon	4.25 %	4.25 %	Weighted average coupon	4.25 %	4.25 %
Weighted average remaining loan term (years)	Weighted average remaining loan term (years)	1	2	Weighted average remaining loan term (years)	1	2

There were no consolidated agency multifamily loans with 90+ day delinquencies and no multifamily loans in foreclosure at March 31, 2024 June 30, 2024 and December 31, 2023.

The outstanding Consolidated Agency multifamily loans held-for-investment at the consolidated Freddie Mac K-Series entity at March 31, 2024 June 30, 2024 were first-lien, fixed-rate loans that were originated in 2015. The following table provides the activity of multifamily loans held-for-investment during the three and six months ended March 31, 2024 June 30, 2024 and 2023.

Table 8.2.9.2 – Activity of Consolidated Agency Multifamily Loans Held-for-Investment

		Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
(In Thousands)							
(In Thousands)							
		Three Months Ended June 30,		Six Months Ended June 30,			
(In Thousands)	(In Thousands)	2024	2023	2024	2023		
Net market valuation gains (losses) recorded ⁽¹⁾							
Net market valuation gains (losses) recorded ⁽¹⁾							
Net market valuation gains (losses) recorded ⁽¹⁾							

(1) Net market valuation gains (losses) on multifamily loans held-for-investment are recorded through Investment fair value changes, net on our consolidated statements of income. For loans held at our consolidated Freddie Mac K-Series entity, market value changes are based on the estimated fair value of the associated ABS issued, including securities we own, pursuant to collateralized financing entity guidelines. The net impact to our income statement associated with our economic investment in these securitization entities is presented in Table 4.2.15.2.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 9.10. Real Estate Securities

We invest in real estate securities that we create and retain from our **unconsolidated** Sequoia securitizations or acquire from third parties. The following table presents the fair values of our real estate securities by type at **March 31, 2024**, **June 30, 2024** and December 31, 2023.

Table 9.1.10.1 – Fair Value of Real Estate Securities by Type

(In Thousands)	(In Thousands)	March 31, 2024	December 31, 2023	(In Thousands)	June 30, 2024	December 31, 2023
Trading						
Available-for-sale						
Total Real Estate Securities						

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. 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. The following table presents the fair value of trading securities by position and collateral type at **March 31, 2024**, **June 30, 2024** and December 31, 2023.

Table 9.2.10.2 – Fair Value of Trading Securities by Position

(In Thousands)	(In Thousands)	March 31, 2024	December 31, 2023	(In Thousands)	June 30, 2024	December 31, 2023
Senior						
Interest-only securities ⁽¹⁾						
Interest-only securities ⁽¹⁾						
Interest-only securities ⁽¹⁾						
Total Senior						
Total Senior						
Total Senior						
Subordinate						
Subordinate						
Subordinate						
Multifamily securities						
Multifamily securities						
Multifamily securities						

Other third-party residential securities
Other third-party securities
Total Subordinate

Total Trading Securities

(1) Includes \$32 million and \$28 million of Sequoia certificated mortgage servicing rights at March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

The following table presents the unpaid principal balance of trading securities by position and collateral type at March 31, 2024 June 30, 2024 and December 31, 2023.

Table 9.3 10.3 – Unpaid Principal Balance of Trading Securities by Position

(In Thousands)	(In Thousands)	March 31, 2024	December 31, 2023	(In Thousands)	June 30, 2024	December 31, 2023
Senior ⁽¹⁾						
Subordinate						
Subordinate						
Subordinate						
Total Trading Securities						

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

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 9. 10. Real Estate Securities - (continued)

The following table provides the activity of trading securities during the three and six months ended March 31, 2024 June 30, 2024 and 2023.

Table 9.4 10.4 – Trading Securities Activity

		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
(In Thousands)	(In Thousands)				
(In Thousands)	(In Thousands)				
(In Thousands)	(In Thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
(In Thousands)	(In Thousands)	2024	2023	2024	2023
Fair value of securities acquired					
Fair value of securities acquired					
Fair value of securities acquired					
Fair value of securities sold					
Fair value of securities sold					
Fair value of securities sold					
Net market valuation gains (losses) recorded ⁽¹⁾					
Net market valuation gains (losses) recorded ⁽¹⁾					
Net market valuation gains (losses) recorded ⁽¹⁾					

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

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 10. Real Estate Securities - (continued)

AFS Securities

The following table presents the fair value of our available-for-sale ("AFS") securities by position and collateral type at March 31, 2024 June 30, 2024 and December 31, 2023.

Table 9.5 10.5 – Fair Value of Available-for-Sale Securities by Position

(In Thousands)	(In Thousands)	March 31, 2024	December 31, 2023	(In Thousands)	June 30, 2024	December 31, 2023
Senior						
Other third-party securities						
Other third-party securities						
Other third-party securities						
Total Senior						
Mezzanine						
Multifamily securities						
Mezzanine						
Multifamily securities						
Mezzanine						
Other third-party securities						
Other third-party securities						
Multifamily securities						
Other third-party securities						
Total Mezzanine						
Subordinate						
Sequoia securities						
Sequoia securities						
Sequoia securities						
Multifamily securities						
Other third-party securities						
Total Subordinate						
Total AFS Securities						

The following table provides the activity of available-for-sale securities during the three and six months ended March 31, 2024, June 30, 2024 and 2023.

Table 9.6 10.6 – Available-for-Sale Securities Activity

		Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
(In Thousands)							
(In Thousands)							
		Three Months Ended June 30,		Six Months Ended June 30,			
(In Thousands)	(In Thousands)	2024	2023	2024	2023		
Fair value of securities acquired							
Fair value of securities acquired							
Fair value of securities acquired							
Fair value of securities sold							
Fair value of securities sold							
Fair value of securities sold							
Principal balance of securities called							
Principal balance of securities called							
Principal balance of securities called							

Net unrealized gains (losses) on AFS securities ⁽¹⁾

Net unrealized gains (losses) on AFS securities ⁽¹⁾

Net unrealized gains (losses) on AFS securities ⁽¹⁾

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

At March 31, 2024, June 30, 2024, we had \$4 million \$26 million of AFS securities with contractual maturities less than five years, \$7 million \$4 million with contractual maturities greater than five years but less than ten years, and the remainder of our AFS securities had contractual maturities greater than ten years.

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

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Note 9. Real Estate Securities - (continued)

believe that principal losses will exceed the purchase discount. We designate any amount of unpaid principal balance that we do not expect to receive and thus do not expect to earn or recover as a credit reserve on the security. Any remaining net unamortized discounts or premiums on the security are amortized into income over time using the effective yield method.

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Note 10. Real Estate Securities - (continued)

The following table presents the components of carrying value (which equals fair value) of AFS securities at March 31, 2024 June 30, 2024 and December 31, 2023.

Table 9.7 10.7 – Carrying Value of AFS Securities

June 30, 2024
June 30, 2024
June 30, 2024
(In Thousands)
(In Thousands)
(In Thousands)
Principal balance
Principal balance
Principal balance
Credit reserve
Credit reserve
Credit reserve
Unamortized discount, net
Unamortized discount, net
Unamortized discount, net
Amortized cost
Amortized cost
Amortized cost
Gross unrealized gains
Gross unrealized gains
Gross unrealized gains
Gross unrealized losses
Gross unrealized losses
Gross unrealized losses
CECL allowance
CECL allowance
CECL allowance
Carrying Value
Carrying Value
Carrying Value

March 31, 2024

December 31, 2023

December 31, 2023							
(In Thousands)	Senior		Mezzanine		Subordinate		Total
Principal balance	\$	—	\$	—	\$	149,956	\$ 149,956
Credit reserve		—		—		(23,436)	(23,436)
Unamortized discount, net		—		—		(46,885)	(46,885)
Amortized cost		—		—		79,635	79,635
Gross unrealized gains		—		—		16,973	16,973
Gross unrealized losses		—		—		(6,753)	(6,753)
CECL allowance		—		—		(2,482)	(2,482)
Carrying Value	\$	—	\$	—	\$	87,373	\$ 87,373

The following table presents the changes for the three and six months ended March 31, 2024 June 30, 2024, in unamortized discount and designated credit reserves on residential AFS securities.

Table 9.8 10.8 – Changes in Unamortized Discount and Designated Credit Reserves on AFS Securities

	Three Months Ended March 31, 2024		Three Months Ended March 31, 2024		Three Months Ended March 31, 2024	
			Three Months Ended June 30, 2024		Six Months Ended June 30, 2024	
	Credit Reserve		Credit Reserve	Unamortized Discount, Net	Credit Reserve	Unamortized Discount, Net
(In Thousands)	Credit Reserve	Credit Reserve				
(In Thousands)						
(In Thousands)						
Beginning balance						
Beginning balance						
Beginning balance						
Amortization of net discount						
Amortization of net discount						
Amortization of net discount						
Realized credit recoveries (losses), net						
Realized credit recoveries (losses), net						
Realized credit recoveries (losses), net						
Acquisitions						
Acquisitions						
Acquisitions						
Sales, calls, other						
Sales, calls, other						
Sales, calls, other						
Transfers to (release of) credit reserves, net						
Transfers to (release of) credit reserves, net						
Transfers to (release of) credit reserves, net						
Ending Balance						
Ending Balance						
Ending Balance						

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Note 10. 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 **March 31, 2024**, **June 30, 2024** and December 31, 2023.

Table 9.9 10.9 – 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
March 31, 2024	\$ 2,851	\$ (2)	\$ 21,416	\$ (4,878)
December 31, 2023	2,374	(128)	27,299	(6,625)

REDWOOD TRUST, INC. AND SUBSIDIARIES

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Note 9. Real Estate Securities - (continued)

(In Thousands)	Less Than 12 Consecutive Months		12 Consecutive Months or Longer	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2024	\$ 10,084	\$ (97)	\$ 21,406	\$ (5,252)
December 31, 2023	2,374	(128)	27,299	(6,625)

At **March 31, 2024** **June 30, 2024**, after giving effect to purchases, sales, and extinguishment due to credit losses, our consolidated balance sheets included **69** **76** AFS securities, of which **13** **16** were in an unrealized loss position and 12 were in a continuous unrealized loss position for 12 consecutive months or longer. At December 31, 2023, our consolidated balance sheets included 66 AFS securities, of which 21 were in an unrealized loss position and 19 were in a continuous unrealized loss position for 12 consecutive months or longer.

Evaluating AFS Securities for Credit Losses

Gross unrealized losses on our AFS securities were \$5 million at **March 31, 2024** **June 30, 2024**. 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 **March 31, 2024** **June 30, 2024**, 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 **March 31, 2024** **June 30, 2024**, our current expected credit loss ("CECL") allowance related to our AFS securities was **\$2 million** **\$1 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 **March 31, 2024** **June 30, 2024**.

Table 9.10 10.10 – Significant Credit Quality Indicators

March 31, June 30, 2024	Subordinate Securities
Default rate	0.8%
Loss severity	20%

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Note 9.10. Real Estate Securities - (continued)

The following table details the activity related to the allowance for credit losses for AFS securities for the three and six months ended March 31, 2024 June 30, 2024.

Table 9.11 10.11 – Rollforward of Allowance for Credit Losses

(In Thousands)	Three Months Ended March 31, 2024	
Beginning balance allowance for credit losses	\$	2,482
Additions to allowance for credit losses on securities for which credit losses were not previously recorded		—
Additional increases (or decreases) to the allowance for credit losses on securities that had an allowance recorded in a previous period		(629)
Reduction to allowance for securities sold during the period		—
Ending balance of allowance for credit losses	\$	1,853

(In Thousands)	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024
Beginning balance allowance for credit losses	\$ 1,853	\$ 2,482
Additions to allowance for credit losses on securities for which credit losses were not previously recorded	—	—
Additional increases (or decreases) to the allowance for credit losses on securities that had an allowance recorded in a previous period	(514)	(1,143)
Reduction to allowance for securities sold during the period	—	—
Ending balance of allowance for credit losses	\$ 1,339	\$ 1,339

Gains and losses from the sale of AFS securities are recorded as Realized gains, net, in our consolidated statements of income. During the three six months ended March 31, 2024 June 30, 2024, we did not sell any AFS securities. During securities relative to the three six months ended March 31, 2023 June 30, 2023, in which we realized gains of \$1 million on sales of AFS securities.

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Note 10.11. Home Equity Investments (HEI)

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

As discussed in Note 3 At June 30, 2024, we co-sponsored two HEI securitization transactions. We consolidate these HEI securitization entities that we consolidated in accordance with GAAP, and have elected to account for them under the CFE election. As such, market valuation changes for the securitized HEI are based on the estimated fair value of the associated ABS issued by the entity, including the interest we own, and are reported in HEI income, net on our Consolidated statements of income.

The following table presents our HEI at March 31, 2024 June 30, 2024 and December 31, 2023.

Table 10.1 11.1 – Home Equity Investments

(In Thousands)	(In Thousands)	March 31, 2024	December 31, 2023	(In Thousands)	June 30, 2024	December 31, 2023
HEI at Redwood						
HEI held at consolidated HEI securitization entities						
Total Home Equity Investments						

The following table details our HEI activity during the three and six months ended March 31, 2024 June 30, 2024 and 2023.

Table 10.2 11.2 – Activity of HEI

(In Thousands)	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023	
	Three Months Ended June 30, 2024		Three Months Ended June 30, 2023	
	(In Thousands)	HEI at Redwood	Securitized HEI	HEI at Redwood
Securitized HEI	(In Thousands)	HEI at Redwood	Securitized HEI	HEI at Redwood
Fair value of HEI purchased and originated				
Fair value of HEI transferred				
Net market valuation gains (losses) recorded				

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

(In Thousands)	Six Months Ended June 30, 2024		Six Months Ended June 30, 2023	
	HEI at Redwood	Securitized HEI	HEI at Redwood	Securitized HEI
Fair value of HEI purchased and originated	\$ 606	\$ —	\$ 25,513	\$ —
Net market valuation gains (losses) recorded	17,806	32,453	12,308	4,206

The following table provides the components of HEI income, net for the three and six months ended **March 31, 2024** **June 30, 2024** and 2023, and reflect net market valuation gains (losses) recorded on HEI at Redwood and on securitized HEI, net of the third party and non-controlling interests in the HEI securitizations that are not owned by Redwood.

Table 10.3 11.3 – Components of HEI Income, net

(In Thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net market valuation gains (losses) recorded on HEI at Redwood	\$ 6,143	\$ 3,840
Net market valuation gains (losses) recorded on Securitized HEI	15,424	1,068
Net market valuation gains (losses) recorded on ABS Issued from HEI securitizations ⁽¹⁾	(7,409)	126
Net market valuation gains (losses) recorded on non-controlling interests in HEI securitizations	(5,127)	(769)
Total HEI income, net	\$ 9,031	\$ 4,265

(In Thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023
Net market valuation gains recorded on HEI at Redwood	\$ 11,663	\$ 8,468
Net market valuation gains recorded on Securitized HEI	17,029	3,138
Net market valuation (losses) recorded on ABS Issued from HEI securitizations ⁽¹⁾	(5,472)	(1,888)
Net market valuation (losses) recorded on non-controlling interests in HEI securitizations	(7,381)	(797)
Total HEI income, net	\$ 15,839	\$ 8,921

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Note 11. Home Equity Investments (HEI) - (continued)

(In Thousands)	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Net market valuation gains recorded on HEI at Redwood	\$ 17,806	\$ 12,308
Net market valuation gains recorded on Securitized HEI	32,453	4,206
Net market valuation (losses) recorded on ABS Issued from HEI securitizations ⁽¹⁾	(12,881)	(1,762)
Net market valuation (losses) recorded on non-controlling interests in HEI securitizations	(12,508)	(1,566)
Total HEI income, net	\$ 24,870	\$ 13,186

(1) Amount includes interest expense associated with ABS issued, which totaled \$3 million and \$1 million for the three and six months ended March 31, 2024 June 30, 2024 and 2023, respectively.

The following tables summarizes the characteristics of our HEI at March 31, 2024 June 30, 2024 and December 31, 2023.

Table 10.4 11.4 – HEI Characteristics

		March 31, 2024	December 31, 2023							
		June 30, 2024	December 31, 2023							
(Dollars in Thousands)	(Dollars in Thousands)	HEI at Redwood	Securitized HEI	HEI at Redwood	Securitized HEI	(Dollars in Thousands)	HEI at Redwood	Securitized HEI	HEI at Redwood	Securitized HEI
Number of HEI contracts										
Average initial amount of contract										

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Note 11. 12. Other Investments

Other investments at March 31, 2024 June 30, 2024 and December 31, 2023 are summarized in the following table.

Table 11.1 12.1 – Components of Other Investments

(In Thousands)	(In Thousands)	March 31, 2024	December 31, 2023	(In Thousands)	June 30, 2024	December 31, 2023
Servicer advance investments						
Strategic investments						
Excess MSR						
Mortgage servicing rights						
MSRs						
Other						
Other						
Other						
Total Other Investments						

Servicer advance investments

We and a third-party co-investor, through two partnerships ("SA Buyers") consolidated by us, purchased the outstanding servicer advances and excess MSR related to portfolios of legacy residential mortgage-backed securitizations serviced by the co-investor. Refer to Note 11 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2023 for additional information regarding the transactions.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 11. Other Investments - (continued)

We account for our servicer advance investments at fair value. At March 31, 2024 June 30, 2024, our servicer advance investments had a carrying fair value of \$216 million \$227 million and were associated with specified pools of residential mortgage loans with an unpaid principal balance of \$9.92 billion \$9.64 billion. The outstanding servicer advance receivables associated with these investments were \$176 million at March 31, 2024 June 30, 2024, which were financed with short-term, non-recourse securitization debt. See Note 14 17 for additional detail on this debt. The servicer advance receivables were comprised of the following types of advances at March 31, 2024 June 30, 2024 and December 31, 2023.

Table 11.2 12.2 – Components of Servicer Advance Receivables

(In Thousands)	(In Thousands)	March 31, 2024	December 31, 2023	(In Thousands)	June 30, 2024	December 31, 2023
Principal and interest advances						
Escrow advances (taxes and insurance advances)						
Corporate advances						
Total Servicer Advance Receivables						

We account for our servicer advance investments at fair value and during During the three six months ended March 31, 2024 June 30, 2024, we received \$9 million in repayments on our servicer advance investments. During the three and six months ended June 30, 2024 we recorded \$5 million and \$10 million of interest income, respectively, through Other interest income, and recorded a net market valuation loss gains of \$1 million \$12 million and \$11 million, respectively, through Investment fair value changes, net in our consolidated statements of income.

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 residential mortgage-backed securitizations. Additionally, we own excess MSRs associated with specified pools of multifamily loans. We account for our excess MSRs at fair value and during the three and six months ended June 30, 2024, we recognized \$3 million and \$7 million, respectively, of interest income through Other interest income and we recorded net market valuation losses of \$1 million and \$3 million, respectively, through Investment fair value changes, net on our consolidated statements of income.

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Note 12. Other Investments - (continued)

Mortgage Servicing Rights

We invest in mortgage servicing rights associated with residential mortgage loans and contract with licensed sub-servicers to perform all servicing functions for these loans. The majority of our investments in 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 or to unconsolidated Sequoia securitization entities. During the three and six months ended June 30, 2024, we retained MSRs associated with loans with an aggregate principal balance of \$1 million and \$10 million from sales of residential loans to third parties. We hold our MSR investments at our taxable REIT subsidiaries.

We account for our MSRs at fair value. At June 30, 2024 and December 31, 2023, our MSRs had a fair value of \$29 million and \$25 million, respectively, and were associated with loans with an aggregate principal balance of \$1.95 billion and \$2.03 billion, respectively. During the three and six months ended June 30, 2024, including net market valuation gains and losses on our MSRs, we recorded net income related to our MSRs of \$4 million and \$8 million, respectively, through Other income on our consolidated statements of income.

Strategic Investments

Strategic investments represent investments we made in companies either through our RWT Horizons venture investment platform or separately at a corporate level. At March 31, 2024 June 30, 2024, we had made a total of 36 39 investments in companies through RWT Horizons with a total carrying value of \$22 million, as well as seven eight corporate-level investments, investments with a total carrying value of \$37 million. For both the three and six months ended March 31, 2024 June 30, 2024, we recognized a net market valuation gain losses of \$1 million on our strategic investments through Investment fair value changes, net in our consolidated statements of income, largely driven by one of the portfolio companies completing a Series A capital raising transaction during the first quarter of 2024. income.

In the second quarter of 2023, we established a joint venture with Oaktree Capital Management L.P. ("Oaktree"), a global investment manager, to invest in residential investor bridge loans originated by our CoreVest subsidiary. During the three months ended March 31, 2024, we sold \$52 million of residential investor bridge loans, net of \$15 million of construction draws, to the joint venture and at March 31, 2024 At June 30, 2024, the carrying value of our investment in the joint venture was \$5 \$6 million. We account for our investment in the joint venture under the equity method of accounting as we have a 20% non-controlling interest, but are deemed to be able to exert significant influence over the affairs of the joint venture. We adjust the carrying value of our equity method investment for our share of earnings or losses, dividends or return of capital on a quarterly basis.

Excess MSRs

In association with our servicer advance investments described above, we (through our consolidated SA Buyers) invested in excess MSRs associated with the same portfolio of legacy residential mortgage-backed securitizations. Additionally, we own excess MSRs associated with specified pools of multifamily loans. We account for our excess MSRs at fair value and during For both the three and six months ended March 31, 2024 June 30, 2024, we recognized \$3 million net equity method earnings of interest income \$0.2 million and \$0.3 million, respectively, through Other interest income, and we recorded net market valuation losses of \$1 million through Investment fair value changes, net on in our consolidated statements of income.

Mortgage Servicing Rights

We In the first quarter of 2024, we established a joint venture with CPP Investments to invest in mortgage servicing rights associated with residential mortgage investor bridge and term loans originated by us. In June 2024, we made an investment in the joint venture of \$1 million. We account for our investment in the joint venture under the equity method of accounting as we have a minority non-controlling interest approximating 20% across both Redwood's direct equity capital contribution to joint venture entities and contract with licensed sub-servicers joint venture co-investments to perform all servicing functions for these loans. The majority be held in Redwood's investment portfolio, but we are deemed to be able to exert significant influence over the affairs of the joint venture. We adjust the carrying value of our investments in MSR were made through the retention equity method investment for our share of servicing rights associated with the earnings or losses, dividends or return of capital on a quarterly basis.

See Note 8 for further information on residential jumbo mortgage bridge loans that we acquired and subsequently sold to third parties. During the three months ended March 31, 2024, we retained MSRs with an aggregate unpaid principal balance of \$9 million from sales of residential loans to third parties. We hold our MSR investments at our taxable REIT subsidiaries. these joint ventures.

REDWOOD TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 11. Other Investments - (continued)

At March 31, 2024 and December 31, 2023, our MSRs had a fair value of \$27 million and \$25 million, respectively, and were associated with loans with an aggregate principal balance of \$2.00 billion and \$2.19 billion, respectively. During the three months ended March 31, 2024, including net market valuation gains and losses on our MSRs, we recorded net income related to our MSRs of \$4 million through Other income on our consolidated statements of income.

Note 12. 13. Derivative Financial Instruments

The following table presents the fair value and notional amount of our derivative financial instruments at March 31, 2024 June 30, 2024 and December 31, 2023.

Table 12.1 13.1 – Fair Value and Notional Amount of Derivative Financial Instruments

	March 31, 2024		December 31, 2023						
	June 30, 2024		December 31, 2023						
(In Thousands)	Fair Value	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount
Assets - Risk Management Derivatives									
Assets - Risk Management Derivatives									
Assets - Risk Management Derivatives									
Interest rate swaps									
Interest rate swaps									
Interest rate swaps									
TBAs									
Interest rate futures									
Swaptions									
Swaptions									
Swaptions									
Assets - Other Derivatives									
Assets - Other Derivatives									
Assets - Other Derivatives									
Loan purchase commitments									
Loan purchase commitments									
Loan purchase commitments									
Loan purchase and interest rate lock commitments									
Loan purchase and interest rate lock commitments									
Loan purchase and interest rate lock commitments									
Total Assets									
Total Assets									
Total Assets									
Liabilities - Risk Management Derivatives									
Liabilities - Risk Management Derivatives									

Liabilities - Risk Management Derivatives

TBAs

TBAs

TBAs

Interest rate futures

Liabilities - Other Derivatives

Loan purchase commitments

Loan purchase commitments

Loan purchase commitments

Total Liabilities

Total Liabilities

Total Liabilities

Total Derivative Financial Instruments, Net

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 **March 31, 2024** **June 30, 2024**, we were party to interest rate swaptions with an absolute aggregate notional amount of \$3.08 billion, TBA agreements with an absolute aggregate notional amount of \$1.04 billion, and interest rate futures contracts with an absolute aggregate notional amount of **\$1.23 billion** **\$427 million**. At December 31, 2023, we were party to interest rate swaps and swaptions with an absolute aggregate notional amount of \$50 million, futures with an absolute aggregate notional amount of \$142 million and TBA agreements with an absolute aggregate notional amount of \$1.79 billion.

For the three and six months ended **March 31, 2024** and **2023**, **June 30, 2024**, risk management derivatives had net market valuation gains/losses of \$10 million and losses/gains of **\$17 million**, **\$0.1 million**, respectively. These market valuation gains and losses are recorded in Mortgage banking activities, net and Investment fair value changes, net on our consolidated statements of income.

Loan Purchase and Interest Rate Lock Commitments

Loan purchase commitments ("LPCs") and interest rate lock commitments ("IRLCs") that qualify as derivatives are recorded at their estimated fair values. For the three and six months ended **March 31, 2024** **June 30, 2024**, LPCs and IRLCs had net market valuation losses/gains of **\$6 million** **\$8 million** and **\$2 million**, respectively, which were recorded in Mortgage banking activities, net on our consolidated statements of income. For both the three and six months ended **March 31, 2023** **June 30, 2023**, LPCs had net market valuation losses/gains of **\$0.2 million** **\$2 million**, which were recorded in Mortgage banking activities, net on our consolidated statements of income.

REDWOOD TRUST, INC. AND SUBSIDIARIES

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Note 12, 13. Derivative Financial Instruments - (continued)

Derivatives Designated as Cash Flow Hedges

For interest rate agreements previously designated as cash flow hedges, our total unrealized loss reported in Accumulated other comprehensive loss was **\$67 million** **\$66 million** and **\$68 million** at **March 31, 2024** **June 30, 2024** and December 31, 2023, respectively. We are amortizing this loss into interest expense over the remaining term of our trust preferred securities and subordinated notes. For both of the three and six months ended **March 31, 2024** **June 30, 2024** and 2023, we reclassified **\$1 million** and **\$2 million**, respectively, of realized net losses from Accumulated other comprehensive loss into Interest expense. As of **March 31, 2024** **June 30, 2024**, we expect to amortize \$4 million of realized losses related to terminated cash flow hedges into interest expense over the next twelve months.

Derivative Counterparty Credit Risk

As discussed in our Annual Report on Form 10-K for the year ended December 31, 2023, we consider counterparty risk as part of our fair value assessments of all derivative financial instruments at each quarter-end. At **March 31, 2024** **June 30, 2024**, we assessed this risk as remote and did not record an associated specific valuation adjustment. At **March 31, 2024** **June 30, 2024**, we were in compliance with our derivative counterparty ISDA agreements.

Balance Sheet Netting

Certain of our derivatives and debt obligations 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 balance sheets. However, we do not elect to report any of these financial assets or liabilities on a net basis, and instead present them on a gross basis on our consolidated balance sheets.

REDWOOD TRUST, INC. AND SUBSIDIARIES

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Note 13. Derivative Financial Instruments - (continued)

The following table presents financial assets and liabilities that are subject to master netting arrangements or similar agreements categorized by financial instrument, together with the corresponding financial instruments and corresponding collateral received or pledged at June 30, 2024 and December 31, 2023.

Table 13.2 – Offsetting of Financial Assets, Liabilities, and Collateral

				Gross Amounts Not Offset in Consolidated Balance Sheet ⁽¹⁾			Net Amount
	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Assets (Liabilities) Presented in Consolidated Balance Sheet	Financial Instruments	Cash Collateral (Received) Pledged		
June 30, 2024 (In Thousands)							
Assets ⁽²⁾							
Interest rate agreements	\$ 40,298	\$ —	\$ 40,298	\$ —	\$ (40,298)		\$ —
TBAs	1,778	—	1,778	(145)	(711)		922
Futures	457	—	457	(457)	—		—
Total Assets	\$ 42,533	\$ —	\$ 42,533	\$ (602)	\$ (41,009)		\$ 922
Liabilities ⁽²⁾							
TBAs	\$ (923)	\$ —	\$ (923)	\$ 145	\$ 778		\$ —
Futures	(2,717)	—	(2,717)	457	2,260		—
Loan warehouse debt	(617,169)	—	(617,169)	617,169	—		—
Total Liabilities	\$ (620,809)	\$ —	\$ (620,809)	\$ 617,771	\$ 3,038		\$ —
				Gross Amounts Not Offset in Consolidated Balance Sheet ⁽¹⁾			Net Amount
	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Consolidated Balance Sheet	Net Amounts of Assets (Liabilities) Presented in Consolidated Balance Sheet	Financial Instruments	Cash Collateral (Received) Pledged		
December 31, 2023 (In Thousands)							
Assets ⁽²⁾							
Interest rate agreements	\$ 1,742	\$ —	\$ 1,742	\$ —	\$ —		\$ 1,742
TBAs	952	—	952	(952)	—		—
Futures	—	—	—	—	—		—
Total Assets	\$ 2,694	\$ —	\$ 2,694	\$ (952)	\$ —		\$ 1,742
Liabilities ⁽²⁾							
TBAs	\$ (27,020)	\$ —	\$ (27,020)	\$ 952	\$ 25,484		\$ (584)
Futures	(3,394)	—	(3,394)	—	3,394		—
Loan warehouse debt	(471,900)	—	(471,900)	471,900	—		—
Total Liabilities	\$ (502,314)	\$ —	\$ (502,314)	\$ 472,852	\$ 28,878		\$ (584)

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

(2) Interest rate agreements, TBAs and futures are components of derivative instruments on our consolidated balance sheets. Loan warehouse debt, which is secured by certain Residential consumer and Residential investor loans, is a component of Debt obligations on our consolidated balance sheets.

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Note 13. Derivative Financial Instruments - (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.

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Note 14. Other Assets and Liabilities

Other Assets

Other assets at March 31, 2024, June 30, 2024 and December 31, 2023 are summarized in the following table.

Table 13.1 14.1 – Components of Other Assets

(In Thousands)	(In Thousands)	March 31, 2024	December 31, 2023	(In Thousands)	June 30, 2024	December 31, 2023
REO						
Real estate owned						
Accrued interest receivable						
Investment receivable						
Deferred tax asset						
Intangible assets						
Goodwill						
Operating lease right-of-use assets						
Margin receivable						
Operating lease right-of-use assets						
Fixed assets and leasehold improvements ⁽¹⁾						
Income tax receivables						
Other						
Other						
Other						
Total Other Assets						

(1) Fixed assets and leasehold improvements had a basis of \$18 million and accumulated depreciation of \$10 million \$11 million at March 31, 2024, June 30, 2024.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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Note 13, 14. Other Assets and Liabilities - (continued)

Accrued expenses REO

The Company holds REO at the lower of the current carrying amount or fair value less estimated selling costs. The following table summarizes the activity and other liabilities carrying values of REO assets held at March 31, 2024, Redwood and December 31, 2023 are summarized in at consolidated Sequoia, Freddie Mac SLST, and CAFL entities during the following table, six months ended June 30, 2024.

Table 13.2 14.2 – Components REO Activity

(In Thousands)	Six Months Ended June 30, 2024					
	Bridge ⁽¹⁾	Sequoia	Freddie Mac SLST	Term at CAFL	Total	
Balance at beginning of period	\$ 87,757	\$ —	\$ 3,158	\$ 2,684	2684	93,599

Transfers to REO	3,951	—	1,300	8,582	13,833
Liquidations ⁽²⁾	(127)	—	(2,334)	—	(2,461)
Changes in fair value, net	(5,489)	—	403	—	(5,086)
Balance at End of Period	\$ 86,092	\$ —	\$ 2,527	\$ 11,266	\$ 99,885

(1) Includes REO held at Redwood and within consolidated CAFL Bridge securitization entities.

(2) For the six months ended June 30, 2024, REO market valuation adjustments and liquidations resulted in net valuation losses of **Accrued Expenses** \$3 million, which were recorded in Investment fair value changes, net on our consolidated statements of income.

The following table provides detail on the numbers of REO assets at Redwood and **Other Liabilities** at consolidated Sequoia, Freddie Mac SLST, and CAFL entities at June 30, 2024 and December 31, 2023.

(In Thousands)	March 31, 2024	December 31, 2023
Payable to noncontrolling interests	\$ 86,860	\$ 81,177
Accrued interest payable	60,925	52,755
Accrued compensation	18,529	28,140
Operating lease liabilities	13,659	14,725
Unsettled trades	13,404	—
Accrued operating expenses	9,265	5,527
Guarantee obligations	5,650	5,781
Residential consumer loan and MSR repurchase reserve	4,878	4,700
Current accounts payable	4,481	4,992
Bridge loan holdbacks	2,185	2,059
Preferred stock dividends payable	1,478	1,478
Margin payable	—	350
Other	19,877	15,119
Total Accrued Expenses and Other Liabilities	\$ 241,191	\$ 216,803

Table 14.3 – REO Assets

Number of REO assets	Redwood Bridge	Sequoia	Freddie Mac SLST	Term at CAFL	Total
At June 30, 2024	22	—	20	4	46
At December 31, 2023	16	—	28	1	45

Investment Receivable

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

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Note 14. Other Assets and Liabilities - (continued)

Intangible Assets and Goodwill

On July 1, 2022, we acquired Riverbend Funding LLC ("Riverbend"), a private mortgage lender to residential transitional and commercial real estate investors. Refer to *Note 2* of our Annual Report on Form 10-K for the year ended December 31, 2023 for additional information regarding this acquisition, including purchase price allocations. Additionally, in 2019 we acquired 5 Arches and CoreVest, originators of residential investor loans. In connection with these acquisitions, we identified and recorded finite-lived intangible assets totaling \$95 million. Intangible Assets are included in Other Assets on our Consolidated Balance Sheets.

The table below presents the amortization period and carrying value of our intangible assets, net of accumulated amortization at June 30, 2024.

Table 14.4 – Intangible Assets – Activity

(Dollars in Thousands)	Intangible Assets at Acquisition	Accumulated Amortization at June 30, 2024	Carrying Value at June 30, 2024	Weighted Average Amortization Period (in years)
Borrower network	\$ 56,300	\$ (33,612)	\$ 22,688	7
Broker network	18,100	(18,100)	—	5

Non-compete agreements	11,400	(10,767)	633	3
Tradenames	4,400	(4,267)	133	3
Developed technology	1,800	(1,800)	—	2
Loan administration fees on existing loan assets	2,600	(2,600)	—	1
Total	\$ 94,600	\$ (71,146)	\$ 23,454	6

All of our intangible assets are amortized on a straight-line basis. For the six months ended June 30, 2024, we recorded intangible asset amortization expense of \$5 million. For the six months ended June 30, 2023, we recorded intangible asset amortization expense of \$6 million. Estimated future amortization expense is summarized in the table below.

Table 14.5 – Intangible Asset Amortization Expense by Year

(In Thousands)	June 30, 2024
2024 (6 months)	\$ 4,406
2025	8,426
2026	6,694
2027	1,571
2028 and thereafter	2,357
Total Future Intangible Asset Amortization	\$ 23,454

On a quarterly basis, we evaluate our finite-lived intangible assets for impairment indicators and additionally evaluate the useful lives of our intangible assets to determine if revisions to the remaining periods of amortization are warranted. We reviewed our finite-lived intangible assets and determined that the estimated lives were appropriate and that there were no indicators of impairment at June 30, 2024.

Goodwill is tested for impairment annually or more frequently if indicators of impairment exist. We have elected to make the first day of our fiscal fourth quarter as the annual impairment assessment date for goodwill. We recorded total goodwill of \$23 million as a result of the total consideration exceeding the fair value of the net assets acquired from Riverbend. For reporting purposes, we included the intangible assets and goodwill from the Riverbend acquisition within our Residential Investor Mortgage Banking segment. There were no changes to the balance of goodwill during the three and six months ended June 30, 2024.

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Note 14. Other Assets and Liabilities - (continued)

The potential liability resulting from the contingent consideration arrangement with Riverbend was recorded at its acquisition-date fair value of zero as part of the total consideration for the acquisition of Riverbend. At June 30, 2024, the estimated fair value of this contingent liability was zero on our consolidated balance sheets. Our contingent consideration liability is recorded at fair value and periodic changes in the estimated fair value are recorded through Other expenses on our consolidated statements of income. During the six months ended June 30, 2024, we did not record any contingent consideration income or expense related to our acquisition of Riverbend. See Note 18 for additional information on our contingent consideration liability.

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

See Note 18 for additional information on leases.

Margin Receivable and Payable

Margin receivable and payable resulted from margin calls between us and our counterparties under derivatives, master repurchase agreements, and warehouse facilities, whereby we or the counterparty posted collateral. We met all margin calls due through March 31, 2024 June 30, 2024.

Operating Lease Right-of-Use Assets Accrued Expenses and Operating Lease Other Liabilities

See Accrued expenses and other liabilities at Note 17 June 30, 2024 for additional information on leases.

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Note 13. Other Assets and Liabilities - (continued)

REO

The December 31, 2023 are summarized in the following table summarizes the activity and carrying values of REO assets held at Redwood and at consolidated Legacy Sequoia, Freddie Mac SLST, and CAFL entities during the three months ended March 31, 2024. table.

Table 13.3 14.6 – REO Activity Components of Accrued Expenses and Other Liabilities

(In Thousands)	Three Months Ended March 31, 2024				
	Bridge ⁽¹⁾	Legacy Sequoia	Freddie Mac SLST	Term at CAFL	Total
Balance at beginning of period	\$ 87,757	\$ —	\$ 3,158	\$ 2,684	\$ 93,599
Transfers to REO	803	—	1,043	—	1,846
Liquidations ⁽²⁾	(126)	—	(1,386)	—	(1,512)
Changes in fair value, net	(2,983)	—	363	—	(2,620)
Balance at End of Period	\$ 85,451	\$ —	\$ 3,178	\$ 2,684	\$ 91,313

(In Thousands)	June 30, 2024	December 31, 2023
Payable to noncontrolling interests	\$ 97,215	\$ 81,177
Accrued interest payable	60,060	52,755
Margin payable	44,583	350
Accrued compensation	21,570	28,140
Operating lease liabilities	12,656	14,725
Accrued operating expenses	9,321	5,527
Current accounts payable	4,698	4,992
Guarantee obligations	4,649	5,781
Accrued taxes payable	4,078	—
Unsettled trades	3,859	—
Residential consumer loan and MSR repurchase reserve	3,631	4,700
Bridge loan holdbacks ⁽¹⁾	2,148	2,059
Preferred stock dividends payable	1,478	1,478
Other	24,290	15,119
Total Accrued Expenses and Other Liabilities	\$ 294,236	\$ 216,803

(1) Includes REO held at Redwood Bridge loan holdbacks represent amounts withheld from the initial loan proceeds and within consolidated CAFL Bridge securitization entities.

(2) For are subsequently disbursed to the three months ended March 31, 2024, REO market valuation adjustments and liquidations resulted borrower to be used in net valuation losses the construction, rehabilitation or purchase of \$3 million, which were recorded in Investment fair value changes, net on our consolidated statements of income.

The following table provides detail the mortgaged property or to fund interest on the numbers of REO assets at Redwood and at consolidated Legacy Sequoia, Freddie Mac SLST, and CAFL entities at March 31, 2024 and December 31, 2023.

Table 13.4 – REO Assets

Number of REO assets	Redwood Bridge	Legacy Sequoia	Freddie Mac SLST	Term at CAFL	Total
At March 31, 2024	17	—	24	1	42
At December 31, 2023	16	—	28	1	45

bridge loan.

Legal and Repurchase Reserves

See Note 17 18 for additional information on legal and repurchase reserves.

Payable to Non-Controlling Interests

In 2018, Redwood and a third-party co-investor, through two partnership entities consolidated by Redwood, purchased servicer advances and excess MSRs related to a portfolio of residential mortgage loans serviced by the co-investor (see Note 4 12 and Note 11 15 for additional information on the partnership entities and associated investments). We account for the co-investor's interests in the entities as liabilities, and at March 31, 2024 June 30, 2024, the carrying value of their interests was \$22 million \$25 million, representing their current economic interest in the entities. Earnings from the partnership entities are allocated to the co-investors on a proportional basis and during the three and six

REDWOOD TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 14. Other Assets and Liabilities - (continued)

months ended **March 31, 2024** June 30, 2024, we allocated **\$1 million** **\$3 million** and **\$4 million** of income to the co-investors, respectively, recorded in Other expenses on our consolidated statements of income.

In 2021 and in 2023, Additionally, Redwood and a third-party investor co-sponsored the transfer and securitization of HEI through two HEI securitization entities. Other third-party investors contributed HEI into these securitizations through Redwood and retained subordinate beneficial interests issued by the securitization entities alongside Redwood. See Note 10 11 for a further discussion of the HEI securitization. We account for the co-investors' interests in the HEI securitization entities as liabilities, and at **March 31, 2024** June 30, 2024, the carrying value of their interests was **\$65 million** **\$72 million**, representing the fair value of their economic interests in the beneficial interests issued by the HEI entities. During the three and six months ended **March 31, 2024** June 30, 2024, the investors' share of earnings, net from their retained interests was **\$5 million** **\$7 million** and **\$13 million**, respectively, recorded through HEI income, net on our consolidated statements of income.

REDWOOD TRUST, INC. AND SUBSIDIARIES

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Note 14. Short-Term Debt 15. Principles of Consolidation

In the normal course of business, we enter into certain types of transactions with entities that are considered to be VIEs. The Company's primary involvement with VIEs has been related to its securitization transactions in which it transfers assets to securitization vehicles. We primarily securitize our acquired and originated loans, which provides a source of funding and has enabled us to transfer a certain portion of economic risk on loans or related debt securities to third parties. The entity that has a controlling financial interest in a VIE is referred to as the primary beneficiary and is required to consolidate the VIE.

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

We enter into repurchase agreements ("repo") currently consolidate the assets and liabilities of variable interests in certain securitization vehicles in which we are the primary beneficiary. These include certain legacy Sequoia securitization entities issued prior to 2012, certain entities formed during and after 2012 in connection with the securitization of Redwood Select prime loans and Redwood Choice expanded-prime loans (all together referred to as "Sequoia"), loan warehouse agreements, entities formed in connection with the securitization of CoreVest residential investor term and bridge loans ("CAFL") and entities formed in connection with the securitization of HEI. We also consolidate the assets and liabilities of certain Freddie Mac K-series and Freddie Mac Seasoned Loans Structured Transaction ("SLST") securitizations (and re-securitization of such SLST securities) in which we have invested. Each securitization entity is independent of Redwood and of each other forms and the assets and liabilities are not owned by and are not legal obligations of collateralized (and generally uncommitted) short-term borrowings 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 several banks 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.

We also consolidate two Servicing Investment entities formed to invest in servicing-related assets that we determined were VIEs and major investment banking firms, for which we determined we were the primary beneficiary. At **March 31, 2024** June 30, 2024, we had outstanding agreements with several counterparties held an 80% ownership interest in, and were responsible for the management of, each entity. See Note 12 for a further description of these entities and the investments they hold and Note 14 for additional information on the minority partner's non-controlling interest. Additionally, we were in compliance with all 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 related covenants.

aforementioned partnerships, were the primary beneficiary. 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 March 31, 2024 and December 31, 2023.

Table 14.1 – Short-Term Debt

	March 31, 2024					
	Number of Facilities	Outstanding Balance	Limit	Weighted Average Interest Rate ⁽¹⁾	Maturity ⁽²⁾	Weighted Average Days Until Maturity
(Dollars in Thousands)						
Facilities						
Residential consumer loan warehouse ⁽³⁾	5	\$ 470,761	\$ 1,350,000	7.26 %	5/2024-3/2025	226
Residential investor loan warehouse	2	31,321	455,000	8.06 %	5/2024-6/2024	71
Real estate securities repo	4	80,657	—	6.81 %	4/2024-6/2024	38
Residential MSR warehouse	1	46,514	50,000	8.58 %	10/2024	211

HEI warehouse	1	119,851	150,000	9.84 %	8/2024	123
Total Short-Term Debt Facilities	13	749,104				
Servicer advance financing	1	147,341	240,000	7.68 %	12/2024	246
Recourse subordinate securities financing	2	223,934	—	7.21 %	9/2024-2/2025	235
Promissory notes	N/A	15,273	—	7.02 %	N/A	N/A
Convertible notes, net	N/A	115,792	—	5.63 %	7/2024	106
Total Short-Term Debt		\$ 1,251,444				

December 31, 2023						
(Dollars in Thousands)	Number of Facilities	Outstanding Balance	Limit	Weighted Average Interest Rate ⁽¹⁾	Maturity	Weighted Average Days Until Maturity
Facilities						
Residential consumer loan warehouse	4	\$ 796,537	\$ 1,150,000	7.27 %	2/2024-12/2024	202
Residential investor loan warehouse	2	71,719	455,000	8.14 %	5/2024-6/2024	166
Real estate securities repo	3	82,622	—	7.01 %	1/2024-3/2024	26
Residential MSR warehouse	1	47,858	50,000	8.60 %	10/2024	302
HEI warehouse	1	122,659	150,000	9.89 %	8/2024	214
Total Short-Term Debt Facilities	11	1,121,395				
Servicer advance financing	1	153,653	240,000	7.71 %	12/2024	337
Recourse subordinate securities financing	1	124,552	—	7.21 %	9/2024	266
Promissory notes	N/A	16,064	—	6.97 %	N/A	N/A
Convertible notes, net	N/A	142,558	—	5.63 %	7/2024	197
Total Short-Term Debt		\$ 1,558,222				

REDWOOD TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Note 14. Short-Term Debt - (continued)

Footnotes to table 14.1

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

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

(3) At March 31, 2024, includes one non-recourse facility with a borrowing limit of \$300 million and a maturity of March 2025.

The following table below presents the value of loans, securities, and other assets pledged as collateral under our short-term debt at March 31, 2024 and December 31, 2023.

Table 14.2 – Collateral for Short-Term Debt

(In Thousands)	March 31, 2024	December 31, 2023
Collateral Type		
Held-for-sale residential consumer loans	\$ 507,450	\$ 907,742
MSRs ⁽¹⁾	84,831	76,560
Residential investor loans	40,961	95,225
HEI	239,665	237,973
Real estate securities (collateralizing debt facilities)		
On balance sheet	4,470	4,460
Sequoia securitizations ⁽²⁾	43,653	52,333
Freddie Mac K-Series securitization ⁽²⁾	33,551	33,308
CAFL securitizations ⁽²⁾	32,336	32,010
Total real estate securities owned	114,010	122,111
Restricted cash and other assets	580	—
Total Collateral for Short-Term Debt Facilities	987,497	1,439,611

Cash	14,357	15,162
Real estate securities (recourse subordinate securities financing)	313,148	175,096
Servicer advances	216,033	225,345
Total Collateral for Short-Term Debt	\$ 1,531,035	\$ 1,855,214

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

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

For the three months ended March 31, 2024, the average balance of our short-term debt facilities was \$951 million. At March 31, 2024 and December 31, 2023, accrued interest payable on our short-term debt facilities was \$4 million and \$6 million, respectively.

Servicer advance financing consists of non-recourse short-term securitization debt, used to finance secured by servicer advance investments, advances. We consolidate the securitization entity, that issued but the debt, 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 17 for additional information on the servicer advance financing.

In 2019, During the fourth quarter of 2023 and the third quarter of 2021, we co-sponsored two HEI securitization transactions, and we consolidate the respective HEI securitization entities that we determined were VIEs and for which we determined we were the primary beneficiary. At June 30, 2024 and December 31, 2023, we owned a subsidiary portion of the subordinate certificates issued by these entities and had certain decision-making rights for the entities. See Note 11 for a further description of these entities and the investments it holds and Note 14 for additional information on non-controlling interests in these entities. We consolidate these HEI securitization entities, but the securitization entities are independent of Redwood entered into a repurchase agreement providing non-marginable (i.e., and the assets and liabilities are not subject to margin calls based solely on the lender's determination, in its discretion, owned by and are not legal obligations of the market value of the underlying collateral that is non-delinquent) recourse debt financing of certain Sequoia securities as well as securities retained from our consolidated Sequoia securitizations ("Subordinate securities financing" in Table 14.1 above). The financing is fully and unconditionally guaranteed by Redwood, and had an interest rate of approximately 4.21% through September 2022, 5.71% from October 2022 through September 2023, and 7.21% from October 2023 through final maturity in September 2024.

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

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Note 14. Short-Term Debt 15. Principles of Consolidation - (continued)

During the three months ended March 31, 2024, fourth quarter of 2023, we repurchased \$27 million re-securitized subordinate securities we owned in our consolidated Freddie Mac SLST securitization trusts through the transfer of these financial assets to a re-securitization trust that we sponsored. We retain a subordinate investment in the re-securitization trust and maintain certain discretionary rights associated with the ownership of this investment that we determined reflected a controlling financial interest in the entity, as we have both the power to direct the activities that most significantly impact the performance of the VIE and the right to receive benefits of, and the obligation to absorb losses from, the VIE that could potentially be significant to the VIE.

For certain of our convertible notes due 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 2024. At March 31, 2024 those assets, and these beneficial interests have contractual recourse only to the outstanding principal balance 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.

In addition to our convertible notes due in July 2024 was \$116 million.

Remaining Maturities of Short-Term Debt 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 two CAFL bridge loan securitizations and the Freddie Mac SLST re-securitization.

The following table presents a summary of the remaining maturities assets and liabilities of our secured short-term debt by the type of collateral securing the debt at March 31, 2024, consolidated VIEs.

Table 14.3 15.1 – Short-Term Debt by Collateral Type Assets and Remaining Maturities Liabilities of Consolidated VIEs

(In Thousands)	March 31, 2024			
	Within 30 days	31 to 90 days	Over 90 days	Total
Collateral Type				
Held-for-sale residential consumer loans	\$ —	\$ 92,411	\$ 378,350	\$ 470,761
Residential investor loans	—	31,321	—	31,321
Real estate securities	35,846	44,811	223,934	304,591
MSRs	—	—	46,514	46,514

HEI	—	—	119,851	119,851
Servicer advances	—	—	147,341	147,341
Total Secured Short-Term Debt Facilities	35,846	168,543	915,990	1,120,379
Promissory notes (unsecured)	—	15,273	—	15,273
Convertible notes, net (unsecured)	—	—	115,792	115,792
Total Short-Term Debt	\$ 35,846	\$ 183,816	\$ 1,031,782	\$ 1,251,444

June 30, 2024							Total
(Dollars in Thousands)	Sequoia	CAFL ⁽¹⁾	Freddie Mac SLST ⁽¹⁾	Freddie Mac K-Series	Servicing Investment	HEI	Consolidated VIEs
Residential consumer loans, held-for-investment	\$ 6,950,586	\$ —	\$ 1,297,022	\$ —	\$ —	\$ —	\$ 8,247,608
Residential investor loans, held-for-investment	—	3,423,094	—	—	—	—	3,423,094
Consolidated Agency multifamily loans	—	—	—	421,794	—	—	421,794
Home equity investments	—	—	—	—	—	320,816	320,816
Other investments	—	—	—	—	257,676	—	257,676
Cash and cash equivalents	—	—	—	—	24,791	—	24,791
Restricted cash	149	22,280	—	—	—	10,918	33,347
Accrued interest receivable	31,821	18,481	4,678	1,257	2,383	—	58,620
Other assets	—	49,640	2,527	—	4,181	99	56,447
Total Assets	\$ 6,982,556	\$ 3,513,495	\$ 1,304,227	\$ 423,051	\$ 289,031	\$ 331,833	\$ 12,844,193
Short-term debt	\$ —	\$ —	\$ —	\$ —	\$ 145,785	\$ —	\$ 145,785
Accrued interest payable	27,879	9,984	4,288	1,131	367	—	43,649
Accrued expenses and other liabilities	—	6,650	—	—	43,058	72,269	121,977
Asset-backed securities issued	6,686,531	3,058,191	1,204,835	387,791	—	218,203	11,555,551
Total Liabilities	\$ 6,714,410	\$ 3,074,825	\$ 1,209,123	\$ 388,922	\$ 189,210	\$ 290,472	\$ 11,866,962
Value of our investments in VIEs⁽¹⁾	\$ 264,136	\$ 444,932	\$ 94,714	\$ 34,003	\$ 99,821	\$ 41,361	\$ 978,967
Number of VIEs	48	21	3	1	3	2	78

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Note 15. Principles of Consolidation - (continued)

December 31, 2023							Total
(Dollars in Thousands)	Sequoia	CAFL ⁽¹⁾	Freddie Mac SLST ⁽¹⁾	Freddie Mac K-Series	Servicing Investment	HEI	Consolidated VIEs
Residential consumer loans, held-for-investment	\$ 4,780,203	\$ —	\$ 1,359,242	\$ —	\$ —	\$ —	\$ 6,139,445
Residential investor loans, held-for-investment	—	3,734,321	—	—	—	—	3,734,321
Consolidated Agency multifamily loans	—	—	—	425,285	—	—	425,285
Home equity investments	—	—	—	—	—	305,717	305,717
Other investments	—	—	—	—	257,489	—	257,489
Cash and cash equivalents	—	—	—	—	9,482	—	9,482
Restricted cash	163	33,921	—	—	—	10,821	44,905
Accrued interest receivable	20,029	20,806	4,821	1,320	822	—	47,798
Other assets	—	14,886	3,158	—	6,337	62	24,443
Total Assets	\$ 4,800,395	\$ 3,803,934	\$ 1,367,221	\$ 426,605	\$ 274,130	\$ 316,600	\$ 10,988,885
Short-term debt	\$ —	\$ —	\$ —	\$ —	\$ 153,653	\$ —	\$ 153,653

Accrued interest payable	16,293	11,537	4,496	1,190	416	—	33,932
Accrued expenses and other liabilities	—	2,734	—	—	34,357	59,752	96,843
Asset-backed securities issued	4,568,660	3,362,978	1,265,777	391,977	—	222,488	9,811,880
Total Liabilities	\$ 4,584,953	\$ 3,377,249	\$ 1,270,273	\$ 393,167	\$ 188,426	\$ 282,240	\$ 10,096,308
Value of our investments in VIEs⁽¹⁾	\$ 211,638	\$ 424,136	\$ 96,623	\$ 33,308	\$ 85,704	\$ 34,361	\$ 885,770
Number of VIEs	42	21	3	1	3	2	72

(1) The value of our investments in VIEs, as presented in this table, generally represents the fair value of the economic interests we own in VIEs (i.e., the securities or other interests we legally own in the consolidated securitizations or other VIEs). While most of our VIEs are accounted for under the CFE election (whereby the net equity in the VIE generally represents the fair value of our retained interests and associated accrued interest receivable), certain entities, including two CAFL bridge loan securitizations (included within the CAFL column), our SLST re-securitization (included within the Freddie Mac SLST column), and our Servicing Investment VIEs are not accounted for under the CFE election and their associated ABS issued are accounted for at amortized historical cost. As of June 30, 2024 and December 31, 2023, the fair value of our interests in the CAFL term loan securitizations accounted for under the CFE election were \$337 million and \$323 million, respectively, and the fair value of our interest in the CAFL bridge loan securitizations accounted for under the CFE election was \$25 million and \$22 million, respectively, with the difference from the tables above generally representing ABS issued and carried at amortized historical cost and accrued interest on our economic interests. As of June 30, 2024 and December 31, 2023, the fair value of our interests in the Freddie Mac SLST securitizations accounted for under the CFE election were \$258 million and \$274 million, respectively, with the difference from the tables above representing ABS issued and carried at amortized historical cost.

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Note 15. Principles of Consolidation - (continued)

The following tables present income (loss) from these VIEs for the three and six months ended June 30, 2024 and 2023.

Table 15.2 – Income (Loss) from Consolidated VIEs

Three Months Ended June 30, 2024							
(Dollars in Thousands)	Sequoia	CAFL	Freddie Mac SLST	Freddie Mac K-Series	Servicing Investment	HEI	Total Consolidated VIEs
Interest income	\$ 80,881	\$ 58,881	\$ 14,308	\$ 4,559	\$ 7,403	\$ —	\$ 166,032
Interest expense	(74,373)	(41,279)	(13,610)	(4,177)	(3,142)	—	(136,581)
Net interest income	6,508	17,602	698	382	4,261	—	29,451
Non-interest income							
Investment fair value changes, net	4,322	2,597	(5,137)	452	10,649	—	12,883
HEI income, net	—	—	—	—	—	4,176	4,176
Other income	—	428	—	—	—	—	428
Total non-interest income, net	4,322	3,025	(5,137)	452	10,649	4,176	17,487
General and administrative expenses	—	—	(14)	—	(39)	—	(53)
Other expenses	—	—	—	—	(2,974)	—	(2,974)
Income (loss) from Consolidated VIEs	\$ 10,830	\$ 20,627	\$ (4,453)	\$ 834	\$ 11,897	\$ 4,176	\$ 43,911

Six Months Ended June 30, 2024							
(Dollars in Thousands)	Sequoia	CAFL	Freddie Mac SLST	Freddie Mac K-Series	Servicing Investment	HEI	Total Consolidated VIEs
Interest income	\$ 143,859	\$ 119,875	\$ 28,924	\$ 9,140	\$ 14,954	\$ —	\$ 316,752
Interest expense	(133,195)	(84,562)	(27,591)	(8,376)	(6,361)	—	(260,085)
Net interest income	10,664	35,313	1,333	764	8,593	—	56,667
Non-interest income							
Investment fair value changes, net	9,450	16,100	(1,407)	695	9,146	—	33,984
HEI income, net	—	—	—	—	—	7,064	7,064

Other income	—	733	—	—	—	—	733
Realized gains, net	—	314	—	—	—	—	314
Total non-interest income, net	9,450	17,147	(1,407)	695	9,146	7,064	42,095
General and administrative expenses	—	—	(28)	—	(90)	—	(118)
Other expenses	—	—	—	—	(3,530)	—	(3,530)
Income (loss) from Consolidated VIEs	\$ 20,114	\$ 52,460	\$ (102)	\$ 1,459	\$ 14,119	\$ 7,064	\$ 95,114

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Note 15. Principles of Consolidation - (continued)

Three Months Ended June 30, 2023							
(Dollars in Thousands)	Sequoia	CAFL	Freddie Mac SLST	Freddie Mac K-Series	Servicing Investment	HEI	Total Consolidated VIEs
Interest income	\$ 40,218	\$ 54,583	\$ 15,273	\$ 4,698	\$ 7,911	\$ —	\$ 122,683
Interest expense	(36,653)	(38,545)	(10,650)	(4,311)	(3,796)	—	(93,955)
Net interest income	3,565	16,038	4,623	387	4,115	—	28,728
Non-interest income							
Investment fair value changes, net	918	11,601	(16,563)	385	5,253	—	1,594
HEI income, net	—	—	—	—	—	453	453
Other income	—	212	—	—	—	—	212
Total non-interest income, net	918	11,813	(16,563)	385	5,253	453	2,259
General and administrative expenses	—	—	—	—	(3)	—	(3)
Other expenses	—	—	—	—	(1,904)	—	(1,904)
Income (loss) from Consolidated VIEs	\$ 4,483	\$ 27,851	\$ (11,940)	\$ 772	\$ 7,461	\$ 453	\$ 29,080

Six Months Ended June 30, 2023							
(Dollars in Thousands)	Sequoia	CAFL	Freddie Mac SLST	Freddie Mac K-Series	Servicing Investment	HEI	Total Consolidated VIEs
Interest income	\$ 77,405	\$ 109,020	\$ 30,766	\$ 9,316	\$ 15,725	\$ —	\$ 242,232
Interest expense	(69,212)	(78,087)	(21,868)	(8,552)	(7,644)	—	(185,363)
Net interest income	8,193	30,933	8,898	764	8,081	—	56,869
Non-interest income							
Investment fair value changes, net	3,266	1,919	(7,629)	748	4,206	878	3,388
Other income	—	384	—	—	—	—	384
Total non-interest income, net	3,266	2,303	(7,629)	748	4,206	878	3,772
General and administrative expenses	—	—	—	—	7	—	7
Other expenses	—	—	—	—	(2,481)	—	(2,481)
Income (loss) from Consolidated VIEs	\$ 11,459	\$ 33,236	\$ 1,269	\$ 1,512	\$ 9,813	\$ 878	\$ 58,167

Analysis of Unconsolidated VIEs with Continuing Involvement

Since 2012, we have transferred residential consumer loans to 46 Sequoia securitization entities sponsored by us that are still outstanding as of June 30, 2024, and accounted for these transfers as sales for financial reporting purposes, in accordance with GAAP. 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-servicers to perform) and the receipt of interest income associated with the securities we retained.

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Note 15. Principles of Consolidation - (continued)

The following table presents additional information at June 30, 2024 and December 31, 2023, related to unconsolidated VIEs sponsored by Redwood and accounted for as sales since 2012.

Table 15.3 – Unconsolidated VIEs Sponsored by Redwood

(In Thousands)	June 30, 2024		December 31, 2023	
On-balance sheet assets, at fair value:				
Interest-only, senior and subordinate securities, classified as trading	\$	35,632	\$	31,690
Subordinate securities, classified as AFS		88,165		78,942
Mortgage servicing rights		12,301		10,885
Maximum loss exposure ⁽¹⁾	\$	136,098	\$	121,517
Assets transferred:				
Principal balance of loans outstanding	\$	3,627,578	\$	3,758,914
Principal balance of loans 30+ days delinquent		14,278		22,367

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

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

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Note 15.16. 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 4.15 for additional detail) with the remainder carried at amortized cost. The carrying values of ABS issued by our consolidated securitization entities at March 31, 2024, June 30, 2024 and December 31, 2023, along with other selected information, are summarized in the following table.

Table 15.16.1 – Asset-Backed Securities Issued

March 31, 2024							
	Legacy Sequoia	Sequoia	CAFL June 30, 2024	Freddie Mac SLST ⁽²⁾	Freddie Mac K-Series	HEI	Total
(Dollars in Thousands)	Sequoia	CAFL ⁽¹⁾	Freddie Mac SLST ⁽²⁾	Freddie Mac K-Series	HEI	Total	
Certificates with principal balance							
Certificates with principal balance							
Certificates with principal balance							
Interest-only certificates at fair value							
Market valuation adjustments							
Unamortized debt discount and deferred debt issuance costs							
ABS Issued, Net							

Range of weighted average interest rates, by series⁽³⁾

Stated maturities ⁽³⁾
Stated maturities ⁽³⁾
Stated maturities ⁽³⁾
Number of series
Number of series
Number of series

	December 31, 2023								December 31, 2023	December 31, 2023
	Legacy	Freddie Mac				Freddie Mac				
	Sequoia	Sequoia	CAFL ⁽¹⁾	Freddie Mac	SLST ⁽²⁾	Freddie Mac	K-Series	HEI	Total	
(Dollars in Thousands)	Sequoia	CAFL ⁽¹⁾	SLST ⁽²⁾			K-Series		HEI	Total	
Certificates with principal balance										
Certificates with principal balance										
Certificates with principal balance										
Interest-only certificates at fair value										
Market valuation adjustments										
Unamortized debt discount and deferred debt issuance costs										
ABS Issued, Net										
Range of weighted average interest rates, by series ⁽³⁾										
Stated maturities ⁽³⁾										
Stated maturities ⁽³⁾										
Stated maturities ⁽³⁾										
Number of series										
Number of series										
Number of series										

- (1) Includes \$478 \$417 million and \$485 million (principal balance) of ABS issued by two CAFL bridge securitization trusts sponsored by Redwood and accounted for at amortized cost at March 31, 2024 June 30, 2024 and December 31, 2023, respectively.
- (2) Includes \$175 million \$166 million and \$182 million (principal balance) of ABS issued by a re-securitization trust sponsored by Redwood and accounted for at amortized cost at both March 31, 2024 June 30, 2024 and December 31, 2023, respectively.
- (3) Certain ABS issued by CAFL and HEI securitization entities are subject to early redemption and interest rate step-ups as described below.

REDWOOD TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

During the fourth quarter of 2023, we consolidated the assets and liabilities of a securitization entity formed in connection with the securitization of CoreVest residential investor 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 \$231 million (principal balance) of ABS issued to third parties and retained the remaining beneficial ownership interests 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 recorded through Investment fair value changes, net on our consolidated statements of income. At March 31, 2024, the principal balance of the ABS issued was \$231 million, and the net carrying value was \$232 million. The weighted average stated coupon of the ABS issued was 7.89% at issuance. The ABS issued by the CAFL bridge entity are subject to an optional redemption in December 2025, and beginning in July 2026, the interest rate on the ABS issued increases by 1.5% through final maturity in December 2030. The ABS issued by this securitization were collateralized by \$230 million of residential investor bridge loans, \$1 million of restricted cash and \$25 million of other assets at March 31, 2024. 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 December 2025), 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 second quarter of 2022, we consolidated the assets and liabilities of a securitization entity formed in connection with the securitization of CoreVest residential investor 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 March 31, 2024, the principal balance of the ABS issued was \$215 million, and the unamortized debt discount and deferred issuance costs were \$1 million in total, for a net carrying value of \$214 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 \$228 million of residential investor bridge loans, \$18 million of restricted cash and \$7 million other assets at March 31, 2024. 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 residential investor 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 March 31, 2024, the principal balance of the ABS issued was \$263 million, and the unamortized debt discount and deferred issuance costs were zero, for a net carrying value of \$263 million. During the three months ended March 31, 2024, we repurchased of \$7 million of this CAFL bridge ABS issuance for a net gain on extinguishment of debt of \$0.3 million which was recorded in Realized gains, net on our consolidated statements of income. The weighted average stated coupon of the ABS issued was 2.34% at issuance. The ABS issued by the CAFL bridge entity are subject to an optional redemption in March 2024, and beginning in March 2025 the interest rate on the ABS issued increases by 2% through final maturity in March 2029. The ABS issued by this securitization were backed by assets including \$304 million of residential investor bridge loans and \$8 million of restricted cash and other assets at March 31, 2024. 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 fourth quarter of 2023, we consolidated the assets and liabilities of a HEI securitization entity formed in connection with the securitization of HEI, which we determined was a VIE and for which we determined we are the primary beneficiary. At issuance, we sold \$139 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 HEI income, net on our

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

consolidated statements of income. The ABS issued by the HEI securitization entity are subject to an optional redemption in October 2025, and beginning in October 2026, the interest rate on the ABS issued increases by 3% through final maturity in 2053.

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

During the third quarter of 2020, we transferred all of the subordinate securities we owned from two consolidated re-performing loan securitization VIEs sponsored by Freddie Mac SLST to a re-securitization trust, which we determined was a VIE and for which we determined we are the primary beneficiary. During the first quarter of 2023, we called the Freddie Mac SLST re-securitization and paid off the associated outstanding ABS.

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Note 15. 16. 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 March 31, 2024 June 30, 2024, the majority of the ABS issued and outstanding had contractual maturities beyond five years. See Note 4 15 for detail on the carrying value components of the collateral for ABS issued and outstanding. The following table summarizes

For additional information related to certain of our asset-backed securities issued that are presented above, see Note 15 to the accrued interest payable Consolidated Financial Statements of our 2023 Annual Report on ABS issued at March 31, 2024 and December 31, 2023. Interest due on consolidated ABS issued is payable monthly.

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

(In Thousands)	March 31, 2024	December 31, 2023
Legacy Sequoia	\$ 283	\$ 303

Sequoia	21,428	15,990
CAFL	10,653	11,537
Freddie Mac SLST ⁽¹⁾	4,391	4,496
Freddie Mac K-Series	1,184	1,190
Total Accrued Interest Payable on ABS Issued	\$ 37,939	\$ 33,516

(1) Includes accrued interest payable on ABS issued by a re-securitization trust sponsored by Redwood. Form 10-K.

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Note 16. Long-Term 17. Debt Obligations, Net

We enter into loan warehouse facilities, repurchase agreements ("repo"), recourse subordinate securities financings, and other forms of collateralized (and generally uncommitted) borrowings with several banks and major investment banking firms. Additionally, we have various forms of corporate debt to finance our investments and operations. At June 30, 2024, we had outstanding agreements on debt obligations with several counterparties and we were in compliance with all of the related covenants.

The following tables below summarize our long-term debt including the facilities that are available to us, the outstanding balances, the weighted average interest rates, and the maturity information obligations at March 31, 2024 June 30, 2024 and December 31, 2023.

Table 16.1 17.1 – Long-Term Debt Obligations, Net

(Dollars in Thousands)	March 31, 2024					
	Borrowings	Unamortized Deferred Issuance Costs / Discount	Net Carrying Value	Limit	Weighted Average Interest Rate ⁽¹⁾	Final Maturity
Facilities						
Recourse Subordinate Securities Financing						
Facility C	\$ 55,526	\$ —	\$ 55,526	N/A	5.00 %	6/2026
Non-Recourse Residential Investor Loan Financing						
Facility D	475,072	—	475,072	\$ 750,000	SOFR + 2.76%	N/A
Recourse Residential Investor Loan Financing						
Facility F	—	—	—	500,000	SOFR + 2.25%-2.60%	9/2025
Facility H	368,363	—	368,363	450,000	SOFR + 2.25%-2.60%	7/2025
Facility I	228,970	—	228,970	450,000	SOFR + 2.25%-2.45%	6/2025
Facility J	25,368	(824)	24,544	100,000	AMERIBOR + 5.00%	12/2026
Other Recourse Financing						
Facility K	—	—	—	200,000	SOFR + 5.00%	3/2026
Total Long-Term Debt Facilities	1,153,299	(824)	1,152,475			
Convertible notes						
5.75% exchangeable senior notes	156,666	(1,320)	155,346	N/A	5.75 %	10/2025
7.75% convertible senior notes	207,410	(4,499)	202,911	N/A	7.75 %	6/2027
Trust preferred securities and subordinated notes	139,500	(675)	138,825	N/A	SOFR + 2.51%	7/2037
Senior Notes	60,000	(2,419)	57,581	N/A	9.13 %	3/2029
Total Long-Term Debt	\$ 1,716,875	\$ (9,737)	\$ 1,707,138			

(Dollars in Thousands)	June 30, 2024						
	Number of		Facility	Weighted Average Interest		Carrying Value	
	Facilities or	Principal		Rate ⁽¹⁾	Final Stated Maturity		
	Issuances	Amount	Carrying Value	Capacity		of Collateral	
Short-Term Warehouse Facilities and Other							

Residential consumer loan warehouse facilities	6	\$ 886,801	\$ 886,802	\$ 1,650,000	7.21 %	10/2024-5/2025	\$ 957,143
Residential investor loan warehouse facilities	1	5,931	5,931	350,000	7.39 %	6/2025	7,377
Real estate securities repurchase facilities	5	87,924	87,924	—	6.67 %	7/2024-9/2024	123,289
Residential MSR warehouse facility	1	45,645	45,645	50,000	8.59 %	10/2024	86,152
HEI warehouse facility	1	103,446	103,446	150,000	9.85 %	11/2024	212,422
Servicer advance financing	1	146,110	145,785	240,000	7.69 %	12/2024	227,363
Recourse Subordinate Securities Financings:							
Sequoia securities (3)	1	121,123	121,123	N/A	7.21 %	9/2024	183,922
CAFL securities 1 (3)	1	97,366	97,366	N/A	7.21 %	2/2025	128,526
CAFL securities 2 (3)	1	52,954	52,954	N/A	4.75 %	6/2026	116,425
Long-Term Residential Investor Facilities	6	991,843	989,939	2,175,000	8.53 %	7/2025-6/2026	1,360,667
Corporate Debt:							
Promissory notes (2) (3)	3	14,887	14,887	—	7.05 %	N/A	—
\$250 Million Facility	1	125,000	118,327	250,000	10.35 %	3/2026	297,619
5.625% convertible senior notes (3)	1	107,339	107,339	N/A	5.63 %	7/2024	N/A
5.75% exchangeable senior notes (3)	1	156,666	155,557	N/A	5.75 %	10/2025	N/A
7.75% convertible senior notes (3)	1	207,410	203,214	N/A	7.75 %	6/2027	N/A
Trust preferred securities and subordinated notes	2	139,500	138,836	N/A	7.84 %	1/2037, 7/2037	N/A
9.125% Senior Notes (3)	1	60,000	57,677	N/A	9.13 %	3/2029	N/A
9.0% Senior Notes (3)	1	85,000	81,874	N/A	9.00 %	9/2029	N/A
Total Debt Obligations		\$ 3,434,945	\$ 3,414,626				\$ 3,700,905

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Note **16. Long-Term** **17. Debt Obligations, Net -** (continued)

	December 31, 2023					
		Unamortized				
(Dollars in Thousands)	Borrowings	Deferred Issuance Costs / Discount	Net Carrying Value	Limit	Weighted Average Interest Rate ⁽¹⁾	Final Maturity
Facilities						
Recourse Subordinate Securities Financing						
Facility B	\$ 101,228	\$ —	\$ 101,228	N/A	5.71 %	2/2025
Facility C	57,982	—	57,982	N/A	4.75 %	6/2026
Non-Recourse Residential Investor Loan Financing						
Facility D	481,465	(194)	481,271	\$ 750,000	SOFR + 2.94%	N/A
Facility E	70,858	(750)	70,108	100,000	SOFR + 3.25%	12/2025
Recourse Residential Investor Loan Financing						
Facility F	40,827	(86)	40,741	500,000	SOFR + 2.35%-2.60%	9/2025
Facility H	244,263	—	244,263	450,000	SOFR + 2.40%-2.60%	7/2025
Facility I	176,986	—	176,986	450,000	SOFR + 2.25%-2.45%	3/2025
Facility J	8,985	(646)	8,339	100,000	AMERIBOR + 5.00%	12/2026
Total Long-Term Debt Facilities	1,182,594	(1,676)	1,180,918			
Convertible notes						

5.75% exchangeable senior notes	156,666	(1,528)	155,138	N/A	5.75 %	10/2025
7.75% convertible senior notes	210,910	(4,878)	206,032	N/A	7.75 %	6/2027
Trust preferred securities and subordinated notes	139,500	(687)	138,813	N/A	SOFR + 2.51%	7/2037
Total Long-Term Debt	\$ 1,689,670	\$ (8,769)	\$ 1,680,901			

(Dollars in Thousands)	December 31, 2023						
	Number of Facilities or Issuances	Principal Amount	Carrying Value	Facility Capacity	Weighted Average Interest Rate ⁽¹⁾	Final Stated Maturity	Carrying Value of Collateral
Short-Term Warehouse Facilities and Other							
Residential consumer loan warehouse facilities	4	\$ 796,537	\$ 796,537	\$ 1,150,000	7.27 %	2/2024-12/2024	\$ 907,742
Residential investor loan warehouse facilities	2	71,851	71,719	455,000	8.14 %	5/2024-6/2024	95,225
Real estate securities repurchase facilities	3	82,622	82,622	0	7.01 %	1/2024-3/2024	122,110
Residential MSR warehouse facility	1	47,858	47,858	50,000	8.60 %	10/2024	76,560
HEI warehouse facility	1	122,659	122,659	150,000	9.89 %	8/2024	237,973
Servicer advance financing	1	154,369	153,654	240,000	7.71 %	12/2024	225,345
Recourse Subordinate Securities Financings:							
Sequoia securities ⁽³⁾	1	124,552	124,552	N/A	7.21 %	9/2024	175,096
CAFL securities 1 ⁽³⁾	1	101,228	101,228	N/A	5.71 %	2/2025	124,793
CAFL securities 2 ⁽³⁾	1	57,982	57,982	N/A	4.75 %	6/2026	112,813
Long-Term Residential Investor Facilities	6	1,023,384	1,021,708	2,350,000	8.14 %	3/2025-12/2026	1,327,907
Corporate Debt:							
Promissory notes ^{(2) (3)}	3	16,063	16,063	N/A	6.97 %	N/A	—
5.625% convertible senior notes ⁽³⁾	1	142,977	142,558	N/A	5.63 %	7/2024	N/A
5.75% exchangeable senior notes ⁽³⁾	1	156,666	155,138	N/A	5.75 %	10/2025	N/A
7.75% convertible senior notes ⁽³⁾	1	210,910	206,032	N/A	7.75 %	6/2027	N/A
Trust preferred securities and subordinated notes	2	139,500	138,813	N/A	7.90 %	1/2037, 7/2037	N/A
Total Debt Obligations		\$ 3,249,158	\$ 3,239,123				\$ 3,405,564

(1) Variable rate borrowings are based on 1- or 3-month AMERIBOR or SOFR, plus an applicable spread.

Refer (2) Promissory notes payable on demand to Note 16 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2023, for a full description of our long-term debt, lender with 90-day notice.

During (3) Borrowing has a fixed interest rate at period end.

Facilities and Other Financing

We use debt financing obtained through several different types of borrowing facilities to, among other things, finance the three months ended March 31, 2024 acquisition and/or origination of residential consumer and residential investor mortgage loans (including those we acquire or originate in anticipation of sale or securitization), we repurchased \$4 million par value and finance investments in securities and other investments. At June 30, 2024, Redwood and or its subsidiaries have entered into eight short-term warehouse facilities to finance our residential consumer loans, MSRs and unsecuritized HEIs totaling \$1.85 billion of total capacity, and seven residential investor loan facilities totaling \$2.53 billion of total capacity to finance our 7.75% convertible senior notes at a discount residential investor loans.

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 recorded a gain on extinguishment the assets and liabilities are not owned by and are not legal obligations of \$0.1 million in Realized gains, net on our consolidated statements of income, Redwood.

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Note 16. Long-Term 17. Debt Obligations, Net - (continued)

The following table below presents the value of loans, securities, and other assets pledged as collateral under our long-term debt at March 31, 2024 and December 31, 2023.

Table 16.2 – Collateral for Long-Term Debt

(In Thousands)	March 31, 2024	December 31, 2023
Collateral Type		
Residential investor bridge loans	\$ 1,223,044	\$ 1,205,366
Residential investor term loans	212,589	122,541
Real estate securities		
CAFL securitizations ⁽¹⁾	115,025	237,607
Total Collateral for Long-Term Debt	\$ 1,550,658	\$ 1,565,514

(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 March 31, 2024 and December 31, 2023.

Table 16.3 – Accrued Interest Payable on Long-Term Debt

(In Thousands)	March 31, 2024	December 31, 2023
Long-term debt facilities	\$ 5,498	\$ 5,502
Convertible notes		
5.75% exchangeable senior notes	4,503	2,251
7.75% convertible senior notes	4,573	566
Trust preferred securities and subordinated notes	1,881	1,929
Senior Notes	1,049	—
Total Accrued Interest Payable on Long-Term Debt	\$ 17,504	\$ 10,248

Recourse Subordinate Securities Financing Facilities

At June 30, 2024, a subsidiary of Redwood had a repurchase agreement providing non-marginable (i.e., not subject to margin calls based solely on the lender's determination, in its discretion, of the market value of the underlying collateral that is non-delinquent) recourse debt financing of certain Sequoia securities as well as securities retained from our consolidated Sequoia securitizations. The financing was fully and unconditionally guaranteed by Redwood, and had an interest rate of approximately 4.21% through September 2022, 5.71% from October 2022 through September 2023, and 7.21% from October 2023 through final maturity in September 2024. In July 2024, this repurchase facility was refinanced into a new, non-recourse resecuritization, with a principal balance of \$205 million, a blended interest rate of 8.5%, and a final stated maturity date of December 2054. The collateral for the July 2024 resecuritization includes Sequoia securities that had been financed with our recourse subordinate securities financing, Sequoia securities financed through other facilities or previously unfinanced Sequoia securities.

In 2020, a subsidiary of Redwood entered into a repurchase agreement providing non-marginable recourse debt financing of certain securities retained from our consolidated CAFL securitizations. The financing is fully and unconditionally guaranteed by Redwood, with an interest rate of approximately 4.21% through February 2023, increasing to 5.71% from March 2023 through February 2024, and to 7.21% from March 2024 through February 2025. The financing facility may be terminated at our option, beginning in February 2023, and has a final maturity in February 2025. During the three months ended March 31, 2024, we reclassified this facility from long-term to short-term debt (Facility B in Table 16.1 above at December 31, 2023) when the maturity of this facility became less than a year.

In 2021, a subsidiary of Redwood entered into a repurchase agreement providing non-marginable recourse debt financing of certain securities retained from our consolidated CAFL securitizations (Facility C in Table 16.1 above). The financing is guaranteed by Redwood, with an interest rate of approximately 4.75% through June 2024, increasing to 6.25% from July 2024 through June 2025, and to 7.75% from July 2025 to June 2026. The financing facility may be terminated at our option, beginning in June 2023, and has a final maturity in June 2026.

Corporate Debt

We use corporate debt obligations to fund other aspects of our business and operations, including the repurchase of shares of our capital stock.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In March 31, 2024,
(Unaudited)

Note 16. Long-Term Debt - (continued)

Other Recourse Financing

During the three months ended March 31, 2024 we entered into a corporate secured revolving financing facility with CPP Investments to provide non-marginable recourse debt financing secured by previously unencumbered assets, such as retained Residential Consumer and Residential Investor subordinate securities and other investments, as well as equity in certain operating subsidiaries (Facility K in Table 16.1 above) subsidiaries. At March 31, 2024 June 30, 2024, this facility had a borrowing limit capacity of \$200 million \$250 million and a two-year two-year term, with a one-year one-year extension option. Subsequent to March 31, 2024, we exercised our right under the terms of the facility with CPP Investments to increase the borrowing limit of this facility to \$250 million.

Senior Notes

In January 2024, Redwood issued \$60 million of 9.125% Senior Notes due in 2029. The Senior Notes are senior unsecured obligations of Redwood and bear interest at a rate equal to 9.125% per year, payable quarterly in arrears on March 1, June 1, September 1 and December 1 of each year, beginning on June 1, 2024. The Senior Notes mature on March 1, 2029. We may redeem the Senior Notes, in whole or in part, at any time on or after March 1, 2026 at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest.

In June 2024, Redwood issued \$85 million of 9.0% Senior Notes due in 2029. The Senior Notes are senior unsecured obligations of Redwood and bear interest at a rate equal to 9.0% per year, payable quarterly in arrears on March 1, June 1, September 1 and December 1 of each year, beginning on September 1, 2024. The Senior Notes mature on September 1, 2029. We may redeem the Senior Notes, in whole or in part, at any time on or after September 1, 2026 at a redemption price equal to 100% of the principal amount redeemed plus accrued and unpaid interest.

During the three and six months ended June 30, 2024, we repurchased \$9 million and \$36 million par value, respectively, of our 5.625% convertible senior notes and we repaid these notes in full in July 2024.

During the six months ended June 30, 2024, we repurchased \$4 million par value of our 7.75% convertible senior notes at a discount and recorded a gain on extinguishment of \$0.1 million in Realized gains, net on our consolidated statements of income.

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, June 30, 2024
(Unaudited)

Note 17. 18. Commitments and Contingencies

Lease Commitments

At March 31, 2024 June 30, 2024, we were obligated under nine eight non-cancelable operating leases with expiration dates through 2031 for \$15 million \$14 million of cumulative lease payments. For both the three-month periods six-months ended March 31, 2024 June 30, 2024 and 2023, our operating lease expense was \$1 million \$2 million and \$3 million, respectively.

The following table presents our future lease commitments at March 31, 2024 June 30, 2024.

Table 17.1 18.1 – Future Lease Commitments by Year

(In Thousands)	(In Thousands)	March 31, 2024	(In Thousands)	June 30, 2024
2024 (9 months)				
2024 (6 months)				
2025				
2026				
2027				
2028				
2029 and thereafter				
Total Lease Commitments				
Less: Imputed interest				
Operating Lease Liabilities				

During the three six months ended March 31, 2024 June 30, 2024, we did not enter into any new office leases with a lease term of greater than one year. At March 31, 2024 June 30, 2024, our operating lease liabilities were \$14 million \$13 million, which were a component of Accrued expenses and other liabilities, and our operating lease right-of-use assets were \$12 million \$11 million, which were a component of Other assets.

We determined that none of our leases contained an implicit interest rate and used a discount rate equal to our incremental borrowing rate on a collateralized basis to determine the present value of our total lease payments. As such, we determined the applicable discount rate for each of our leases using a swap rate plus an applicable spread for borrowing arrangements secured by our real estate loans and securities for a length of time equal to the remaining lease term on the lease commencement date. At March 31, 2024 June 30, 2024, the weighted-average remaining lease term and weighted-average discount rate for our leases was 4 years and 5.3%, respectively.

Commitment to Fund Residential Investor Bridge Loans

As of **March 31, 2024** **June 30, 2024**, we had commitments to fund up to **\$513 million** **\$448 million** of additional advances on existing residential investor 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 **March 31, 2024** **June 30, 2024**, we carried a **\$1 million** **\$2 million** contingent liability related to these commitments to fund construction advances. During the three and six months ended **March 31, 2024** **June 30, 2024**, we recorded a net market valuation loss expense of **\$1 million**, **\$0.4 million of \$1 million, respectively**, related to this liability through Mortgage banking activities and Investment of fair value changes, net on our consolidated statements of income.

Commitment to Fund Partnerships

In 2018, we invested in two partnerships created to acquire and manage certain mortgage servicing related assets. See *Note 11* for additional detail on these investments. In connection with these investments, we are required to fund future net servicer advances related to the underlying mortgage loans. The actual amount of net servicer advances we may fund in the future is subject to significant uncertainty and will be based on the credit and prepayment performance of the underlying loans.

REDWOOD TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, June 30, 2024
(Unaudited)

Note 17, 18. Commitments and Contingencies - (continued)

Commitments to Fund Strategic Investments

In the first quarter of 2022, we entered into a \$25 million commitment to an investment fund with the mission of providing quality workforce housing opportunities in several California urban communities, including the San Francisco Bay Area. At March 31, 2024, we had funded \$16 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 strategic investment. At March 31, 2024, we had funded \$2 million of this commitment. This investment is included in Other investments on our consolidated balance sheets.

Commitment to Fund Joint Ventures

In the first quarter of 2024, we established entered into a joint venture with Canadian Pension Plan Investment Board ("CPP Investments"), a global investment manager, investments pursuant to invest in residential investor bridge and term loans originated by our CoreVest subsidiary. In accordance with the terms of the joint venture, which we will offer to sell certain residential investor bridge and term loans we originate into joint venture entities that meet specified criteria at contractually pre-established prices. Redwood and its subsidiaries will administer the assets on behalf of this joint venture. Redwood will earn ongoing fees to oversee the administration of the joint venture and is entitled to earn additional performance fees upon realization of specified return hurdles. CPP Investments and Redwood We have committed to allocate up to \$500 million of equity to the joint venture, with approximately \$400 million of equity capital expected to be contributed to joint venture entities by CPP Investments and approximately \$100 million of equity capital expected to be allocated by Redwood across both Redwood's direct equity capital contribution to the joint venture entities and joint venture co-investments to be held in Redwood's investment portfolio. At March 31, June 30, 2024, no investments we had been funded through this contributed \$1 million of capital to the joint venture.

In the second quarter of 2023, we established entered into a joint venture with Oaktree to invest in residential investor bridge loans originated by our CoreVest subsidiary. In accordance with the terms of the joint venture, we will offer to sell certain residential investor bridge loans we originate into the joint venture that meet specified criteria at contractually pre-established prices. Redwood and its subsidiaries will administer the assets on behalf of this joint venture. Redwood will earn ongoing fees to oversee the administration of the joint venture and is entitled to earn additional performance fees upon realization of specified return hurdles. Additionally, we We have a commitment to contribute up to approximately \$19 million to the joint venture to fund the joint venture's purchase of residential investor bridge loans, under the updated terms of the joint venture. At March 31, June 30, 2024, we had contributed \$4 \$5 million of capital to the joint venture.

Riverbend Contingent Consideration

As part of the consideration for our acquisition of Riverbend, we may make earnout payments payable in cash, based on generating specified revenues over a threshold amount during the two-year period ending July 1, 2024, up to a maximum potential amount payable of \$25 million. These contingent earnout payments are classified as a contingent consideration liability on our consolidated balance sheets and carried at fair value. At March 31, 2024, our estimated fair value of this contingent liability was zero.

Loss Contingencies — Risk-Sharing

During 2015 and 2016, we sold conforming loans to the Agencies with an original unpaid principal balance of \$3.19 billion, subject to our risk-sharing arrangements with the Agencies. At March 31, 2024, 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 For additional information related to our obligations under commitments and contingencies, see Note 17 to the arrangements. At March 31, 2024, we had incurred less than \$100 thousand of cumulative losses under these arrangements. For Consolidated Financial Statements included in our Annual Report on Form 10-K for the three months year ended March 31, 2024, other income related to these arrangements was \$0.2 million December 31, 2023.

All of the loans in the reference pools subject to these risk-sharing arrangements were originated in 2014 and 2015, and at March 31, 2024, the loans had an unpaid principal balance of \$388 million, a weighted average FICO score of 761 (at origination), and LTV ratio of 74% (at origination). At March 31, 2024, \$8 million of the loans were 90 or more days delinquent, of which five loans with an aggregate unpaid principal balance of \$1 million were in foreclosure. At March 31, 2024, the carrying value of our guarantee obligation was \$6 million and included \$5 million designated as a non-amortizing credit reserve, which we believe is sufficient to cover current expected losses under these obligations.

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2024
(Unaudited)

Note 17. Commitments and Contingencies - (continued)

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 March 31, 2024 and December 31, 2023, assets of such SPEs totaled \$28 million, and liabilities totaled \$6 million.

Loss Contingencies — Repurchase Reserves

We maintain a repurchase reserve for potential obligations arising from representation and warranty violations related to residential consumer and residential investor loans we have sold to securitization trusts or third parties and for conforming residential consumer loans associated with MSRs that we have purchased from third parties. We do not originate residential consumer 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 both March 31, 2024 June 30, 2024 and December 31, 2023, our repurchase reserve associated with our residential consumer loans and MSRs was \$3 million and \$5 million, respectively, and was recorded in Accrued accrued expenses and other liabilities on our consolidated balance sheets. During both the three six months ended March 31, 2024 June 30, 2024 and 2023, we received two and one repurchase request. request, respectively. During the three six months ended March 31, 2024 June 30, 2024 and 2023 we repurchased one two and five loan(s), loans, respectively. During both the three six months ended March 31, 2024 June 30, 2024 and 2023, we recorded reversals of repurchase provision expenses of \$0.2 \$1 million, and zero, respectively, in Mortgage banking activities, net, on our consolidated statements of income.

At March 31, 2024 June 30, 2024 and December 31, 2023, our repurchase reserve associated with residential investor loans sold to third-parties was \$0.01 \$0.2 million and zero, respectively, and was recorded in Accrued accrued expenses and other liabilities on our consolidated balance sheets. During the three six months ended March 31, 2024 June 30, 2024 and 2023, we received nine ten and four three repurchase requests, respectively, for residential investor loans sold to third parties, and repurchased zero one and eleven twelve residential investor loans, respectively, that had been sold to third parties. One repurchase provision was recorded during the first three months of 2024 and, at March 31, 2024 At June 30, 2024, two open repurchase requests were outstanding for residential investor loans sold to third parties.

Loss Contingencies — Litigation, Claims and Demands

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

For additional information related to our commitments and contingencies, see Note 17 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2023.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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March 31, June 30, 2024
(Unaudited)

Note 18, 19. Equity

The following table provides tables provide a summary of changes to Accumulated other comprehensive income (loss) by component for the three and six months ended March 31, 2024 June 30, 2024 and 2023.

Table 18.1 19.1 – Changes in Accumulated Other Comprehensive Income (Loss) by Component

		Three Months Ended
Three Months Ended March 31, 2024	March 31, 2023	
		Three Months Ended June
Three Months Ended June 30, 2024	June 30, 2023	

(In Thousands)	(In Thousands)	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	(In Thousands)	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										
Other comprehensive income before reclassifications										
Amounts reclassified from other accumulated comprehensive income (loss)										
Net current-period other comprehensive income (loss)										
Balance at End of Period										

(In Thousands)	Six Months Ended June 30, 2024			Six Months Ended June 30, 2023		
	Interest Rate Agreements Accounted for as Cash Flow		Hedges	Interest Rate Agreements Accounted for as Cash Flow		Hedges
	Available-for-Sale Securities			Available-for-Sale Securities		
Balance at beginning of period	\$ 10,219	\$ (68,176)		\$ 3,435	\$ (72,303)	
Other comprehensive income (loss) before reclassifications	9,710	—		4,319	—	
Amounts reclassified from other accumulated comprehensive income (loss)	(1,143)	2,058		411	2,047	
Net current-period other comprehensive income (loss)	8,567	2,058		4,730	2,047	
Balance at End of Period	\$ 18,786	\$ (66,118)		\$ 8,165	\$ (70,256)	

REDWOOD TRUST, INC. AND SUBSIDIARIES
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June 30, 2024
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Note 19. Equity - (continued)

The following table provides a summary of reclassifications out of Accumulated other comprehensive income (loss) for the three and six months ended March 31, 2024, June 30, 2024 and 2023.

Table 18.2 19.2 – Reclassifications Out of Accumulated Other Comprehensive Income (Loss) Loss

Amount Reclassified From Accumulated Other Comprehensive (Loss)
Amount Reclassified From Accumulated Other Comprehensive (Loss)
Amount Reclassified From Accumulated Other Comprehensive (Loss)

			Amount Reclassified From Accumulated Other Comprehensive Loss					
			Amount Reclassified From Accumulated Other Comprehensive Loss					
			Amount Reclassified From Accumulated Other Comprehensive Loss					
Affected Line Item in the			Affected Line Item in the	Three Months Ended March 31,		Affected Line Item in the	Three Months Ended June 30,	
(In Thousands)	(In Thousands)	Income Statement	2024	2023	(In Thousands)	Income Statement	2024	2023
Net Realized Loss on AFS Securities								
(Decrease) increase in allowance for credit losses on AFS securities								
(Decrease) increase in allowance for credit losses on AFS securities								
(Decrease) increase in allowance for credit losses on AFS securities								
Gain on sale and calls of AFS securities								
Loss (gain) on sale of AFS securities								

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2024
(Unaudited)

ote 18. Equity - (continued)

Issuance of Preferred Stock

In January 2023, Redwood issued 2.8 million shares of 10.00% Series A Fixed-Rate Reset Cumulative Redeemable Preferred Stock ("Series A Preferred Stock") for gross proceeds of \$70 million and net proceeds of approximately \$67 million, after deducting the underwriting discount and other estimated expenses. The Series A Preferred Stock pays quarterly cumulative cash dividends through January 15, 2028 at a fixed annual rate of 10%, based on the stated liquidation preference of \$25.00 per share, in arrears, when authorized by Redwood's Board of Directors and declared by the company. Company. Starting April 15, 2028, the annual dividend rate will reset to the five-year U.S. Treasury Rate plus a spread of 6.278%. The Series A Preferred Stock ranks senior to Redwood's common stock with respect to rights to the payment of dividends and the distribution of assets upon any liquidation, dissolution or

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024
(Unaudited)

Note 19. Equity - (continued)

winding up of the company. Company. During the three and six months ended March 31, 2024 June 30, 2024, the company Company declared preferred stock dividends of \$0.625 and \$1.2500 per share, preferred share, respectively. At March 31, 2024 June 30, 2024, preferred dividends payable totaling \$1 million \$1 million for the first second quarter 2024 dividend were included in Accrued expenses and other liabilities and were payable on April 15, 2024 July 15, 2024 to preferred stockholders of record on April 1, 2024 July 1, 2024.

Direct Stock Purchase and Dividend Reinvestment Plan

During the three months ended March 31, 2024 June 30, 2024, we did not not issue any shares of common stock through our Direct Stock Purchase and Dividend Reinvestment Plan. At March 31, 2024 June 30, 2024, approximately six million shares remained outstanding for future offerings under this plan.

Earnings per Common Share

The following table provides the basic and diluted earnings per common share computations for the three months ended March 31, 2024 and 2023.

Table 18.3 – Basic and Diluted Earnings per Common Share

(In Thousands, except Share Data)	Three Months Ended March 31,	
	2024	2023
Basic Earnings per Common Share:		
Net income related to common stockholders	\$ 28,512	\$ 3,201
Less: Dividends and undistributed earnings allocated to participating securities	(1,356)	(1,404)
Net income related to common stockholders	\$ 27,156	\$ 1,797
Basic weighted average common shares outstanding	131,570,347	113,678,911
Basic Earnings per Common Share	\$ 0.21	\$ 0.02
Diluted Earnings per Common Share:		
Net income related to common stockholders	\$ 28,512	\$ 3,201
Less: Dividends and undistributed earnings allocated to participating securities	(1,356)	(1,404)
Net income related to common stockholders	\$ 27,156	\$ 1,797
Weighted average common shares outstanding	131,570,347	113,678,911
Net effect of dilutive equity awards	—	455,645
Net effect of assumed convertible notes conversion to common shares	—	—
Diluted weighted average common shares outstanding	131,570,347	114,134,556
Diluted Earnings per Common Share	\$ 0.21	\$ 0.02

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.

REDWOOD TRUST, INC. AND SUBSIDIARIES
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March 31, 2024
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Note 18. Equity - (continued)

During the three months ended March 31, 2024 and 2023, none of our convertible notes were determined to be dilutive and were not included in the calculation of diluted EPS under the "if-converted" method. Under this method, for convertible and exchangeable notes due in 2024 and 2025, 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 convertible notes due in 2027, if the potential conversion of the debt is dilutive, then the number of shares needed to settle the conversion premium are added to the shares outstanding used to calculate dilutive EPS.

For the three months ended March 31, 2024, 35,673,554 of common shares, related to the assumed conversion of our convertible notes, were antidilutive and were excluded in the calculation of diluted earnings per share. For the three months ended March 31, 2023, 46,316,074 of common shares, related to the assumed conversion of our convertible notes, were antidilutive and were excluded in the calculation of diluted earnings per share. For the three months ended March 31, 2024 and 2023, the number of outstanding equity awards that were antidilutive totaled 22,161 and 28,474 common shares, respectively.

Common Stock Warrants

In conjunction with establishing the joint venture with CPP Investments in March 2024, we issued warrants exercisable for 1,974,905 shares of our common stock (the "First Tranche Warrants"); and (ii) warrants exercisable for 4,608,112 shares of our common stock (the "Second Tranche Warrants" and together with the First Tranche Warrants, the "Warrants"). The First Tranche Warrants are exercisable from March 18, 2025 to March 18, 2029. The Second Tranche Warrants will vest upon achievement of specified deployment thresholds related to our joint venture with CPP Investments and, if vested, will be exercisable from the date the Second Tranche Warrants vest to March 18, 2029. The initial strike price of the Warrants is \$7.76. The Warrants also contain a mandatory exercise provision, exercisable at Redwood's option upon satisfaction of specified conditions, including the trading price of Redwood's common stock exceeding a specified premium to the exercise price. Exercises of any Warrants will be settled on a net basis.

The Warrants met the criteria for equity classification under ASC 815, *Derivatives and Hedging*, and are recorded as a component of Additional paid-in-capital in Equity on our Consolidated Balance Sheets. The Warrants were valued at \$0.8 million on the issuance date and are not subject to subsequent remeasurement. [See Note 20 for discussion on the impact of the Warrants on earnings per common share.](#)

For additional information related to our equity, see [Note 18](#) to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2023.

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024
(Unaudited)

Note 20. Earnings per Common Share

The following table provides the basic and diluted earnings per common share computations for the three and six months ended [March 31, 2024](#) June 30, 2024 and 2023.

Table 20.1 – Basic and Diluted Earnings per Common Share

(In Thousands, except Share Data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Basic Earnings per Common Share:				
Net income available to common stockholders	\$ 13,777	\$ 1,115	\$ 42,289	\$ 4,316
Less: Dividends and undistributed earnings allocated to participating securities	(985)	(876)	(2,028)	(2,280)
Net income available to common stockholders	<u>\$ 12,792</u>	<u>\$ 239</u>	<u>\$ 40,261</u>	<u>\$ 2,036</u>
Basic weighted average common shares outstanding	132,115,854	114,051,017	131,843,100	113,830,347
Basic Earnings per Common Share	<u>\$ 0.10</u>	<u>\$ —</u>	<u>\$ 0.31</u>	<u>\$ 0.02</u>
Diluted Earnings per Common Share:				
Net income available to common stockholders	\$ 13,777	\$ 1,115	\$ 42,289	\$ 4,316
Less: Dividends and undistributed earnings allocated to participating securities	(985)	(876)	(2,028)	(2,280)
Net income available to common stockholders	<u>\$ 12,792</u>	<u>\$ 239</u>	<u>\$ 40,261</u>	<u>\$ 2,036</u>

Weighted average common shares outstanding	132,115,854	114,051,017	131,843,100	113,830,347
Net effect of dilutive equity awards	7,848	394,245	3,924	424,945
Net effect of assumed convertible notes conversion to common shares	—	—	—	—
Diluted weighted average common shares outstanding	132,123,702	114,445,262	131,847,024	114,255,292
Diluted Earnings per Common Share	\$ 0.10	\$ —	\$ 0.31	\$ 0.02

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 six months ended June 30, 2024 and 2023, none of our convertible notes were determined to be dilutive and were not included in the calculation of diluted EPS under the "if-converted" method. Under this method, for convertible and exchangeable notes due in 2024 and 2025, 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 convertible notes due in 2027, if the potential conversion of the debt is dilutive, then the number of shares needed to settle the conversion premium are added to the shares outstanding used to calculate dilutive EPS.

During the three and six months ended June 30, 2024, these none of our Warrants were not determined to be dilutive to our calculation of dilutive earnings per common share. The Warrants warrants would have a dilutive effect on earnings per common share to the extent that the Warrants are vested and exercisable, and the market value per share of our common stock exceeds the strike price of the Warrants.

Stock Repurchases

In July 2022, our Board For the three and six months ended June 30, 2024, 34,537,361 and 35,105,457 of Directors approved an authorization for common shares, respectively, related to the repurchase of up to \$125 million assumed conversion of our convertible notes, were antidilutive and were excluded in the calculation of diluted earnings per share. For the three and six months ended June 30, 2023, 44,712,499 and 45,509,857 of common stock, shares, respectively, related to the assumed conversion of our convertible notes, were antidilutive and also authorized were excluded in the repurchase calculation of diluted earnings per share. For the three and six months ended June 30, 2024, the number of outstanding debt securities, including convertible equity awards that were antidilutive totaled 20,376 and exchangeable debt. In May 2023, our Board of Directors approved an additional authorization for 42,537 common shares, respectively. For the repurchase of up to \$70 million of our preferred stock. These authorizations have no expiration dates three and does not obligate us to acquire any specific six months ended June 30, 2023, the number of outstanding equity awards that were antidilutive totaled 27,408 and 55,882 common shares, or securities. During the three months ended March 31, 2024, we did not repurchase any shares of our common or preferred stock under this program. At March 31, 2024, \$101 million and \$70 million of the current authorization remained available for the repurchase of shares of our common and preferred stock, respectively, and we also continued to be authorized to repurchase outstanding debt securities, respectively.

REDWOOD TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

(Unaudited)

Note 19.21. Equity Compensation Plans

At March 31, 2024 June 30, 2024 and December 31, 2023, 9,170,507 9,414,568 and 10,211,459 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 \$41 million \$36 million at March 31, 2024 June 30, 2024, as shown in the following table.

REDWOOD TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

(Unaudited)

ote 19. Equity Compensation Plans - (continued)

Table 19.121.1 – Activities of Equity Compensation Costs by Award Type

(In Thousands)	Three Months Ended March 31, 2024				
	Restricted Stock Units	Deferred Stock Units	Performance Stock Units	Employee Stock Purchase Plan	Total
Unrecognized compensation cost at beginning of period	\$ 3,166	\$ 18,920	\$ 15,519	\$ —	\$ 37,605
Equity grants	3,522	6,915	—	266	10,703
Performance-based valuation adjustment	—	—	—	—	—
Equity grant forfeitures ⁽¹⁾	(401)	(1,114)	—	—	(1,515)

Equity compensation expense	(711)	(3,172)	(1,785)	(67)	(5,735)
Unrecognized Compensation Cost at End of Period	\$ 5,576	\$ 21,549	\$ 13,734	\$ 199	\$ 41,058

Equity grant forfeitures for the three months ended March 31, 2024 represent the reduction in future equity compensation expense related to employee terminations, for which the underlying equity awards will be forfeited upon the actual employee termination date subsequent to March 31, 2024.

(In Thousands)	Six Months Ended June 30, 2024				
	Restricted Stock Units	Deferred Stock Units	Performance Stock Units	Employee Stock Purchase Plan	Total
Unrecognized compensations cost at beginning of period	\$ 3,166	\$ 18,920	\$ 15,519	\$ —	\$ 37,605
Equity grants	3,522	7,790	—	266	11,578
Grant date fair value adjustment	—	—	—	—	—
Equity grant forfeitures	(607)	(1,147)	—	—	(1,754)
Equity compensation expense	(1,194)	(6,256)	(3,570)	(134)	(11,154)
Unrecognized Compensation Cost at End of Period	\$ 4,887	\$ 19,307	\$ 11,949	\$ 132	\$ 36,275

At March 31, 2024 June 30, 2024, the weighted average amortization period remaining for all of our equity awards was less than two years.

Restricted Stock Units ("RSUs")

We generally grant RSUs annually, as part of our compensation process. In addition, RSUs are granted from time to time in connection with hiring and promotions. RSUs generally vest over the course of a four-yearfour-year vesting period, and are distributed annually, at the end of each vesting period.

At March 31, 2024 June 30, 2024 and December 31, 2023, we had 865,279 791,439 and 593,570 RSUs outstanding, respectively. During the three six months ended March 31, 2024 June 30, 2024, we granted 542,719 RSUs, and distributed 271,010 RSUs. RSUs, and 73,840 RSUs were forfeited due to employee termination. Unvested RSUs at March 31, 2024 June 30, 2024 vest through 2028.

Deferred Stock Units ("DSUs")

We generally grant DSUs annually, as part of our compensation process. In addition, DSUs are granted from time to time in connection with hiring and promotions and in lieu of the payment in cash of a portion of annual bonus earned. DSUs generally vest over the course of a four-yearfour-year vesting period, and are distributed after the end of the final vesting period or after an employee is terminated.

At March 31, 2024 June 30, 2024 and December 31, 2023, we had 5,598,779 5,576,627 and 4,821,172 DSUs outstanding, respectively, of which 2,309,485 2,603,607 and 2,284,480, respectively, had vested. During the three six months ended March 31, 2024 June 30, 2024, we granted 1,089,871 1,245,295 DSUs, distributed 378,125 DSUs and distributed 312,264 DSUs. 111,715 DSUs were forfeited due to employee termination. Unvested DSUs at March 31, 2024 June 30, 2024 vest through 2028.

Performance Stock Units ("PSUs")

We generally grant PSUs annually, as part of our compensation process. PSUs generally have performance-based vesting over the course of a three-yearthree-year vesting/performance period, and, subject to meeting certain performance criteria, will vest and be distributed after the end of the vesting period.

At March 31, 2024 June 30, 2024 and December 31, 2023, the target number of PSUs that were unvested was 2,598,194 and 3,072,039, respectively. Vesting for PSUs generally occurs approximately three years from their respective grant dates based on various total shareholder return performance calculations, as discussed in Note 19 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2023.

REDWOOD TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024

(Unaudited)

Note 21. Equity Compensation Plans - (continued)

For 473,845 target PSU awards that were granted in December 2020, the performance vesting period ended on January 1, 2024. Based upon the performance-based vesting criteria of these awards, 564,975 shares of our common stock underlying these PSUs

REDWOOD TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024

(Unaudited)

ote 19. Equity Compensation Plans - (continued)

qualified for vesting, which was approved by our Board of Directors during the **three** **six** months ended **March 31, 2024** **June 30, 2024**. These PSUs were distributed as shares of our common stock in April 2024.

Employee Stock Purchase Plan ("ESPP")

The ESPP allows a maximum of **850,000** **1,100,000** shares of common stock to be purchased in aggregate for all employees. As of **March 31, 2024** **June 30, 2024** and December 31, 2023, **785,530** **805,906** and 763,369 shares had been purchased, respectively, and there remained a negligible amount of uninvested employee contributions in the ESPP at **March 31, 2024** **June 30, 2024**.

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 months ended March 31, 2024 and 2023.

Table 20.1 – Mortgage Banking Activities

(In Thousands)	Three Months Ended March 31,	
	2024	2023
Residential Consumer Mortgage Banking Activities, Net		
Changes in fair value of:		
Residential consumer loans, at fair value ⁽¹⁾	\$ (3,854)	\$ 6,755
Trading securities ⁽²⁾	8,511	—
Risk management derivatives ⁽³⁾	3,089	(3,371)
Other income, net ⁽⁴⁾	81	(19)
Total residential consumer mortgage banking activities, net	7,827	3,365
Residential Investor Mortgage Banking Activities, Net:		
Changes in fair value of:		
Residential investor term loans, at fair value	(296)	12,700
Residential investor bridge loans, at fair value	946	1,119
Risk management derivatives ⁽³⁾	2,509	(5,096)
Other income, net ⁽⁵⁾	3,570	4,583
Total residential investor mortgage banking activities, net	6,729	13,306
Mortgage Banking Activities, Net	\$ 14,556	\$ 16,671

(1) For residential consumer loans, includes changes in fair value for associated loan purchase commitments.

(2) For the three months ended March 31, 2024, this represents the fair value changes on trading securities being used as hedges to manage the mark-to-market risks associated with our residential consumer mortgage banking operations. For the three months ended March 31, 2023, we did not utilize trading securities as hedging instruments.

(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.

REDWOOD TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024
(Unaudited)

Note 21. Other Income, Net

The following table presents the components of Other income recorded in our consolidated statements of income for the three months ended March 31, 2024 and 2023.

Table 21.1 – Other Income, Net

(In Thousands)	Three Months Ended March 31,	
	2024	2023
MSR income, net ⁽¹⁾	\$ 4,225	\$ 1,077
Risk share income	169	159
Bridge loan fees ⁽²⁾	1,000	1,592

Earnings (loss) from equity method investments	(943)	(20)
Legal settlement	—	891
Other, net	55	857
Other Income, Net	\$ 4,506	\$ 4,556

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

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

REDWOOD TRUST, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, June 30, 2024
(Unaudited)

Note 22. Components of Operating Expenses

Components of our general and administrative expenses, portfolio management costs, loan acquisition costs, and other expenses for the three and six months ended March 31, 2024 June 30, 2024 and 2023 are presented in the following table.

Table 22.1 – Components of Operating Expenses

		Three Months Ended June 30,		Six Months Ended June 30,	
		2024	2023	2024	2023
(In Thousands)	(In Thousands)				
(In Thousands)					
(In Thousands)					
General and Administrative Expenses					
General and Administrative Expenses					
General and Administrative Expenses					
Fixed compensation expense (1)					
Fixed compensation expense (1)					
Fixed compensation expense (1)					
Annual variable compensation expense					
Annual variable compensation expense					
Annual variable compensation expense					
Long-term incentive award expense (2)					
Long-term incentive award expense (2)					
Long-term incentive award expense (2)					
Systems and consulting					
Systems and consulting					
Systems and consulting					
Office costs					
Office costs					
Office costs					
Accounting and legal					
Accounting and legal					
Accounting and legal					
Corporate costs					
Corporate costs					
Corporate costs					
Other					
Other					

Other
Total General and Administrative Expenses
Total General and Administrative Expenses
Total General and Administrative Expenses
Portfolio Management Costs
Portfolio Management Costs
Portfolio Management Costs
Loan Acquisition Costs
Loan Acquisition Costs
Loan Acquisition Costs
Commissions
Commissions
Commissions
Underwriting costs
Underwriting costs
Underwriting costs
Transfer and holding costs
Transfer and holding costs
Transfer and holding costs
Total Loan Acquisition Costs
Total Loan Acquisition Costs
Total Loan Acquisition Costs
Other Expenses
Other Expenses
Other Expenses
Amortization of purchase-related intangible assets
Amortization of purchase-related intangible assets
Amortization of purchase-related intangible assets
Other
Other
Other
Total Other Expenses
Total Other Expenses
Total Other Expenses
Total Operating Expenses
Total Operating Expenses
Total Operating Expenses

- (1) Includes \$2 million and \$1 million of severance and transition-related expenses for the three six months ended March 31, 2024 June 30, 2024 and 2023, respectively.
- (2) Includes \$1 million and \$0.1 million of equity amortization expense related to employee terminations during for both the three six months ended March 31, 2024 June 30, 2024 and March 31, 2023, respectively, 2023. For the three months ended March 31, 2024 June 30, 2024 and 2023, long-term incentive award expense included \$6 \$5 million and \$6 \$4 million of expense, respectively, for awards settleable in shares of our common stock, and \$2 million and \$1 million of expense, respectively, for awards settleable in cash. For the six months ended June 30, 2024 and \$2 2023, long-term incentive award expense included \$11 million and \$10 million of expense, respectively, for awards settleable in shares of our common stock, and \$3 million and \$3 million of expense, respectively, for awards settleable in cash.

REDWOOD TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2024
(Unaudited)

Note 22. Components of Operating Expenses - (continued)

Cash Settled Deferred Stock Units ("csDSUs")

Cash-settled deferred stock units that were granted 2020, 2021, and 2022, each vest over four-year periods and are subjectFor additional information related to continued employment through the vesting periods through 2026. These cash-settled, long-term incentive awards, will be fully vested and payable in cash with a vested award value based on the closing market price of our common stock on their respective final vesting dates. These awards are classified as liabilities in Accrued expenses and other liabilities on our consolidated balance sheets, and are being amortized over their respective vesting periods on a straight-line basis, adjusted for changes in the value of our common stock at the end of each reporting period. At March 31, 2024, 980,407 csDSUs were outstanding, the liability associated with these awards was \$3 million, and the unamortized compensation cost was \$3 million. The expense associated with these awards is included in "Long-term incentive award expense," as presented in Table 22.1 above.

Refer to see Note 22 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2023, for additional information regarding long-term cash-based awards and cash-settled deferred stock units.

Cash-Settled Restricted Stock Units ("csRSUs")

During the year ended December 31, 2023, \$4 million of csRSUs were granted to certain executive officers that will vest over the next four years through 2027. On each vesting date over the four-year vesting period, cash in an amount equal to the value of the common stock underlying the csRSUs that vest on such vesting date will be distributed to the recipients. These awards are classified as liabilities in Accrued expenses and other liabilities on our consolidated balance sheets, and are being amortized over their respective vesting periods on a straight-line basis, adjusted for changes in the value of our common stock at the end of each reporting period. At March 31, 2024, 535,620 csRSUs were outstanding, the liability associated with these awards was \$0.3 million, and unamortized compensation cost of the csRSUs was \$3 million. The expense associated with these awards is included in "Long-term incentive award expense," as presented in Table 22.1 above.

Refer to Note 22 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2023, for additional information regarding long-term cash-based awards and cash-settled deferred stock units.

Cash Settled Performance Stock Units

During the three months ended March 31, 2023, \$6 million of cash-settled performance stock units ("csPSUs") were granted to certain executive and non-executive employees which vest over approximately three years through January 1, 2026. The target number of csPSUs that were granted totaled 663,499 units based on a per unit grant-date fair value of \$9.75. The equivalent number of underlying shares of common stock that vest and that the recipient becomes entitled to receive at the time of vesting will generally range from 0% to 250% of the target number of csPSUs granted, with the target number of csPSUs granted being adjusted to reflect the value of any dividends declared on our common stock during the vesting period. Upon vesting, the recipient will receive the settlement of the vested shares in cash based on the closing market price of our common stock on the final vesting date. These awards are classified as liabilities in Accrued expenses and other liabilities on our consolidated balance sheets, and are being amortized over their respective vesting periods on a straight-line basis, adjusted for changes in the value of the csPSUs at the end of each reporting period. At March 31, 2024, the liability associated with these awards was \$2 million, and unamortized compensation cost of the csPSUs was \$3 million. The expense associated with these awards is included in "Long-term incentive award expense," as presented in Table 22.1 above.

Refer to Note 22 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2023, for additional information regarding long-term cash-based awards and cash-settled deferred stock units.

Long-Term Cash-Based Awards

Cash-based retention awards were granted to certain executive and non-executive employees between 2020 and 2023 that vest over one- to three-year periods, and are subject to continued employment through the vesting periods through 2025. At March 31, 2024, the liability associated with these awards was \$1 million and the unamortized compensation cost of long-term cash-based awards was \$1 million. The expense associated with these awards is included in "Long-term incentive award expense," as presented in Table 22.1 above.

REDWOOD TRUST, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Unaudited)

Note 23. Taxes

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

For the three six months ended March 31, 2024 June 30, 2024 and 2023, we recognized a provision for income taxes of \$1 million \$5 million and benefit from income taxes of \$1 million, respectively. The following is a reconciliation of the statutory federal and state tax rates to our effective tax rate at March 31, 2024 June 30, 2024 and 2023.

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

	March 31, 2024	March 31, 2023
	June 30, 2024	June 30, 2023

Federal statutory rate	Federal statutory rate	21.0 %	21.0 %	Federal statutory rate	21.0 %	21.0 %
State taxes, net of Federal tax effect, as applicable	State taxes, net of Federal tax effect, as applicable	0.4 %	(6.3)%	State taxes, net of Federal tax effect, as applicable	1.9 %	(0.2)%
Differences in taxable income (loss) from GAAP income	Differences in taxable income (loss) from GAAP income	0.6 %	(14.3)%	Differences in taxable income (loss) from GAAP income	0.3 %	(4.9)%
Change in valuation allowance	Change in valuation allowance	— %	— %	Change in valuation allowance	— %	— %
REIT GAAP income or loss not subject to federal income tax	REIT GAAP income or loss not subject to federal income tax	(20.3)%	(32.5)%	REIT GAAP income or loss not subject to federal income tax	(12.6)%	(32.3)%
Effective Tax Rate	Effective Tax Rate	1.7 %	(32.1)%	Effective Tax Rate	10.6 %	(16.4)%

We assessed our tax positions for all open tax years (i.e., Federal, 2020 to 2024, and State, 2019 to 2024) at **March 31, 2024**, **June 30, 2024** and December 31, 2023, and concluded that we had no uncertain tax positions that resulted in material unrecognized tax benefits.

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

Redwood operates in three segments: Residential Consumer Mortgage Banking, Residential Investor Mortgage Banking and Investment Portfolio. As of June 30, 2024, the Company has a valuation allowance of \$117 million for certain state deferred tax assets, as it is more likely than not that those assets will not be realized. The Company considers all available evidence, both positive and negative, to analyze the realizability of deferred tax assets. After evaluating these sources of taxable income, and considering the jurisdiction and character of the reportable segments are deferred tax assets, the same Company continues to recognize its federal and certain state deferred tax assets of \$40 million at June 30, 2024, 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, 2023.

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 at certain consolidated Legacy Sequoia Securitization entities, are included in the Corporate/Other column as reconciling items to our consolidated financial statements. These unallocated corporate expenses primarily include interest expense for our convertible notes and trust preferred securities (and in 2024 and 2023, realized gains from the repurchase of convertible notes), indirect general and administrative expenses and other expense. In the normal course of business, loans are originated and acquired at our mortgage banking segments and may subsequently net deferred tax assets will be transferred to our investment portfolio segment either as whole loans or through the retention of securities from securitizations we sponsor and consolidate under GAAP. All of our loans are accounted for under the fair value option and amounts transferred between segments are accounted for at fair value at the time of transfer.

The following tables present financial information by segment for the three months ended March 31, 2024 and 2023.

Table 24.1 – Business Segment Financial Information

(In Thousands)	Three Months Ended March 31, 2024				
	Residential Consumer Mortgage Banking	Residential Investor Mortgage Banking	Investment Portfolio	Corporate/ Other	Total
Interest income	\$ 14,313	\$ 3,771	\$ 182,600	\$ 4,056	\$ 204,740
Interest expense	(8,266)	(2,877)	(153,105)	(16,282)	(180,530)
Net interest income (expense)	6,047	894	29,495	(12,226)	24,210
Non-interest income (loss)					
Mortgage banking activities, net	7,827	6,729	—	—	14,556
Investment fair value changes, net	—	—	21,405	432	21,837
HEI income, net	—	—	9,031	—	9,031
Other income, net	—	626	4,825	(945)	4,506
Realized gains, net	—	—	314	95	409
Total non-interest income (loss), net	7,827	7,355	35,575	(418)	50,339
General and administrative expenses	(4,789)	(11,425)	(2,175)	(16,180)	(34,569)
Portfolio management costs	—	—	(3,588)	(9)	(3,597)
Loan acquisition costs	(572)	(1,663)	—	(2)	(2,237)
Other expenses	—	(2,806)	(555)	—	(3,361)
(Provision for) Benefit from income taxes	(1,494)	2,136	(1,146)	(19)	(523)

Segment Contribution	\$ 7,019	\$ (5,509)	\$ 57,606	\$ (28,854)	
Net Income					\$ 30,262
Non-cash amortization (expense), net	\$ (284)	\$ (3,073)	\$ (3,017)	\$ (1,940)	\$ (8,314)

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

(In Thousands)	Three Months Ended March 31, 2023				
	Residential Consumer Mortgage Banking	Residential Investor Mortgage Banking	Investment Portfolio	Corporate/ Other	Total
Interest income	\$ 5,510	\$ 4,494	\$ 163,660	\$ 4,852	\$ 178,516
Interest expense	(6,866)	(4,038)	(123,452)	(17,723)	(152,079)
Net interest income (expense)	(1,356)	456	40,208	(12,871)	26,437
Non-interest income (loss)					
Mortgage banking activities, net	3,365	13,306	—	—	16,671
Investment fair value changes, net	1,076	—	(5,279)	(189)	(4,392)
HEI income, net	—	—	4,265	—	4,265
Other income, net	—	2,408	2,168	(20)	4,556
Realized gains, net	—	—	(117)	115	(2)
Total non-interest income (loss), net	4,441	15,714	1,037	(94)	21,098
General and administrative expenses	(4,806)	(13,678)	(1,409)	(15,662)	(35,555)
Portfolio management costs	—	—	(3,510)	—	(3,510)
Loan acquisition costs	(175)	(1,114)	—	—	(1,289)
Other expenses	—	(3,108)	(576)	—	(3,684)
Benefit from income taxes	633	703	(213)	—	1,123
Segment Contribution	\$ (1,263)	\$ (1,027)	\$ 35,537	\$ (28,627)	
Net Income					\$ 4,620
Non-cash amortization (expense), net	\$ (255)	\$ (3,701)	\$ (2,833)	\$ (2,106)	\$ (8,895)

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Note 24. Segment Information - (continued)

The following table presents the components of Corporate/Other for the three months ended March 31, 2024 and 2023.

Table 24.2 – Components of Corporate/Other

(In Thousands)	Three Months Ended March 31,					
	2024			2023		
	Legacy Consolidated VIEs			Legacy Consolidated VIEs		
	(1)	Other	Total	(1)	Other	Total
Interest income	\$ 2,298	\$ 1,758	\$ 4,056	\$ 2,543	\$ 2,309	\$ 4,852
Interest expense	(2,194)	(14,088)	(16,282)	(2,504)	(15,219)	(17,723)
Net interest income (expense)	104	(12,330)	(12,226)	39	(12,910)	(12,871)

Non-interest income (loss)						
Investment fair value changes, net	(218)	650	432	(94)	(95)	(189)
Other income, net	—	(945)	(945)	—	(20)	(20)
Realized gains, net	—	95	95	—	115	115
Total non-interest income (loss), net	(218)	(200)	(418)	(94)	—	(94)
General and administrative expenses	—	(16,180)	(16,180)	—	(15,662)	(15,662)
Portfolio management costs	—	(9)	(9)	—	—	—
Loan acquisition costs	—	(2)	(2)	—	—	—
Benefit from income taxes	—	(19)	(19)	—	—	—
Total	\$ (114)	\$ (28,740)	\$ (28,854)	\$ (55)	\$ (28,572)	\$ (28,627)

(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 March 31, 2024 and December 31, 2023.

Table 24.3 – Supplemental Segment Information

(In Thousands)	Residential Consumer Mortgage Banking	Residential Investor Mortgage Banking	Investment Portfolio	Corporate/ Other	Total
March 31, 2024					
Residential consumer loans	\$ 511,706	\$ —	\$ 6,973,027	\$ 131,859	\$ 7,616,592
Residential investor loans	—	280,551	4,901,443	—	5,181,994
Consolidated Agency multifamily loans	—	—	422,788	—	422,788
Real estate securities	62,815	—	149,492	—	212,307
Home equity investments	—	—	560,325	420	560,745
Other investments	—	—	279,737	57,608	337,345
Goodwill	—	23,373	—	—	23,373
Intangible assets	—	25,657	—	—	25,657
Total assets	594,842	383,090	13,560,010	520,032	15,057,974
December 31, 2023					
Residential consumer loans	\$ 911,192	\$ —	\$ 5,999,706	\$ 139,739	\$ 7,050,637
Residential investor loans	—	180,250	5,040,048	—	5,220,298
Consolidated Agency multifamily loans	—	—	425,285	—	425,285
Real estate securities	4,995	—	122,802	—	127,797
Home equity investments	—	—	550,323	113	550,436
Other investments	—	—	287,822	56,108	343,930
Goodwill	—	23,373	—	—	23,373
Intangible assets	—	28,462	—	—	28,462
Total assets	971,535	293,225	12,718,201	521,366	14,504,327

Note 25. Subsequent Events

In April 2024, we exercised our right under the terms of the facility with CPP Investments to increase the borrowing limit of this facility from \$200 million to \$250 million and completed an initial \$100 million borrowing under this facility.

Also in April 2024, we closed on a residential investor bridge loan warehouse financing facility with a new financing counterparty, with up to \$180 million of non-recourse, non-marginable borrowing capacity, a two-year borrowing period and three-year term to maturity, realized.

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. In the first quarter of 2024, we updated the names of our Residential loans to Residential consumer loans and our Business purpose loans to Residential investor loans. There were no changes to the classifications of account balances as a result of this update in names. All prior period references in this document were conformed to this presentation.

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

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

Our Business

Redwood Trust, Inc., together with its subsidiaries, is a specialty finance company focused on several distinct areas of housing credit. Our operating platforms occupy a unique position in the housing finance value chain, providing liquidity to growing segments of the U.S. housing market not well served by government programs. We deliver customized housing credit investments to a diverse mix of investors through our best-in-class securitization platforms, whole-loan distribution activities and our publicly-traded securities. Our aggregation, origination and investment activities have evolved to incorporate a diverse mix of residential consumer and residential investor housing credit assets. Our goal is to provide attractive returns to shareholders through a stable and growing stream of earnings and dividends, capital appreciation, and a commitment to technological innovation that facilitates risk-minded scale. We operate our business in three segments: Residential Consumer Banking, Residential Investor Mortgage Banking, and Investment Portfolio. For a full description of our segments, see Part 1, Item 1—Business in our Annual Report on Form 10-K for the year ended December 31, 2023.

Cautionary Statement

This Quarterly Report on Form 10-Q and the documents incorporated by reference herein contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve numerous risks and uncertainties. Our actual results may differ from our beliefs, expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as "anticipate," "estimate," "will," "should," "expect," "believe," "intend," "seek," "plan" and similar expressions or their negative forms, or by references to strategy, plans, opportunities, or intentions. These forward-looking statements are subject to risks and uncertainties, including, among other things, those described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, 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 2024 and future years, including statements regarding the economic impacts of inflation, monetary policy, volatility and potential regulatory changes in the banking sector, and shifting sources of liquidity in the residential mortgage market; (iii) statements regarding our progress in developing private capital partnerships that we expect to enhance our earnings, liquidity, operating and distribution capabilities going forward, including the estimated purchasing capacity of our joint venture with CPP Investments of up to \$4 billion of Residential Investor loans over the next several years inclusive of planned third-party warehouse financing facilities; forward; (iv) statements related to our investment portfolio, including that there remains potential upside in our portfolio through market discount, and that at March 31, 2024 June 30, 2024, our securities portfolio had approximately \$2.47 \$2.18 per share of net discount to par, and that we expect our expectations regarding our ability to finance, renew or extend financing for, and expand financing capacity for, our securities, legacy multifamily bridge loan portfolio to continue factoring down in the next two to three quarters, with moderating interest rates potentially accelerating payoff and HEI investments; refinance activity; (v) statements related to opportunities we see for our residential consumer and residential investor platforms, and our positioning to capture market share, opportunities to help scale and institutionalize HEI, and expectations regarding the expense structure of our residential investor platform and its alignment with loan origination volumes; share; (vi) statements relating to acquiring residential mortgage loans in the future that we have identified for purchase or plan to purchase, including the amount of such loans that we identified for purchase during the first second quarter of 2024 and at March 31, 2024 June 30, 2024, expected fallout and the corresponding volume of residential mortgage loans expected to be available for purchase, total net jumbo loan exposure, and residential mortgage loans subject to forward sale commitments; (vii) statements we make regarding future dividends, including with respect to our regular quarterly dividends in 2024; and (viii) statements regarding our expectations and estimates relating to the characterization for income tax purposes of our dividend distributions, our expectations and estimates relating to tax accounting, tax liabilities and tax savings, and GAAP tax provisions, and our estimates of REIT taxable income and TRS taxable income.

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

- general economic trends and the performance of the housing, real estate, mortgage finance, and broader financial markets;
- changing benchmark interest rates, and the Federal Reserve's actions and statements regarding monetary policy;
- federal, state, and local legislative and regulatory developments and the actions of governmental authorities and entities;
- the impact of public health issues such as the COVID-19 pandemic;
- our ability to compete successfully;
- our ability to adapt our business model and strategies to changing circumstances;
- our use of financial leverage and strategic business and capital deployment decisions we make;
- 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 and the geographical concentration of real estate underlying assets we own, and our exposure to environmental and climate-related risks;
- the efficacy and expense efforts to manage or hedge credit or 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 interest rates or mortgage prepayment rates;
- investment and reinvestment risk;
- asset performance, 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;
- the ability of counterparties to satisfy their obligations to us;
- we may enter into new lines of business, acquire other companies, or engage in other new strategic initiatives;
- changes in the demand from investors for residential consumer and residential investor mortgages and investments, and our ability to distribute residential consumer and residential investor mortgages through our whole-loan distribution channels;
- our involvement in loan and HEI origination and securitization transactions, the profitability of those transactions, and the risks we are exposed to in engaging in loan origination or securitization transactions;
- foreclosure activity may expose us to risks associated with real estate ownership and operation;
- exposure to claims and litigation, including litigation arising from loan or HEI origination and securitization transactions;
- acquisitions or new business initiatives may fail to improve our business and could expose us to new or increased risks;
- whether we have sufficient liquid assets to meet short-term needs;
- changes in our investment, financing, and hedging strategies and new risks we may be exposed to if we expand or reorganize;
- our ability to successfully retain or attract key personnel;
- we are dependent on third-party information systems and third-party service providers;
- our exposure to a disruption of our or a third party's 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;
- our risk management efforts may not be effective;
- we could be harmed by misconduct or fraud;
- inadvertent errors, system failures or cybersecurity incidents could disrupt our business;
- the impact on our reputation that could result from our actions or omissions or from those of others;
- accounting rules related to certain of our transactions and asset valuations are highly complex and involve significant judgment and assumptions;
- the future realization of our deferred tax assets is uncertain, and the amount of valuation allowance we may apply against our deferred tax assets may change materially in future periods;
- 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 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 stock may experience price declines, volatility, and poor liquidity, and we may reduce our dividends;
- decisions about raising, managing, and distributing capital;
- dividend distributions and the timing and character of such dividends may change;
- limited number of institutional shareholders own a significant percentage of our common stock; and
- other factors not yet identified, including broad market fluctuations.

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

The positioning second quarter of 2024 brought improved efficiency metrics across our segments, as we established during 2023 led grew profitability driven by strong volumes and a reduction in fixed costs. Book value generally remained stable at \$8.73 per share and we delivered total economic return of 1.3% for the second quarter, inclusive of our \$0.16 per share dividend.

One area of focus continues to tangible progress be deepening our relationships with loan sellers who are banks — and our recent activity with banks illustrates the core asset/liability challenges these institutions face when funding fixed rate mortgages with deposits. Recent commentary from the Federal Reserve also suggests that a re-proposal of the Basel III “endgame” bank capital regulations is forthcoming. Whatever the final form, we believe the Basel rules will inevitably impact the bank capital regime holistically, and further evolve how banks serve their residential mortgage customers in a capital and duration efficient manner. We anticipate that under the new regulatory regime, many banks will also have to manage overall balance sheet size, creating a new addressable market for us from the \$1.3 trillion of residential jumbo mortgage loans currently owned by depositories, a development we have long predicted. To wit, approximately 35% of our second quarter bank lock volume was on seasoned portfolios, signaling the start of a durable opportunity that can complement our on-the-run flow business.

As rates continue to impact overall housing activity, these dynamics are driving our Residential Consumer market share higher. Lock volume with banks — a group which now account over half of our 203 sellers — grew 80% from the first quarter of 2024 demonstrated by increases on strong bulk and flow volume. We are now actively engaged with 60% of the top 50 jumbo originators overall — a significant change in GAAP earnings our traditional reach — and book value per share. Capital our current estimated second quarter market share of 6% was itself a substantial increase from prior quarters.

Secondary financing products also remained in focus during the second quarter, as we raised gained momentum in purchasing closed end second lien (“CES”) loans and directly originating home equity investments (“HEI”). Untapped home equity in the fourth U.S. continues to grow and grabbed recent headlines with Freddie Mac’s (“Freddie”) preliminary entry into purchasing CES. This development adds credence to the need for more institutional structure around home equity products, an area of competitive advantage for a platform of our tenure. While we remain measured in our HEI rollout awaiting the interest rate cycle to turn, we believe Freddie’s provisional approval creates a refreshed window to use our broadened capital base to support the GSEs in their core missions.

Demand from private credit institutions also drove a strong operating quarter of 2023 was deployed into accretive investments and used to retire maturing corporate debt. for our Residential Consumer lock volumes reached their Investor segment, which delivered its highest level return since the beginning end of the Federal Reserve’s interest rate tightening cycle in 2021. We funded \$459 million of Investor loans, up 41% from the first quarter of 2022, despite slow housing transaction activity. We also progressed towards the updated operating efficiency goals we conveyed to investors 2024 with a near even split between term and bridge loans, important progress in March 2024 through expense reduction activities. In addition, the closing our production mix as term loan fundings rose 91% quarter over quarter. Our joint ventures with Oaktree Capital Management and CPP Investments spoke for most of our multi-pronged transaction with CPP Investments (“CPP”) second quarter 2024 production and were further complemented by an accretive sale of approximately \$240 million in March 2024 was an important milestone in the evolution of our business model that we expect term loans to help support our profitable growth in the years to come.

We believe we’re at a critical crossroad in how private capital funds homeownership and overall housing investment. Last year, we announced a key strategic goal of evolving our investment approach, deploying capital alongside institutional partners while driving organic scale within our operating platforms. As we look forward, we believe this approach will significantly evolve our revenue mix over time and deliver differentiated income streams to shareholders. top-tier insurance-backed buyer. We believe that deeper inroads with new loan buyers, combined with further portfolio growth within our joint ventures, will help evolve the CPP partnership provides more certainty platform’s revenues towards recurring and predictable fee streams, facilitating scale with less direct capital usage through time.

While credit performance in our broader Residential Investor portfolio remains stable overall, workout activity persisted on the legacy multifamily bridge portfolio, a product we largely discontinued originating in the summer of capital and more predictable cash flow streams through recurring fee-based income, while helping to unlock the operating leverage 2022. At June 30, 2024, that portfolio comprised less than 15% of our platforms. The \$750 million CPP transaction includes a \$500 million of joint venture, with potential cumulative purchasing power of \$4 billion to acquire Residential Investor loans over the next several years (inclusive of planned third-party warehouse financing facilities). Additionally, we obtained flexible debt financing from CPP through a new \$250 million secured revolving financing facility, designed to address the anticipated growth trajectory for our Residential Consumer business overall capital base and finance certain of our unencumbered assets.

The first quarter of 2024 validated the opportunity for our Residential Consumer business to drive loan acquisition volume and profitability amidst persistently higher interest rates and low housing transaction activity. We locked \$1.8 billion of loans ran off approximately 10% during the quarter, a 53% increase from the fourth quarter. Lock volume was supported by strength in flow activity from banks as well as from bulk purchases. This segment delivered a 17% return on capital, supported by three accretive securitizations totaling \$1.2 billion, which were issued on a monthly cadence that drove efficient capital turnover at increased volumes. Issuance spreads have continued to tighten and early in the second quarter of 2024 we have already priced our fourth securitization 2024. Through the process of the year.

Our first quarter jumbo lock volume mix reflected increased wallet share across our network of loan sellers, with bank lock volumes higher from the fourth quarter even as overall mortgage production at banks fell. Additionally, we witnessed a doubling of our quarterly lock volume with independent mortgage bankers (“IMBs”), as relationships with these sellers provide a longstanding strategic moat for the business that remains critical to growing market share going forward. Of our total lock volume for the quarter, 30% came

from bulk acquisitions, an exciting development as our enhanced capital position will allow us to continue to be more aggressive in stabilizing this channel and pursue larger, seasoned portfolios that complement on-the-run flow production. Collectively, these metrics reflect the unique positioning our franchise brings to both sellers and investors.

We directly originated our first home equity investment option ("HEI") contracts through our Aspire platform in the first quarter, a significant milestone that portfolio, we have continued to build incur incidental workout costs as our asset management team makes progress towards productive resolutions. Given the pace of paydowns and workout activity, we expect the portfolio to continue factoring down in the next two to three quarters, with moderating interest rates potentially accelerating payoff and refinance activity.

Fundamentals on by growing Aspire's geographical footprint Redwood's overall \$3.4 billion investment portfolio continue to include additional states, perform well, exceeding our modeled expectations. As mortgage interest rates hover above 7%, stabilize, and potentially begin to come down, we believe the buoyancy book values of prices our long-term fixed-rate investments stand to directly benefit. With the overall portfolio still carried at an aggregate \$2.18 per common share net discount, this represents a key source of earnings upside that in recent quarters has been hard to unlock.

Looking ahead to the second half of the year, we are preparing for single-family homes unexpected challenges – particularly in light of a rapidly evolving Presidential election cycle. But in terms of controlling the controllable, we remain pleased with our market positioning and will continue to execute on our strategic goals. Though interest rates have been stubbornly high, a data-driven Federal Reserve now has preserved homeowner equity that many increasing evidence to commence a more accommodative monetary policy. Our operating advantages are still unable designed to access, making HEI be durable and other related products all we believe the more attractive. While traditional second mortgage products remain turn in this cycle can have an important source of liquidity for consumers, and will remain a focus of ours, they still fall short of addressing the needs for many homeowners. Additionally, we expect to continue differentiating both boomerang effect across our HEI and traditional home equity products with structures that reflect the needs of today's consumers, business lines.

Within our Residential Investor segment, our priorities remain prudently growing top-line revenue, proactively managing credit risk, and returning the business to sustained profitability. For the first quarter, we funded \$326 million of loans, effectively flat from fourth quarter volumes. Revenue margins and segment profitability improved quarter over quarter, driven by tightening securitization spreads. Volume trends picked up later in the first quarter, and given recent volatility in benchmark interest rates, we built important momentum in less interest rate-sensitive products, including single-asset bridge loans.

Distribution channels for our Residential Investor loans remain open and are benefiting from more favorable market conditions. First quarter bridge production was largely distributed into our Oaktree joint venture and our three revolving bridge loan securitizations.

Residential investor loan delinquencies within our term and bridge loan portfolios remained stable from the fourth quarter of 2023 and we have continued to emphasize disciplined underwriting and product selection. At March 31, 2024, loans 90+ days delinquent within the bridge loan portfolio were primarily originated in the third quarter of 2022 or earlier, one of the key points at which we evolved our origination approach. Since late 2022, our Residential Investor production mix has remained predominantly focused on single-family loans where performance has remained resilient.

First Second Quarter Key Financial Results and Metrics

The following table presents key financial metrics for the three and six months ended March 31, 2024 and December 31, 2023 June 30, 2024.

Table 1 – Key Financial Results and Metrics

	Three Months Ended		Three Months Ended		Three Months Ended		Three Months Ended	Six Months Ended
(In Thousands, except per Share Data)	(In Thousands, except per Share Data)	March 31, 2024		December 31, 2023	(In Thousands, except per Share Data)		June 30, 2024	
Net income per diluted common share								
Return on common stockholders' equity	Return on common stockholders' equity	10.0 %		7.3 %	Return on common stockholders' equity	4.8 %		7.4 %
Dividends per share								
Book Value per share	Book Value per share	\$ 8.78	\$	8.64				
Economic return on book value ⁽¹⁾		3.5%		0.3%				
Total economic return ⁽¹⁾		1.3 %		4.7 %				

(1) Economic ^(*) Total economic return on book value is based on the periodic change in GAAP book value per common share plus dividends declared per common share during the period. It does not represent an annualized figure.

First Second Quarter Operational Highlights

Residential Consumer Mortgage Banking

- Locked \$1.8 billion \$2.7 billion of jumbo loans,⁽¹⁾ up 53% 49% from \$1.2 billion \$1.8 billion in the fourth first quarter of 2023 2024
 - First Second quarter 2024 flow volumes were driven by an 83% quarterly increase in bank lock volume, was up 31% relative to the fourth quarter 2023 including seasoned loans in bulk form
 - First Actively engaged with 113 bank sellers, up 16% from the first quarter of 2024 total independent mortgage bank ("IMB") lock volume and total bulk volume each doubled relative to the fourth quarter 2023
 - We are actively engaged with 74 depository institutions, relative to 68 in the fourth quarter 2023
- Achieved gross margins of 107 basis points, above 72bps, relative to our historical target range of 75 75bps to 100 basis points 100bps

- Distributed \$1.4 billion of jumbo loans through three securitizations (\$1.19 billion) and whole loan sales (\$202 million)
- Closed first directly originated home equity investment ("HEI") and launched closed-end second ("CES") lien product to our Residential Consumer Seller network

Residential Investor Mortgage Banking

- Funded \$326 million \$459 million of residential investor loans in the second quarter of 2024 (53% bridge and 47% term), up 41% from \$326 million in the first quarter of 2024 (64% bridge and 36% term), compared to \$343 million in the fourth quarter of 2023
 - Average February June 2024 represented the strongest funding month since mid-2023
 - Second quarter 2024 term fundings were up 91% relative to the first quarter 2024
 - Second quarter 2024 single-asset bridge ("SAB") and March funding volumes debt service coverage ratio ("DSCR") loan fundings were up 20% from January levels as pipeline grew into 50% relative to the start of second first quarter of 2024
- The second quarter 2024 represented the platform's largest volume life-to-date of non-securitization distribution
 - Distributed \$59 million \$415 million of loans through whole loan sales and sales to joint ventures ("JVs"), including \$238 million of term loans sold to a large institutional investor

Investment Portfolio

- Deployed approximately \$115 million \$133 million of capital into internally sourced and third-party investments, the largest single quarter of deployment since the third quarter of 2022
- RPL and jumbo securities saw stability improvement in 90 day+ delinquency rates at 8.1% 7.3% and 0.2%, respectively; 90 day+ delinquency rates for our combined CAFL securities and bridge loan Residential Investor portfolio were 5.0% 5.4%, as compared to 4.7% 4.9% at December 31, 2023 March 31, 2024⁽²⁾
- Secured recourse leverage ratio of 0.6x at June 30, 2024, down from 0.9x at March 31, 2024⁽³⁾

Second Quarter Financing / Corporate Highlights

- Unrestricted cash and cash equivalents of \$275 million \$276 million and unencumbered assets of approximately \$370 million \$332 million at March 31, 2024 June 30, 2024
- Grew Total excess warehouse financing capacity to \$2.69 billion of \$3.8 billion at March 31, 2024 June 30, 2024
 - Successfully renewed or established three loan financing facilities with key counterparties for \$750 million, \$2.5 billion of capacity, including \$250 million secured revolving financing facility two lines to support our JV with CPP Investments
- Repurchased \$31 million of Redwood's convertible debt (at a discount to par) across outstanding 2024 and 2027 maturities
- Issued \$60 million \$85 million (gross proceeds) of senior unsecured notes due 2029
- Completed three investments through RWT Horizons, including two follow-ons in existing portfolio companies (at valuations above our initial investment)

Footnotes to Second Quarter Business Highlights

1. Lock volume represents loans identified for purchase from loan sellers. Lock volume does not account for potential fallout from pipeline that typically occurs through the lending process.
2. Re-performing loan ("RPL") and jumbo securities delinquency rate calculations were updated in Q4'23 to be are weighted by notional balances of loans collateralizing each of our securities investments (prior periods presented were conformed to updated calculation). investments. Bridge loan and CAFL securities delinquency rates are calculated as BPL term loans in our consolidated CAFL securitizations, our portion of loans held at JVs, unsecuritized bridge loans held for investment, and bridge and term loans held for sale with a delinquent payment greater than 90 days, divided by the total notional balance of loans in consolidated CAFL securitizations, our portion of loans held at JVs, unsecuritized bridge loans held for investment, and bridge and term loans held for sale. Bridge loan delinquency rate calculations were updated in Q2'24 to include full UPB values for loans in joint ventures (prior period presented was conformed to updated calculation methodology).
3. Secured recourse leverage ratio for our Investment Portfolio is defined as secured recourse debt financing our investment portfolio assets divided by capital allocated to our investment portfolio.

RESULTS OF OPERATIONS

Within this *Results of Operations* section, we provide commentary that compares results year-over-year for 2024 and 2023. Most tables include a "change" column that shows the amount by which the results from 2024 are greater or less than the results from the respective period in 2023. Unless otherwise specified, references in this section to increases or decreases during the "three-month periods" refer to the change in results for the first second quarter of 2024, compared to the first second quarter of 2023.

Consolidated Results of Operations

The following table presents the components of our net income for the three and six months ended March 31, 2024 June 30, 2024 and 2023.

Table 2 – Net Income (Loss)

	Three Months Ended March 31,
	Three Months Ended March 31,
	Three Months Ended March 31,
	Three Months Ended June 30,

(In Thousands, except per Share Data)

(In Thousands, except per Share Data)

(In Thousands, except per Share Data)

2024

2023

Change

2024

2023

Change

Net Interest Income From:

Investment portfolio

Investment portfolio

Investment portfolio

Residential consumer mortgage banking

Residential investor mortgage banking

Corporate/other

Net Interest Income

Net Interest Income

Net Interest Income

Non-interest Income

Non-interest Income

Non-interest Income

Mortgage banking activities, net

Mortgage banking activities, net

Mortgage banking activities, net

Investment fair value changes, net

Investment fair value changes, net

Non-Interest Income

Residential consumer mortgage banking activities, net

Residential consumer mortgage banking activities, net

Residential consumer mortgage banking activities, net

Residential investor mortgage banking activities, net

Investment fair value changes, net

HEI income, net

HEI income, net

HEI income, net

Other income, net

Other income, net

Other income, net

Realized gains, net

Realized gains, net

Realized gains, net

Total non-interest income, net

Total non-interest income, net

Total non-interest income, net

General and administrative expenses

General and administrative expenses

General and administrative expenses

Portfolio management costs

Portfolio management costs

Portfolio management costs

Loan acquisition costs

Loan acquisition costs

Loan acquisition costs

Other expenses

Other expenses

Other expenses

Net Income Before Income Taxes

Net Income Before Income Taxes
Total Operating expenses
Net Income Before Income Taxes
(Provision for) benefit from income taxes
(Provision for) benefit from income taxes
(Provision for) benefit from income taxes
Net Income
Net Income
Net Income
Other comprehensive income, net
Other comprehensive income, net
Other comprehensive income, net
Preferred dividends
Preferred dividends
Preferred dividends
Total Comprehensive Income Available to Common Stockholders
Total Comprehensive Income Available to Common Stockholders
Total Comprehensive Income Available to Common Stockholders
Dividends on preferred stock
Net Income Available to Common Stockholders

Net Interest Income

Net interest income decreased by \$2 \$1 million for the three-month period ended June 30, 2024 and \$3 million for the six-month period ended June 30, 2024. During the three and six-month periods, primarily as a result of a decrease in net interest income from our Investment Portfolio of \$11 million, decreased, partially offset by an increase in net interest income of \$8 million from our Mortgage Banking operations, operations in the same periods. The decrease in net interest income from our Investment Portfolio for the three-month periods is primarily related to an increase in borrowing costs on long-term debt facilities and ABS issued used to finance our investments within this segment. Furthermore, the increase in non-accrual loans and loans that were modified over the period to provide borrowers payment relief resulted in lower net interest income, coupon income over the period. Net interest income from Residential Consumer Mortgage Banking operations increased \$7 \$10 million and \$18 million for the three-month three and six-month periods, respectively, due to higher average residential consumer loan balances starting during the second quarter of 2023 in 2024 as well as the result of certain hedging activities at our Residential

Consumer Mortgage Banking operations. Net interest income from our Residential Investor Mortgage Banking operations was relatively flat for these periods.

Corporate net interest expense decreased \$1 million increased \$5 million during the three-month three and six-month periods primarily related to higher cost corporate unsecured debt issued recently relative to repurchases and payoffs of older vintage, lower average balances coupon convertible debt. In the first six months of our corporate debt as 2024, we retired the convertible debt which matured in August 2023, and repurchased in the open market some of our outstanding convertible debt over the last year across our other maturities, offset by our issuance of issued \$60 million of 9.125% senior notes in January 2024, \$85 million of 9.0% senior notes in June 2024 and procured a secured revolving financing facility with CPP Investments, which we drew on starting in the second quarter of 2024. Additionally, we earned higher lower interest income at the corporate level from higher lower average cash balances invested in U.S. treasury securities (at a higher weighted average rate) or from financing a portion of as compared to 2023, while not fully utilizing available leverage for our jumbo loan pipeline with cash rather than utilizing given the cost of warehouse line financing.

debt relative to the coupon interest rates on the underlying loans we hold.

We use a combination of fixed and floating rate debt to finance our fixed and floating rate investments. Over the past year, continued increases in benchmark interest rates and, to a lesser extent, borrowing spreads, negatively impacted our net interest income. We also established financing capacity for non-performing loans which generally carry higher borrowing costs, however, these activities freed up additional capital to invest. While additional increases in the federal funds rate are not currently predicted by many market participants, further increases or widening of borrowing spreads could result in lower net interest income. To the extent interest rates remain elevated or increase further, certain fixed-rate term borrowings that mature in the coming quarters may have to be refinanced at higher interest rates, which could cause a reduction in net interest income. We maintained \$370 \$332 million of unencumbered assets and \$2.69 \$2.47 billion of excess warehouse capacity at March 31, 2024 June 30, 2024.

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

Mortgage Banking Activities, Net

Overall income from Mortgage banking Banking activities, net was lower higher during the three-month periods, as a \$4 \$1 million increase decrease from Residential Consumer Mortgage Banking activities was offset by a \$7 \$3 million decrease increase from Residential Investor Mortgage Banking.

In the Residential Consumer Mortgage Banking segment, loan purchase and lock volumes significantly increased from in the first quarter of three and six-month periods relative to the same periods in 2023, and continued through the end of the first quarter 2024 driven by an increase in loan purchases from both banks and IMBS, independent mortgage bankers ("IMBs"). Notably, for the three-month periods, total lock volume was four times higher, bank lock volume was six times higher and IMB lock volume was three times higher in 2024. As a reminder, market transaction volume during the three months ended June 30, 2023 was impacted by the regional bank crisis which also caused considerable interest rate volatility during that time. Despite on-going elevated rates and pressure on housing transactions, these volume increases during the three months ended June 30, 2024 occurred as a result of focused efforts to build our network of bank sellers, adding 90 new or re-established bank sellers over the last year, as well as focusing on wallet share with

our IMB sellers. As of June 30, 2024, our total network of loan sellers is 203, over half of which are banks. During the three and six months ended June 30, 2024, we also saw an increase in bulk volume, including seasoned bank collateral. We securitized or sold distributed \$1.4 billion of jumbo loans during the first second quarter of 2024, including the securitization of \$1.2 billion of loans across primarily through three Sequoia securitizations. Following the end of the first quarter of 2024 we completed a securitization of an additional \$400 million of loans in our fourth Sequoia securitization of 2024. For the first second quarter of 2024, we earned gross margins of 107 72 basis points above within this segment, relative to our historical range of 75 to 100 basis points. In For the second quarter of 2024, cost per loan was 22 basis points, compared to 36 basis points in the first quarter of 2023, we had distributions 2024 and our historical range of \$686 million of loans completed through two securitizations of \$657 million and whole loan sales of \$29 million. 30 to 35 basis points.

In the Residential Investor Mortgage Banking segment, income from mortgage banking activities decreased during the three-month six-month periods due to lower overall funding margins and volumes experienced in the first quarter of 2024, as compared to the first half of 2023 as spreads tightened more significantly in the first quarter of 2023 and lower overall margins, then stabilized. Funding volume and improved efficiencies in headcount and distribution execution in the second quarter of 2024 somewhat offset this decrease as income increased in the second quarter of 2024 relative to the first quarter of 2024. The decrease increase in overall funding volumes during the three-month periods period ended June 30, 2024 is largely attributable to a combination of the increase in interest rates throughout 2023, continued demand for bridge production combined with heightened selectivity on loan originations particularly a renewed interest from borrowers for term production given an outlook for moderating rates as well as SAB and DSCR production. Net cost to originate improved to 0.99% during the three months ended June 30, 2024, compared to 2.49% for the three months ended March 31, 2024. Notably, distribution activity increased in the multifamily space. Going forward, while second quarter of 2024 with distributions of \$415 million in both whole loan sales and joint venture distributions, relative to distributions of \$59 million in the first quarter of 2024. In particular, we expect these trends distributed our first pool of loans into our joint venture with CPP Investments, as well as sold \$238 million of term loans to continue, in light a large institutional investor, during the second quarter of continued elevated interest rates, we are seeing continued borrower demand for certain of our products, with growing demand for products such as single-asset bridge and debt-service coverage ratio loans. To the extent interest rates moderate or move lower, we could see increased opportunities for our term loan production from current levels. 2024.

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. Investment fair value changes, net totaled \$22 \$1 million and \$23 million during the first quarter of three and six-month periods ended 2024, respectively, and benefited from primarily reflected improved credit performance and spread tightening of credit spreads across on our securities portfolio, portfolio, offset by negative investment fair value changes on our bridge loans. Investment fair value changes, net of associated interest rate hedges, on our securities portfolio totaled \$30 \$40 million for the first quarter half of 2024, all of which primarily related to increases in value in our Sequoia, CAFL Term and SLST securities retained from these consolidated securitizations. This increase was offset by negative investment fair value changes of \$4 \$19 million related to impairments and the impact of rate modifications on the values of our unsecuritized residential investor bridge and term loan portfolios during the first quarter half of 2024, all of which we hold at fair value. Fundamental performance of our residential consumer assets within our Investment Portfolio continues to be driven by strong employment data, embedded equity protection associated with loan seasoning and borrowers motivated to stay current on their low-coupon mortgages.

During the three months ended March 31, 2023, investment fair value changes, net totaled negative \$4 million and related primarily to our securities portfolio, net of associated interest rate hedges. While fundamental credit performance, including Notably, 90 day+ delinquencies and LTVs, remained stable across the broader portfolio in the first quarter of 2023, negative fair value changes incurred during the quarter on our CAFL securities were primarily driven by a credit event on a single asset underlying a retained bond. Additionally, certain fair value increases from interest rate movements on our RPL securities were mostly offset by decreases in values of associated risk management derivatives.

SLST portfolio declined to 7.3% at June 30, 2024, compared to 9.1% at June 30, 2023.

Additional detail on our investment fair value changes during 2024 is included in the "Results of Operations by Segment" section that follows as well as Table 5.6 6.4 of our Notes to Consolidated Financial Statements in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

HEI Income, net

HEI income, net increased \$5 \$7 million and \$12 million during the three-month three and six-month periods, reflecting respectively. This increase was attributable to an increase of \$2 million in our the net investment in value of our securitized HEI entities of \$4 million and \$6 million during the three and six-month periods, respectively, and an increase in value of \$2 million in our unsecuritized HEI investments, investments of \$3 million and \$6 million during the three and six-month periods, respectively. Increases in the valuations of our HEI portfolio have been the result of actual and projected trends in home price appreciation improving. HEI income is primarily comprised of recurring accretion of the underlying option value of the investments over time based on estimated future home price appreciation and other factors, along with periodic fluctuations in value influenced by changing housing and other market conditions. At the beginning of 2023 we projected negative home price appreciation for most of the year, and actual home price appreciation was positive for 2023 in most regions. HEI income in 2023 and into the first quarter of 2024 was primarily driven by this baseline accretion in value, while a smaller portion of the increase in value was driven by actual and projected trends in home prices improving relative to our modeled expectations, as well as realized value of options that were redeemed by underlying borrowers.

Additional detail on our other HEI income is presented in Table 10.3 11.3 of our Notes to Consolidated Financial Statements in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Other Income, net Operating Expenses

Other income, net for the first quarter of 2024 of \$5 Operating expenses increased \$7 million was primarily comprised on MSR income, net of \$4 million, which included positive MSR market valuations of \$2 million. Other income, net for the first quarter of 2023 of \$5 million, included MSR income, net of \$1 million, which included negative MSR market valuations of \$1 million. as well as fees and other income from Residential Investor Mortgage Banking.

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 during both the three months ended March 31, 2024, we realized gains of \$0.4 million resulting from the repurchase of \$31 million of our convertible debt maturing in 2024 and 2027 for a net gain on extinguishment of debt of \$0.1 million, as well as the repurchase of \$7 million of CAFL bridge ABS for a net gain on extinguishment of debt of

\$0.3 million. During the three months ended March 31, 2023, we realized \$1 million of loss on early extinguishment of securitization debt financing certain of our reperforming loan securities, which was mostly offset by nominal gains on sales and calls of securities.

General and Administrative Expenses

General and administrative expenses decreased \$1 million during the three-month ~~six-month~~ periods, primarily related to a ~~decrease~~ ~~an increase~~ in variable and equity compensation expense associated with improved operating results experienced in the first half of ~~\$3 million~~. During 2024, as well as increased portfolio management costs incurred for the management of specially serviced residential investor bridge loans and related workout arrangements incurred in the first half of 2024. This increase was partially offset by lower operating expenses due to a decrease headcount in the first quarter of 2024, as we implemented a reduction in workforce of 15% of our employees. General ~~effected an organizational restructuring~~ and administrative ~~aligned~~ expenses for with the first quarter of 2024 included \$2 million of fixed compensation expense and \$1 million of equity compensation expense related to this organizational restructuring. The decrease in variable and equity compensation expense for the periods primarily relates to a reduction in employee headcount over the last twelve months. ~~evolving operating environment~~.

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

Portfolio Management Costs

These costs are primarily related to sub-servicing costs on our residential investor bridge loans and HEI, as well as costs incurred for the management of specially serviced residential investor bridge loans and related workout arrangements. Portfolio management costs during the three-month periods were slightly higher during the 2024 period and overall resulted from higher carrying balances of residential investor bridge loans and HEI within our investment portfolio since the beginning of 2023, as well as increased costs related to a higher balance of delinquent residential investor bridge loans during 2023 and into the first quarter of 2024.

Loan Acquisition Costs

The increase in loan acquisition costs during the three-month periods is primarily related to higher residential consumer loan lock volumes as well as an increase in servicing fees related to our residential investor mortgage banking segment.

Provision for Income Taxes

Our provision for income taxes is almost entirely related to activity at our taxable REIT subsidiaries ("TRS"), which primarily includes our mortgage banking activities and MSR investments, as well as certain other investment and hedging ~~activities~~. ~~activities~~ The switch to a tax provision ~~for from a benefit from income taxes year-over-year~~ was primarily the three-months ended March 31, 2024 reflects result of GAAP income earned at our TRS during this period, resulting primarily from MSR investments held at our TRS. The tax benefit for in the three months ended March 31, 2023 was primarily first half of 2024 compared to a GAAP loss in the result first half of GAAP losses from our mortgage banking operations at our TRS during that period. ~~2023~~.

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

Other Comprehensive Income, Net

Other comprehensive income, net for the three months ended March 31, 2024 resulted from unrealized gains on our available-for-sale securities, primarily resulting from tightening of credit spreads.

For additional detail on other comprehensive loss, net, see Note 18 of our Notes to Consolidated Financial Statements in Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Net Interest Income

The following table presents the components of net interest income for the three and six months ended ~~March 31, 2024~~ ~~June 30, 2024~~ and 2023.

Table 3 – Net Interest Income

		Three Months Ended March 31,														
		2024						2024						2023		
(Dollars in Thousands)	(Dollars in Thousands)	Interest Income/ (Expense)		Average Balance ⁽¹⁾		Yield		Interest Income/ (Expense)		Average Balance ⁽¹⁾		Yield		(Dollars in Thousands)		
Interest Income																
Residential consumer loans, held-for-sale																
Residential consumer loans, held-for-sale																
Residential consumer loans, held-for-sale		\$ 9,343	\$	\$ 574,683	6.5	6.5	%	\$ 5,197	\$	\$ 370,827	5.6	5.6	%			
Residential consumer loans - HFI at Legacy Sequoia ⁽²⁾																

Residential consumer loans - HFI at Legacy Sequoia (2)													
Residential consumer loans - HFI at Legacy Sequoia (2)													
		2,296		133,654		6.9 %		2,540		174,679		5.8 %	
Residential consumer loans - HFI at Sequoia (2)	Residential consumer loans - HFI at Sequoia (2)	60,680	5,138,079	5,138,079	4.7	4.7 %		34,644	3,445,200		3,445,200	4.0	4.0 % (2)
Residential consumer loans - HFI at Freddie Mac SLST (2)	Residential consumer loans - HFI at Freddie Mac SLST (2)	14,616	1,341,498	1,341,498	4.4	4.4 %		15,493	1,443,737		1,443,737	4.3	4.3 % (2)
Residential investor loans - HFS	Residential investor loans - HFS	3,573	219,297	219,297	6.5	6.5 %		4,214	260,483		260,483	6.5	6.5 % HF
Residential investor loans - HFI	Residential investor loans - HFI	30,468	1,301,042	1,301,042	9.4	9.4 %		38,645	1,821,246		1,821,246	8.5	8.5 % loa
Residential investor term loans - HFI at CAFL (2)	Residential investor term loans - HFI at CAFL (2)	40,753	2,905,126	2,905,126	5.6	5.6 %		41,809	2,902,736		2,902,736	5.8	5.8 % CA
Residential investor bridge loans - HFI at CAFL (2)	Residential investor bridge loans - HFI at CAFL (2)	20,241	771,294	771,294	10.5	10.5 %		12,628	507,550		507,550	10.0	10.0 % at t
Multifamily loans - HFI at Freddie Mac K-Series (2)	Multifamily loans - HFI at Freddie Mac K-Series (2)	4,581	424,049	424,049	4.3	4.3 %		4,618	423,124		423,124	4.4	4.4 % Se
Trading securities(3)		4,651		72,482		25.7 %		3,546		107,650		13.2 %	
AFS securities		1,629		81,561		8.0 %		2,882		130,043		8.9 %	
Real estate securities		10,749		225,266		19.1 %		6,223		207,452		12.0 %	
Other interest income	Other interest income	11,909	901,100	901,100	5.3	5.3 %		12,300	1,084,192		1,084,192	4.5	4.5 % inc
Total interest income	Total interest income	204,740	13,863,865	13,863,865	5.9	5.9 %		178,516	12,671,467		12,671,467	5.6	5.6 % inc
Interest Expense													
Short-term debt facilities													
Short-term debt facilities													
Short-term debt facilities		(18,499)		950,726		(7.8) %		(25,506)		1,293,081		(7.9) %	
Short-term debt - servicer advance financing		(3,219)		151,578		(8.5) %		(3,848)		206,533		(7.5) %	
Promissory notes		(272)		15,509		(7.0) %		(398)		23,993		(6.6) %	

Short-term debt -													
convertible notes, net	(2,015)		129,863	(6.2)	%	(2,076)		156,702		(5.3)	%		
ABS issued - Legacy													
Sequoia ⁽²⁾	(2,193)		132,531	(6.6)	%	(2,504)		173,996		(5.8)	%		
ABS issued - Sequoia ⁽²⁾													
ABS issued - Sequoia ⁽²⁾													
ABS issued - Sequoia ⁽²⁾	ABS issued - Sequoia ⁽²⁾	(56,628)	4,925,630	4,925,630	(4.6)	(4.6)%	(30,055)	3,217,441	3,217,441	(3.7)	(3.7)%		
ABS issued - Freddie Mac SLST ⁽²⁾													
ABS issued - Freddie Mac SLST ⁽²⁾	ABS issued - Freddie Mac SLST ⁽²⁾	(13,979)	1,250,286	1,250,286	(4.5)	(4.5)%	(11,218)	1,150,945	1,150,945	(3.9)	(3.9)%		AB issi Fre Ma ⁽²⁾
ABS issued - Freddie Mac K-Series ⁽²⁾													
ABS issued - Freddie Mac K-Series ⁽²⁾	ABS issued - Freddie Mac K-Series ⁽²⁾	(4,199)	390,618	390,618	(4.3)	(4.3)%	(4,241)	391,227	391,227	(4.3)	(4.3)%		AB issi Fre Ma Se
ABS issued - CAFL Term ⁽²⁾													
ABS issued - CAFL Term ⁽²⁾	ABS issued - CAFL Term ⁽²⁾	(33,458)	2,559,795	2,559,795	(5.2)	(5.2)%	(34,159)	2,575,855	2,575,855	(5.3)	(5.3)%		AB issi CA Ter
ABS issued - CAFL Bridge ⁽²⁾													
ABS issued - CAFL Bridge ⁽²⁾	ABS issued - CAFL Bridge ⁽²⁾	(9,802)	714,295	714,295	(5.5)	(5.5)%	(5,288)	478,531	478,531	(4.4)	(4.4)%		AB issi CA Bri
Long-term debt facilities		(24,517)		1,130,399	(8.7)	%	(20,056)		1,076,650		(7.5)	%	
Long-term debt - corporate		(11,749)		542,156	(8.7)	%	(12,730)		656,693		(7.8)	%	
Debt Facilities		(52,433)		2,477,562	(8.5)	%	(47,795)		2,424,720		(7.9)	%	
Corporate Debt		(14,262)		691,720	(8.2)	%	(14,997)		805,278		(7.4)	%	
Total interest expense		(180,530)	12,893,386	12,893,386	(5.6)	(5.6)%	(152,079)	11,401,647	11,401,647	(5.3)	(5.3)%		Total interest expense
Net Interest Income													

(Dollars in Thousands)	Six Months Ended June 30,					
	2024			2023		
	Interest Income/ (Expense)	Average Balance ⁽¹⁾	Yield	Interest Income/ (Expense)	Average Balance ⁽¹⁾	Yield
Interest Income						
Residential consumer loans, held-for-sale	\$ 20,866	\$ 621,532	6.7 %	\$ 6,460	\$ 222,123	5.8 %
Residential consumer loans - HFI at Sequoia ⁽²⁾	143,855	5,756,797	5.0 %	77,399	3,762,051	4.1 %
Residential consumer loans - HFI at Freddie Mac SLST ⁽²⁾	28,924	1,327,495	4.4 %	30,766	1,442,751	4.3 %
Residential investor loans - HFS	10,456	276,428	7.6 %	7,845	262,035	6.0 %
Residential investor loans - HFI	57,810	1,271,955	9.1 %	78,695	1,592,536	9.9 %
Residential investor term loans - HFI at CAFL ⁽²⁾	80,635	2,852,959	5.7 %	83,889	2,879,585	5.8 %
Residential investor bridge loans - HFI at CAFL ⁽²⁾	39,240	756,303	10.4 %	25,131	500,691	10.0 %
Multifamily loans - HFI at Freddie Mac K-Series ⁽²⁾	9,140	422,786	4.3 %	9,315	423,933	4.4 %
Real estate securities ⁽³⁾	17,029	189,654	18.0 %	12,651	222,489	11.4 %
Other interest income	22,202	879,724	5.0 %	25,346	1,094,723	4.6 %
Total interest income	430,157	14,355,633	6.0 %	357,497	12,402,917	5.8 %
Interest Expense						

ABS issued - Sequoia ⁽²⁾	(133,195)	5,529,610	(4.8)%	(69,212)	3,531,299	(3.9)%
ABS issued - Freddie Mac SLST ⁽²⁾	(27,591)	1,234,882	(4.5)%	(21,868)	1,140,899	(3.8)%
ABS issued - Freddie Mac K-Series ⁽²⁾	(8,376)	389,245	(4.3)%	(8,552)	391,854	(4.4)%
ABS issued - CAFL Term ⁽²⁾	(65,825)	2,509,053	(5.2)%	(67,362)	2,560,664	(5.3)%
ABS issued - CAFL Bridge ⁽²⁾	(18,701)	701,361	(5.3)%	(10,564)	479,215	(4.4)%
Debt Facilities	(98,667)	2,355,133	(8.4)%	(97,205)	2,500,073	(7.8)%
Corporate Debt	(28,299)	689,624	(8.2)%	(30,201)	821,244	(7.4)%
Total interest expense	(380,654)	13,408,908	(5.7)%	(304,964)	11,425,248	(5.3)%
Net Interest Income	\$ 49,503			\$ 52,533		

- (1) Average balances for residential consumer loans held-for-sale and held-for-investment, residential investor loans held-for-sale and held-for-investment, multifamily loans held-for-investment, and trading securities are calculated based upon carrying values, which represent estimated fair values. Average balances for AFS securities, short-term debt long-term facilities, corporate debt and certain ABS issued are calculated based upon amortized historical cost. Average balances for ABS carried at fair value are calculated based upon fair value.
- (2) Interest income and interest expense at "Legacy Sequoia", "Sequoia", "Freddie Mac SLST", "Freddie Mac K-Series", "CAFL Term", and "CAFL Bridge" reflect activity from consolidated variable interest entities. While we consolidate these entities for GAAP reporting purposes, economically, we earn interest income from the securities we own in these entities, which is represented by the net interest income (interest income less interest expense) from these consolidated entities presented in the table above.
- (3) At March 31, 2024 June 30, 2024, our real estate securities include trading securities consisted consisting primarily of interest-only securities, which generate a higher cash interest yield. This interest income is generally may be offset by a decline in fair value (recognized through investment fair value changes, net on our consolidated statements of income) related to the receipt of cash flows each period, resulting in a lower overall economic yield for these investments.

Results of Operations by Segment

We report on our business using three segments: Residential Consumer Mortgage Banking, Residential Investor Mortgage Banking, and Investment Portfolio. For additional information on our segments, refer to Note 24.4 of our Notes to Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report on Form 10-Q.

The following table presents the segment contribution from our three segments reconciled to our consolidated net income for the three and six months ended March 31, 2024 June 30, 2024 and 2023.

Table 4 – Segment Results Summary

	Three Months Ended March 31,			Three Months Ended March 31,			Three Months Ended March 31,			Three Months Ended June 30,		
(In Thousands)												
(In Thousands)												
(In Thousands)	2024			2023			Change			2024		
Segment Contribution from:												
Segment Contribution from:												
Segment Contribution from:												
Residential Consumer Mortgage Banking												
Residential Consumer Mortgage Banking												
Residential Consumer Mortgage Banking												
Residential Investor Mortgage Banking												
Residential Investor Mortgage Banking												
Residential Investor Mortgage Banking												
Investment Portfolio												
Investment Portfolio												
Investment Portfolio												
Corporate/Other												
Corporate/Other												
Corporate/Other												
Net Income												
Net Income												
Net Income												

The sections that follow provide further detail on our **three** business segments and their results of operations for the three **and six** months ended **March 31, 2024** **June 30, 2024**.

Corporate/Other

Net The increase in net expense from Corporate/Other for the first quarter of 2024 increased slightly from the first quarter of 2023 three and six months was primarily due to, among other things, an increase in general and administrative expenses due to organizational restructuring charges associated with employee severance and related transition expenses as we aligned expenses with the evolving operating environment, a decrease in interest income earned on cash and cash equivalents during 2024 and an increase in interest expense related to our corporate debt due to increasing borrowing costs, relative to prior corporate debt financing.

Residential Consumer Mortgage Banking Segment

This segment consists of a mortgage loan conduit that acquires residential consumer loans from third-party originators for subsequent sale to whole loan buyers, securitization through our SEMT® (Sequoia) private-label securitization program, or transfer into our investment portfolio. Subordinate securities that we retain from our Sequoia securitizations (many of which we consolidate for GAAP purposes) are transferred to and held in our Investment Portfolio segment. We typically acquire prime jumbo mortgages and the related mortgage servicing rights on a flow basis from our extensive network of loan sellers. This segment also includes various derivative financial instruments that we utilize to manage certain risks associated with our inventory of residential consumer 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, securities utilized for hedging purposes, 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. See Note 5 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).

The following table presents key earnings and operating metrics for our Residential Consumer Mortgage Banking segment during the three and six months ended June 30, 2024.

Table 5 – Residential Consumer Mortgage Banking Earnings Summary and Operating Metrics

(In Thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
Mortgage banking income	\$ 17,420	\$ 7,795	\$ 9,625	31,293	\$ 10,880	\$ 20,413
Operating expenses	(5,937)	(3,887)	(2,050)	(11,297)	(8,868)	(2,429)
(Provision for) benefit from income taxes	(1,560)	(707)	(853)	(3,054)	(74)	(2,980)
Segment Contribution	\$ 9,923	\$ 3,201	\$ 6,722	\$ 16,942	\$ 1,938	\$ 15,004
Loan purchase commitments entered into (loan locks, adjusted for expected fallout)	\$ 2,433,998	\$ 436,891	\$ 1,997,107	\$ 3,727,620	\$ 505,729	\$ 3,221,891

Operating expenses presented in the table above includes general and administrative expenses, loan acquisition costs and other expenses for this segment.

The increase in contribution from our Residential Consumer Mortgage Banking operations during the three and six-months periods ending June 30, 2024 was primarily attributable to higher mortgage banking volumes which drove overall income for the segment higher. In the preceding Consolidated Results of Operations section, we discussed additional factors impacting the change in net interest income and mortgage banking activities in the three and six months ended June 30, 2024 and 2023 for this segment. We actively manage our exposure to various market risks that can impact the value of our loan inventory in this segment, and our segment contribution in the three and six months ended June 30, 2024 showed an improvement year-over-year from these activities. We continue to evaluate monetary policy, housing trends and economic data, among other factors, in developing our hedging strategy and we may leverage a variety of instruments as hedges, including TBAs, interest rate futures, real estate securities, options and other types of securities.

Additionally, operating expenses for this segment increased for the three and six-month periods primarily due to an increase in loan acquisition costs related to the increase in loan purchases, as well as higher general and administrative expenses from variable compensation due to improved performance to date in 2024.

Activity at this segment is performed within our taxable REIT subsidiary and subject to federal and state income taxes. The provision for income taxes for the first half of 2024 resulted from GAAP income from these operations at our TRS during that period.

The following table provides the activity of residential consumer loans held in inventory for sale at our Residential Consumer Mortgage Banking business during the three and six months ended **March 31, 2024** **June 30, 2024**.

Table 56 – Loan Inventory for Residential Consumer Mortgage Banking Operations — Activity

	Three Months Ended
(In Thousands)	March 31, 2024
Balance at beginning of period	\$ 911,192
Acquisitions	1,005,659
Sales	(199,338)
Transfers between segments ⁽¹⁾	(1,194,024)
Principal repayments	(18,413)
Changes in fair value, net	6,630
Balance at End of Period	\$ 511,706

	Three Months Ended	Six Months Ended
(In Thousands)	June 30, 2024	June 30, 2024
Balance at beginning of period	\$ 511,706	\$ 911,192
Acquisitions	1,901,943	2,907,602
Sales	(5,678)	(205,016)
Transfers between segments ⁽¹⁾	(1,451,565)	(2,645,589)
Principal repayments	(5,631)	(24,044)
Changes in fair value, net	11,773	18,403
Balance at End of Period	\$ 962,548	\$ 962,548

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

During the three and six months ended March 31, 2024 June 30, 2024, our residential consumer mortgage loan conduit locked \$1.78\$2.66 billion and \$4.45 billion of loans (\$1.29 2.43 billion and \$3.73 billion adjusted for expected pipeline fallout – i.e., loan purchase commitments), and purchased \$1.01\$1.90 billion and \$2.91 billion of loans, respectively. During the three and six months ended March 31, 2024 June 30, 2024, we distributed \$202 million\$6 million and \$207 million (unpaid principal balance) through whole loan sales, respectively. During the three and six months ended June 30, 2024 we completed three and six securitizations backed by \$1.19\$1.42 billion and \$2.61 billion of loans (unpaid principal balance), respectively. Both lock volume and securitization distribution volume for the first second quarter of 2024 represented the highest volume levels since the Federal Reserve began raising interest rates in the first quarter of 2022, despite continued low pressure on housing transaction activity. In addition to securitization distribution, we are also focused on finding alternative avenues for distribution, including identifying new whole loan buyers.

Capital allocation to this segment grew to \$200 million\$300 million at March 31, 2024 June 30, 2024, compared to \$165 million\$200 million at December 31, 2023 March 31, 2024. The change in capital allocation was driven by the increase in our volume of activity throughout the quarter. We continue to competitively bid on bulk jumbo loan acquisition opportunities, both new issue and seasoned collateral, while also focusing on our flow agreements with both new or re-established banking relationships as well as our on-going relationships with bank sellers to support future flow volumes, IMBs. As discussed in the business updateBusiness Update section of this MD&A, while interest rates remain elevated, looking ahead, we continued are focused on continuing to focus on gaining gain market share within and volume opportunities with our growing seller network. We are also in discussion with banks regarding their seasoned jumbo loan collateral and locked our first seasoned jumbo loan portfolio in the second quarter of 2024.

We utilize a combination of capital and our residential consumer loan warehouse facilities to manage our inventory of residential consumer loans held-for-sale. At March 31, 2024 June 30, 2024, we had residential consumer warehouse facilities outstanding with five six different counterparties, with \$1.35 billion\$1.65 billion of total capacity and \$879 million\$763 million of available capacity. These facilities included non-marginable facilities (i.e., not subject to margin calls based solely on the lender's determination, in its discretion, of the market value of the underlying collateral that is non-delinquent) with \$500 million of total capacity and marginable facilities with \$850 million\$1.15 billion of total capacity. During the first quarter of 2024, we entered into a new \$200 million marginable, recourse facility and also renewed a \$300 million non-marginable facility as a non-recourse facility that had previously been a recourse facility.

The following table presents key earnings and operating metrics for our Residential Consumer Mortgage Banking segment during the three months ended March 31, 2024.

Table 6 – Residential Consumer Mortgage Banking Earnings Summary and Operating Metrics

	Three Months Ended March 31,		
(In Thousands)	2024	2023	Change
Mortgage banking income (loss), net	\$ 13,874	\$ 3,085	\$ 10,789
Operating expenses	(5,361)	(4,981)	(380)
(Provision for) benefit from income taxes	(1,494)	633	(2,127)
Segment Contribution	\$ 7,019	\$ (1,263)	\$ 8,282
Loan purchase commitments entered into (loan locks, adjusted for expected fallout)	\$ 1,293,622	\$ 68,839	\$ 1,224,783

Residential consumer mortgage banking income presented in the table above is comprised of net interest income from residential consumer loans held-for-sale in inventory, real estate securities used to hedge our loan pipeline and non-interest income, net from this segment (see Note 20 of our Notes to Consolidated Financial Statements in Part I, Item 1 of

this Quarterly Report on Form 10-Q for further detail on the composition of mortgage banking activities, net). Operating expenses presented in the table above includes general and administrative expenses, loan acquisition costs and other expenses for this segment.

The increase in contribution from our residential consumer mortgage banking operations during the three-month period ending March 31, 2024 was primarily attributable to higher mortgage banking volumes which drove overall income for the segment higher. In the preceding *Consolidated Results of Operations* section, we discussed additional factors impacting the change in net interest income and mortgage banking activities in the first three months of 2024 and 2023 for this segment. We actively manage our exposure to various market risks that can impact the value of our loan inventory in this segment, and our segment contribution in the first three months of 2024 continued to benefit from these activities. We continue to evaluate monetary policy, housing trends and economic data, among other factors, in developing our hedging strategy and we may leverage a variety of instruments as hedges, including TBAs, rates futures, real estate securities, options and other types of securities.

Additionally, operating expenses for this segment increased for the three-month period primarily due to an increase in loan acquisition costs related to the increase in loan purchases.

Activity at this segment is performed within our taxable REIT subsidiary and subject to federal and state income taxes. The provision for income taxes for the first three months of 2024 resulted from GAAP income from these operations at our TRS during that period. The benefit from income taxes for the first quarter of 2023 was due to an overall GAAP loss incurred at our TRS during that period.

Residential Investor Mortgage Banking Segment

This segment consists of a platform that originates residential investor loans for subsequent securitization, sale, or transfer into our investment portfolio. Residential investor loans are loans to investors in single-family rental and multifamily properties, which we classify as either "term" loans (which include loans with maturities that generally range from 3 to 30 years) or "bridge" loans (which include loans with maturities that generally range between 12 and 36 months). Term loans are mortgage loans secured by residential real estate (primarily 1-4 unit detached or multifamily) that the borrower owns as an investment property and rents to residential tenants. Residential investor bridge loans are mortgage loans which are generally secured by unoccupied (or in the case of certain multifamily properties, partially occupied) residential or multifamily real estate that the borrower owns as an investment and that is being renovated, rehabilitated or constructed. Our bridge loans are first-lien, interest-only loans. We may amend or modify bridge loans, including interest rate reductions and/or extended maturity dates, for borrowers experiencing financial difficulty based on specific facts and circumstances. In addition to modifying these loan terms, from time to time, we may also amend a loan's underlying budget (including allocations to hard/soft costs, interest reserves and other items) or construction and completion milestones, if warranted, based on progress with the project versus initial budget.

We typically distribute most of our term loans through our CAFL® private-label securitization program, or through whole loan sales, and typically transfer our residential investor bridge loans to our Investment Portfolio, where they will either be retained for investment or securitized, or sold as whole loans. Since 2023, we have also established joint ventures with global investment managers as another avenue through which we can distribute our bridge and term loan production.

In the second quarter of 2023, we established a joint venture with Oaktree Capital Management to invest in residential investor bridge loans originated by our CoreVest subsidiary. In the first quarter of 2024, we established a joint venture with CPP Investments to invest in residential investor bridge and term loans originated by our CoreVest subsidiary. In accordance with During the terms second quarter of 2024, we established warehouse financing lines to support our joint venture with CPP Investments once warehouse financing for the and placed our first pool of CoreVest originated loans into this joint venture has been secured, we have committed to sell certain residential investor loans that we originate into the joint venture that meet specified criteria at contractually pre-established prices. in June 2024. We will administer the joint ventures for ongoing fees and are entitled to earn additional performance fees upon realization of specified return hurdles.

This segment also includes various derivative financial instruments that we utilize to manage certain risks associated with our inventory of loans held-for-sale. This segment's main sources of mortgage banking income are net interest income earned on loans while they are held in inventory, origination and other fees on loans, mark-to-market adjustments on loans from the time loans are originated or purchased to when they are sold, securitized or transferred into our investment portfolio, and gains/losses from associated hedges. Direct operating expenses and tax expenses associated with these activities are also included in this segment.

The following table presents an earnings summary for our Residential Investor Mortgage Banking segment for the three and six months ended June 30, 2024 and 2023:

Table 7 – Residential Investor Mortgage Banking Earnings Summary

(In Thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	Change	2024	2023	Change
Mortgage banking income	\$ 15,357	\$ 11,291	\$ 4,066	23,606	\$ 27,461	\$ (3,855)
Operating expenses	(14,313)	(16,040)	1,727	(30,207)	(33,940)	3,733
(Provision for) benefit from income taxes	(449)	1,406	(1,855)	1,687	2,109	(422)
Segment Contribution	\$ 595	\$ (3,343)	\$ 3,938	\$ (4,914)	\$ (4,370)	\$ (544)

Residential Investor Mortgage Banking income presented in the table above is comprised of net interest income from our loans held-for-sale in inventory, mortgage banking activities, net (see Note 5 of our *Notes to Consolidated Financial Statements* in Part I, Item 1 of this Quarterly Report on Form 10-Q for further detail on the composition of mortgage banking activities), and other income, net for this segment. Operating expenses presented in the table above includes general and administrative expenses, loan acquisition costs and other expenses (including amortization of purchased intangibles) for this segment.

The increase in segment contribution from our Residential Investor Mortgage Banking operations during the three-month period ended June 30, 2024 was primarily attributable to higher mortgage banking income in the second quarter of 2024, as discussed in the preceding *Consolidated Results of Operations* and in the following *Funding Activity* sections of this MD&A. The decrease in segment contribution in this segment during six-month period ended June 30, 2024 was primarily attributable to lower mortgage banking income, partially offset by lower general and administrative costs due to lower headcount and fixed compensation expenses in this segment, as we effected an organizational restructuring and aligned expenses with the evolving operating environment.

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 first half of 2024 was primarily due to GAAP losses generated by this segment's operations in those periods.

The following table provides residential investor loan origination activity at Redwood during the three and six months ended March 31, 2024 June 30, 2024.

Table 78 – Residential Investor Loans – Funding Activity

		Three Months Ended March 31, 2024					
		Three Months Ended March 31, 2024					
		Three Months Ended March 31, 2024					
(In Thousands)							
(In Thousands)							
		Three Months Ended June 30, 2024			Six Months Ended June 30, 2024		
(In Thousands)	(In Thousands)	Term Loans	Bridge Loans ⁽¹⁾	Total	Term Loans	Bridge Loans ⁽¹⁾	Total
Fair value at beginning of period							
Fair value at beginning of period							
Fair value at beginning of period							
Fundings ^{(1) (2)}							
Fundings ^{(1) (2)}							
Fundings ^{(1) (2)}							
Sales ⁽²⁾							
Sales ⁽²⁾							
Sales ⁽²⁾							
Transfers between segments ⁽³⁾							
Transfers between segments ⁽³⁾							
Transfers between segments ⁽³⁾							
Principal repayments							
Principal repayments							
Principal repayments							
Changes in fair value, net							
Changes in fair value, net							
Changes in fair value, net							
Fair Value at End of Period							
Fair Value at End of Period							
Fair Value at End of Period							

- (1) We originate residential Residential investor bridge loans at our TRS and transfer many of them to our REIT. Origination fees and any fair value changes on these loans prior to transfer or sale are recognized within Mortgage banking activities, net on our consolidated statements of income (loss), income. Loans transferred to our REIT are classified as held-for-investment, with fair value changes subsequent to their transfer generally recorded through Investment fair value changes, net on our consolidated statements of income (loss), income. For the carrying value and activity of our Residential investor bridge loans held-for-investment, see the Investment Portfolio section that follows.
- (2) Funding and sales for Residential investor bridge loans in 2024, for the three and six months ended June 30, 2024, includes \$15 million \$6 million and \$21 million, respectively, related to construction draws on loans sold to the our Oaktree joint venture.
- (3) For residential investor term loans, amounts primarily represent loans transferred into consolidated securitizations reflected within our Investment Portfolio Segment. Residential investor bridge loan amounts represent the transfer of loans originated or acquired by our Residential Investor Mortgage Banking segment at our TRS and transferred to our Investment Portfolio segment at our REIT, as described in the preceding footnote.

During the three and six months ended March 31, 2024 June 30, 2024, we funded \$326 million \$459 million and \$785 million of residential investor loans (64% (53% and 57% bridge and 36% 47% and 43% term). Elevated interest rates and volatility continued, respectively. The increase in overall funding volumes during the three-month period relative to impact industry-wide demand. While the first quarter of 2024 funded is largely attributable to an increase in term loan volumes, were impacted by this broader market trend as well as seasonal factors, we ultimately delivered funded volumes modestly unchanged from SAB and DSCR products. The second quarter was our highest volume quarter for SAB and DSCR to date. As the fourth quarter of 2023. In addition, outlook for rates has tempered, investors are increasingly interested in our fixed-rate term product – as a result, June 2024 term loan origination was our highest funding month in a year. Looking ahead, we expect sustained demand from sponsors seeking fixed-rate bridge loans or term loans with more prepayment flexibility and will continue to assess our bridge loan portfolio for opportunities to refinance borrowers into term loans. We remain focused on strongly-underwritten and less rate-sensitive products that can be distributed efficiently and profitably.

Residential investor loan distribution activity decreased slightly in during the first quarter of 2024 three months ended June 30, 2024 was \$415 million, including both whole loan sales and joint venture distributions, relative to \$59 million during the fourth three months ended March 31, 2024. In particular, we distributed our first pool of loans into our joint venture with CPP Investments during the quarter ended June 30, 2024. Looking ahead, given our established joint ventures, as well as growing network of 2023, though whole loan

buyers, we continue to see healthy demand for our production through our distribution channels. First quarter 2024 distributions of \$59 million were entirely through whole loan sales or sales to joint ventures.

Capital allocated to this segment decreased slightly during the first second quarter of 2024 to \$97 million at June 30, 2024 from \$124 million at March 31, 2024. We expect this trend could continue as we distribute more of our production into joint ventures and use less balance sheet capital for aggregation. We utilize a combination of capital and loan warehouse facilities to manage our inventory of residential investor loans that we hold for sale. At March 31, 2024 June 30, 2024, we had residential investor warehouse facilities outstanding with seven different counterparties, with \$2.71 billion \$2.53 billion of total capacity (used for both term and bridge loans) and \$1.58 billion \$1.53 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 Residential Investor Mortgage Banking segment for the three months ended March 31, 2024 and 2023.

Table 8 – Residential Investor Mortgage Banking Earnings Summary

(In Thousands)	Three Months Ended March 31,		
	2024	2023	Change
Mortgage banking income	\$ 8,249	\$ 16,170	\$ (7,921)
Operating expenses	(15,894)	(17,900)	2,006
Benefit from income taxes	2,136	703	1,433
Segment Contribution	\$ (5,509)	\$ (1,027)	\$ (4,482)

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

The decrease in segment contribution from our residential investor mortgage banking operations during the three-month period was primarily attributable to lower mortgage banking income, as discussed in the preceding Consolidated Results of Operations section of this MD&A, slightly offset by lower general and administrative costs. We continued to decrease headcount in this segment in the first quarter of 2024, as we effected an organizational restructuring and aligned expenses with the evolving operating environment. Looking forward, we expect our expense structure to remain dynamic in response to market conditions, whereby we would expect higher variable costs with increasing volumes. Conversely, we would expect to re-assess our expense structure and re-align it accordingly if expectations for volumes or margins remain constrained.

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

Investment Portfolio Segment

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

The following table presents details of our Investment Portfolio at March 31, 2024 and December 31, 2023 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 interests 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)	March 31, 2024	December 31, 2023
<u>Organic Residential Consumer Investments</u>		
Residential consumer securities at Redwood	122,788	110,056
Residential consumer securities at consolidated Sequoia entities ⁽¹⁾	202,551	204,830
Other investments ⁽²⁾	50,063	47,239
<u>Organic Residential Investor Investments</u>		
Residential investor bridge loans	2,048,391	2,068,323
Residential investor securities at consolidated CAFL Term entities ⁽³⁾	333,461	323,340
Other investments	—	—
<u>Third-Party Investments</u>		

Residential securities at Redwood	19,521	5,645
Residential securities at consolidated Freddie Mac SLST entities ⁽⁴⁾	271,075	274,175
Multifamily securities at Redwood	7,184	7,101
Multifamily securities at consolidated Freddie Mac K-Series entities ⁽⁵⁾	33,550	33,308
Servicing investments ⁽⁶⁾	87,925	85,704
HEI ⁽⁷⁾	283,348	278,967
Other investments	4,847	5,456
Total Segment Investments	\$ 3,464,704	\$ 3,444,144

⁽¹⁾ Represents our retained economic investment in securities issued by consolidated Sequoia securitization VIEs. For GAAP purposes, we consolidated \$5.64 billion of loans and \$5.42 billion of ABS issued associated with these investments at March 31, 2024. We consolidated \$4.64 billion of loans and \$4.43 billion of ABS issued associated with these investments at December 31, 2023.

⁽²⁾ Organic residential other investments at March 31, 2024 includes net risk share investments of \$23 million, representing \$28 million of restricted cash and other assets, net of other liabilities of \$6 million.

⁽³⁾ Represents our retained economic investment in securities issued by consolidated CAFL Term securitization VIEs. For GAAP purposes, we consolidated \$2.85 billion of loans and \$2.52 billion of ABS issued associated with these investments at March 31, 2024. We consolidated \$2.97 billion of loans and \$2.65 billion of ABS issued associated with these investments at December 31, 2023.

⁽⁴⁾ Represents our economic investment in securities issued by consolidated Freddie Mac SLST securitization entities. For GAAP purposes, we consolidated \$1.33 billion of loans and \$1.06 billion of ABS issued associated with these investments at March 31, 2024. We consolidated \$1.36 billion of loans and \$1.09 billion of ABS issued associated with these investments at December 31, 2023.

⁽⁵⁾ Represents our economic investment in securities issued by consolidated Freddie Mac K-Series securitization entities. For GAAP purposes, we consolidated \$423 million of loans and \$389 million of ABS issued associated with these investments at March 31, 2024. We consolidated \$425 million of loans and \$392 million of ABS issued associated with these investments at December 31, 2023.

Footnotes continued from table 9

⁽⁶⁾ Represents our economic investment in consolidated Servicing Investment variable interest entities. At March 31, 2024, for GAAP purposes, we consolidated \$247 million of servicing investments and \$147 million of non-recourse short-term securitization debt, as well as other assets and liabilities for these entities. At December 31, 2023, for GAAP purposes, we consolidated \$257 million of servicing investments and \$154 million of non-recourse short-term securitization debt, as well as other assets and liabilities for these entities.

⁽⁷⁾ At March 31, 2024 and December 31, 2023, represents HEI owned at Redwood of \$246 million and \$245 million, respectively and our retained economic investment in securities issued by consolidated HEI securitization entities of \$37 million and \$34 million, respectively.

The size of our Investment Portfolio increased slightly during the first three months of 2024, as we were actively deploying capital into new investments. At both March 31, 2024 and December 31, 2023, 80% of our Investment Portfolio economic interests were organically created, and 20% were purchased from third parties. First quarter 2024 capital deployment activities represented the highest quarterly level of capital deployment into investments since the third quarter of 2022. Capital deployment was largely focused on debt repurchases, certain third-party securities, and the retention of securities created from our Sequoia securitizations. 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 six months ended March 31, 2024 June 30, 2024 and 2023.

Table 10.9 – Investment Portfolio Earnings Summary

Investment Portfolio Earnings Summary						
	Three Months Ended March 31,			Three Months Ended June 30,		
	Three Months Ended March 31,			Three Months Ended June 30,		
	Three Months Ended March 31,			Three Months Ended June 30,		
	Three Months Ended June 30,			Three Months Ended June 30,		
(In Thousands)						
(In Thousands)						
(In Thousands)						
	2024	2023	Change	2024	2023	Change
Net interest income						
Net interest income						
Net interest income						
Investment fair value changes, net						
Investment fair value changes, net						
Investment fair value changes, net						
HEI income, net						
HEI income, net						
HEI income, net						
Other income, net						
Other income, net						
Other income, net						
Realized gains, net						

Realized gains, net
Realized gains, net
Operating expenses
Operating expenses
Operating expenses
(Provision for) Benefit from income taxes
(Provision for) Benefit from income taxes
(Provision for) Benefit from income taxes
(Provision for) income taxes
Segment Contribution
Segment Contribution
Segment Contribution

The increase in Segment contribution from the Investment Portfolio increased during both the three-month periods was primarily attributable to positive investment fair value changes, driven by tighter credit spreads, in the three- and six-month period ended June 30, 2024. The first quarter half of 2024 reflected improved credit performance and spread tightening on our securities portfolio, relative to negative investment fair value changes in the first quarter half of 2023. Additionally, HEI Income and Other Income were higher in the first quarter three and six-month periods of 2024, relative to the first quarter of 2023, as discussed in the Consolidated Results of Operations section of this MD&A. These improvements were partially offset by lower net interest income and higher credit reserves on our bridge portfolio, as discussed in the preceding Consolidated Results of Operations section of this MD&A.

Investment fair value changes, net is primarily comprised of the change in fair value (both realized and unrealized) of our portfolio investments accounted for under the fair value option and hedges associated with these investments. See Table 5.6.6.4 in Note 5.6 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 5.6.6.4 in the notes to our consolidated financial statements relates to fair value changes for investments held at corporate/other).

In the first second quarter of 2024, strong stable fundamental credit performance continued across most assets within our single-family residential Investment Portfolio. Fundamental performance of our residential consumer assets within our Investment Portfolio. The was Portfolio continues to be driven by healthy strong employment data, and tightened credit spreads despite the selloff in interest rates. Many segments of our single-family portfolio are cushioned by embedded equity protection resulting from associated with loan seasoning. seasoning and borrowers motivated to stay current on their low-coupon mortgages. Notably, 90 day+ delinquencies on our SLST portfolio declined to 7.3% at June 30, 2024, compared to 9.1% at June 30, 2023.

The residential investor sector overall continues to manage through macro crosswinds that have impacted sponsor borrower sentiment and reduced transaction volumes across the industry. We remain focused on the impact that higher short-term interest rates have on sponsors, borrowers, notwithstanding overall strength in leasing trends. In anticipation of this impact, our team has continued to work with borrowers well in advance of their loan maturities to assess project plans and ensure they manage towards successful completions. Delinquencies greater than 90 days across our residential investor bridge loans were slightly higher in the first second quarter of 2024, declining increasing across most of the single-family renovate/build to rent portfolio versus a slight uptick decline in the multifamily portfolio. REO balances values in the residential investor bridge portfolio decreased slightly in the first second quarter of 2024, and we continue to manage through pockets of stress, largely with a handful of more significant sponsor borrower relationships where a combination of rate modifications and fresh equity has been utilized.

Other income, net within this segment is primarily comprised of income from our MSR investments, bridge loan extension fees, and risk share investment income. Details on the composition of Other income, net are included in Note 21 in Part I, Item 1 of this Quarterly Report on Form 10-Q. Realized gains, net generally result from sales or calls of available-for-sale securities we own. Refer to the analysis of this line item Overall velocity in the Consolidated Results bridge portfolio remains positive, as approximately 10% of Operations section the bridge book paid off during the second quarter and we resolved 26% of this MD&A for an explanation of activity during 2023.loans that were 90 or more days delinquent at March 31, 2024.

Operating expenses at this segment increased \$1 \$2 million and \$3 million in the first quarter of 2024 three and six month periods, respectively, due to increased costs incurred for organizational restructuring charges associated with employee severance and related transition expenses incurred within this segment in the first quarter of 2024 as we aligned expenses with well as increased portfolio management costs incurred for the evolving operating environment. management of specially serviced residential investor bridge loans and related workout arrangements in the first half of 2024.

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 and, for each of the three-month three and six month periods, reflects positive net income earned from investment portfolio activities at our taxable REIT subsidiary.

The following table presents details of our Investment Portfolio at June 30, 2024 and December 31, 2023 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 interests in consolidated Sequoia, CAFL SFR, Freddie Mac SLST, Freddie Mac K-Series, Servicing Investment and HEI securitizations as noted.

Table 10 – Investment Portfolio - Detail of Economic Interests

(In Thousands)	June 30, 2024	December 31, 2023
Organic Residential Consumer Investments		
Residential consumer securities at Redwood	127,962	110,056

Residential consumer securities at consolidated Sequoia entities ⁽¹⁾	239,238	204,830
Other investments ⁽²⁾	52,455	47,239
Organic Residential Investor Investments		
Residential investor bridge loans	1,882,700	2,068,323
Residential investor securities at consolidated CAFL Term entities ⁽³⁾	337,161	323,340
Third-Party Investments		
Residential securities at Redwood	46,424	5,645
Residential securities at consolidated Freddie Mac SLST entities ⁽⁴⁾	257,742	274,175
Multifamily securities at Redwood	14,526	7,101
Multifamily securities at consolidated Freddie Mac K-Series entities ⁽⁵⁾	34,003	33,308
Servicing investments ⁽⁶⁾	99,821	85,704
HEI ⁽⁷⁾	293,945	278,967
Other investments	4,441	5,456
Total Segment Investments	\$ 3,390,418	\$ 3,444,144

Footnotes to Table 10

- (1) Represents our retained economic investment in securities issued by consolidated Sequoia securitization VIEs. For GAAP purposes, we consolidated \$6.95 billion of loans and \$6.69 billion of ABS issued associated with these investments at June 30, 2024. We consolidated \$4.64 billion of loans and \$4.43 billion of ABS issued associated with these investments at December 31, 2023.
- (2) Organic residential other investments at June 30, 2024 includes net risk share investments of \$24 million, representing \$28 million of restricted cash and other assets, net of other liabilities of \$5 million.
- (3) Represents our retained economic investment in securities issued by consolidated CAFL Term securitization VIEs. For GAAP purposes, we consolidated \$2.74 billion of loans and \$2.41 billion of ABS issued associated with these investments at June 30, 2024. We consolidated \$2.97 billion of loans and \$2.65 billion of ABS issued associated with these investments at December 31, 2023.
- (4) Represents our economic investment in securities issued by consolidated Freddie Mac SLST securitization entities. For GAAP purposes, we consolidated \$1.30 billion of loans and \$1.04 billion of ABS issued associated with these investments at June 30, 2024. We consolidated \$1.36 billion of loans and \$1.09 billion of ABS issued associated with these investments at December 31, 2023.
- (5) Represents our economic investment in securities issued by consolidated Freddie Mac K-Series securitization entities. For GAAP purposes, we consolidated \$422 million of loans and \$388 million of ABS issued associated with these investments at June 30, 2024. We consolidated \$425 million of loans and \$392 million of ABS issued associated with these investments at December 31, 2023.
- (6) Represents our economic investment in consolidated Servicing Investment variable interest entities. At June 30, 2024, for GAAP purposes, we consolidated \$258 million of servicing investments and \$146 million of non-recourse short-term securitization debt, as well as other assets and liabilities for these entities. At December 31, 2023, for GAAP purposes, we consolidated \$257 million of servicing investments and \$154 million of non-recourse short-term securitization debt, as well as other assets and liabilities for these entities.
- (7) At June 30, 2024 and December 31, 2023, represents HEI owned at Redwood of \$253 million and \$245 million, respectively and our retained economic investment in securities issued by consolidated HEI securitization entities of \$41 million and \$34 million, respectively.

The size of our Investment Portfolio decreased slightly since December 31, 2023, due to the decrease in residential investor bridge loans, offset by actively deploying capital into new residential Sequoia securities and other residential securities investments. At June 30, 2024 and December 31, 2023, 78% and 80% of our Investment Portfolio economic interests were organically created, respectively, and 22% and 20% were purchased from third parties, respectively. Capital deployment activities for the three and six months of 2024 represented the highest quarterly level of capital deployment into investments since the third quarter of 2022. In the second quarter of 2024, we continued to deploy capital into accretive investments, ultimately deploying \$133 million of capital in certain third-party securities, as well as the retention of securities created from our Sequoia securitizations. This compares to \$50 million of capital deployed during the second quarter of 2023. See the *Investments Detail and Activity* section that follows for additional detail on our portfolio investments and their associated borrowings.

Investments Detail and Activity

This section presents additional details on our investments (both within our Investment Portfolio segment and held at a corporate level) and their activity during the three and six months ended **March 31, 2024** June 30, 2024.

Real Estate Securities Portfolio

The following table sets forth our real estate securities activity by collateral type for the three months ended **March 31, 2024**.

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

Three Months Ended March 31, 2024 (In Thousands)	Residential			Multifamily		Total
	Senior	Mezzanine	Subordinate	Subordinate		
Beginning fair value	\$ 36,109	\$ —	\$ 84,587	\$ 7,101	\$	127,797
Acquisitions	47,526	9,214	4,842	—		61,582
Sales	—	—	—	—		—

Gains on sales and calls, net	—	—	—	—	—
Effect of principal payments ⁽²⁾	—	—	(216)	—	(216)
Change in fair value, net	14,320	5	8,736	83	23,144
Ending Fair Value ⁽³⁾	\$ 97,955	\$ 9,219	\$ 97,949	\$ 7,184	\$ 212,307

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

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

(3) At March 31, 2024, \$63 million of Senior Securities were used as hedges for our Residential Consumer Mortgage Banking operations. These Real estate securities are included in our Residential Consumer Mortgage Banking segment.

At March 31, 2024, our securities at Redwood consisted of fixed-rate assets (94%), adjustable-rate assets (5%), and hybrid assets that reset within the next year (1%).

The following table sets forth activity in our real estate securities portfolio for the three and six months ended March 31, 2024 June 30, 2024, 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. Additionally, this table includes securities held both in our Investment Portfolio segment and our Residential Consumer Mortgage Banking segment.

Table 12.11 – Activity of Real Estate Securities Owned at Redwood and in Consolidated Entities

Three Months Ended March 31, 2024	Residential Consumer Organic	Residential Investor Organic	Third-Party Investments		
Three Months Ended June 30, 2024	Residential Consumer Organic	Residential Investor Organic	Third-Party Investments	Total	Total
(In Thousands)					

(In Thousands)

(In Thousands)

(In Thousands)

Beginning fair value
Beginning fair value
Beginning fair value
Acquisitions
Sales
Gains on sales and calls, net
Effect of principal payments ⁽¹⁾
Change in fair value, net
Ending Fair Value ⁽²⁾

Six Months Ended June 30, 2024 (In Thousands)	Business Purpose Organic						
	Residential Organic		Consolidated CAFL Securities	Third-Party Investments			
	Sequoia Securities on Balance Sheet	Consolidated Sequoia Securities		Consolidated SLST Securities	Consolidated Multifamily Securities	Other Third-Party Securities	Total
Beginning fair value	\$ 110,632	\$ 210,429	\$ 323,340	\$ 274,174	\$ 33,308	\$ 17,165	\$ 969,048
Acquisitions	4,397	65,444	104	—	—	106,663	176,608
Sales	—	(18,634)	—	—	—	—	(18,634)
Gains on sales and calls, net	—	—	—	—	—	—	—
Effect of principal payments ⁽¹⁾	(125)	(2,446)	(3,752)	(14,460)	—	(362)	(21,145)
Change in fair value, net	13,728	9,343	17,469	(1,972)	695	12,303	51,566
Ending Fair Value ⁽²⁾	\$ 128,632	\$ 264,136	\$ 337,161	\$ 257,742	\$ 34,003	\$ 135,769	\$ 1,157,443

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

(2) At March 31, 2024 June 30, 2024, \$15 million \$26 million of Sequoia Securities and \$62 million \$75 million of Other Third-Party Securities were used as hedges for our Residential Consumer Mortgage Banking operations, and were included in our Residential Consumer Mortgage Banking segment.

At March 31, 2024 June 30, 2024, our securities owned at Redwood and in consolidated entities consisted of fixed-rate assets (99% (98%)), adjustable-rate assets (1% (2%)) and hybrid assets that reset within the next year (<1%).

We directly finance our holdings of real estate securities with a combination of non-recourse debt, non-marginable recourse term debt and marginable debt in the form of repurchase (or "repo") financing. At **March 31, 2024** **June 30, 2024**, we had: real estate securities with a fair value of **\$428 million** **\$429 million** (including securities owned in consolidated Sequoia and CAFL securitization entities) that were financed with **\$224 million** **\$271 million** of **short-term, non-marginable recourse debt** and **\$56 million of long-term, non-marginable recourse debt** through our subordinate securities financing facilities; re-performing loan securities with a fair value of **\$271 million** **\$258 million** (including securities owned in consolidated securitization entities) that were financed with **\$171 million** **\$163 million** of non-recourse securitization debt (ABS issued); real estate securities with a fair value of **\$114 million** **\$123 million** (including securities owned in consolidated securitization entities) that were financed with **\$81 million** **\$88 million** of **short-term** recourse debt incurred through repurchase facilities with **four** **five** different counterparties; and \$57 million of securities that were financed **with using a short-term** financing facility. The remaining **\$197** **\$290** 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 **March 31, 2024** **June 30, 2024**. 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 13.12 – Credit Statistics of Real Estate Securities Owned at Redwood and in Consolidated Entities

March 31, 2024												Weighted Average Values ⁽¹⁾			
		Market Value - IO Securities	Market Value - Non-IO Securities	Principal Balance - Non-IO Securities		Gross Weighted Average Coupon		90 Day+ Delinquency		3-Month Prepayment Rate		Investment Thickness	Weighted Average Values ⁽¹⁾		
June 30, 2024		Market Value - IO Securities	Market Value - Non-IO Securities	Principal Balance - Non-IO Securities		Gross Weighted Average Coupon		90 Day+ Delinquency		3-Month Prepayment Rate		Investment Thickness	Weighted Average Values ⁽¹⁾		
(Dollars in Thousands)		Market Value - IO Securities	Market Value - Non-IO Securities	Principal Balance - Non-IO Securities		Gross Weighted Average Coupon		90 Day+ Delinquency		3-Month Prepayment Rate		Investment Thickness	Weighted Average Values ⁽¹⁾		
Sequoia securities on balance sheet															
Sequoia securities on balance sheet															
Sequoia securities on balance sheet		\$35,709	\$	\$ 87,647	\$	\$139,597	3.6	3.6 %	0.2 %	3 %	4 %		\$40,		
Consolidated Sequoia securities	Consolidated Sequoia securities	46,548	170,751	170,751	226,581	226,581	4.5	4.5 %	0.2 %	7 %	4 %		Consolidated Sequoia securities		
Total Sequoia Securities	Total Sequoia Securities	82,257	258,398	258,398	366,178	366,178	4.2	4.2 %	0.2 %	6 %	4 %		Total Sequoia Securities		
Consolidated Freddie Mac SLST securities	Consolidated Freddie Mac SLST securities	19,581	251,494	251,494	446,348	446,348	4.5	4.5 %	8.1 %	4 %	28 %		Consolidated Freddie Mac SLST securities		
Consolidated Freddie Mac K-Series securities	Consolidated Freddie Mac K-Series securities	—	33,551	33,551	36,468	36,468	4.3	4.3 %	— %	— %	8 %		Consolidated Freddie Mac K-Series securities		
Multifamily securities on balance sheet	Multifamily securities on balance sheet	11	7,172	7,172	7,498	7,498	2.9	2.9 %	— %	— %	— %		Multifamily securities on balance sheet		
Total Multifamily Securities	Total Multifamily Securities	11	40,723	40,723	43,966	43,966	3.1	3.1 %	— %	— %	1 %		Total Multifamily Securities		
Consolidated CAFL securities	Consolidated CAFL securities	19,646	313,815	313,815	435,937	435,937	5.3	5.3 %	4.5 %	8 %	14 %		Consolidated CAFL securities		
Other third-party securities	Other third-party securities	62,255	19,513	19,513	35,577	35,577	6.7	6.7 %	0.4 %	8 %	N/A		Other third-party securities		
Total Securities ⁽³⁾															

- (1) The effect Weighted averages presented in this table, including delinquencies, are weighted using the notional balance of principal payments reflects loans collateralizing each securitization in which we own a security. Prior to December 31, 2023, weighted averages were calculated using the change in fair value due to principal payments, which is calculated as of the cash principal received on a given security during the period multiplied by the prior quarter ending price or acquisition price for that security, securities we owned.
- (2) 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.
- (3) At March 31, 2024 June 30, 2024, \$15 million \$26 million of Sequoia Securities and \$62 million \$75 million of Other Third-Party Securities were used as hedges for our Residential Mortgage Banking operations, and were included in our Residential Consumer Mortgage Banking segment.

We primarily target investments that have a sensitivity to housing credit risk, typically sourced through our operating businesses where we control the underwriting and review of underlying collateral. During the first second quarter of 2024, our overall residential and Agency multifamily securities portfolio continued to demonstrate stable fundamentals, driven by underlying loan seasoning, low 90+ day delinquencies and embedded growth in home prices and rents. Given the seasoned nature of our investments (particularly within our RPL securities and Sequoia securities), many of our residential investments are supported by substantial home price appreciation and borrower equity in the underlying homes. As previously noted, 90 day+ delinquencies for For the term loans underlying our consolidated CAFL securities, rose 90 day+ delinquencies increased modestly during the first second quarter of 2024.

With a weighted average quarter-end carrying value of 67.68 cents to each one dollar of face value, we estimate our securities portfolio had approximately \$2.47 \$2.18 per common share of net discount to par at quarter end. We believe continued credit performance in our underlying securities portfolio, combined with firming of risk sentiment and a return to more normalized prepayment speeds, could contribute to our ability to realize potential upside in book value over time, reversing unrealized losses taken in 2023 which that were largely driven by technical spread widening.

Residential Investor Bridge Loans Held-for-Investment

The following table provides the activity of Residential investor bridge loans held-for-investment during the three and six months ended March 31, 2024 June 30, 2024.

Table 14.13 – Residential Investor Bridge Loans Held-for-Investment - Activity

(In Thousands)	Three Months Ended	
	March 31, 2024	
Fair value at beginning of period	\$	2,068,323
Acquisitions		15,677
Sales		(30,663)
Transfers between portfolios ⁽¹⁾		179,492
Transfers to REO		(803)
Principal repayments		(181,530)
Changes in fair value, net		(2,105)
Fair Value at End of Period	\$	2,048,391

(In Thousands)	Three Months Ended		Six Months Ended	
	June 30, 2024		June 30, 2024	
Fair value at beginning of period	\$	2,048,391	\$	2,068,323
Acquisitions		—		15,677
Sales		(21,500)		(52,163)
Transfers between portfolios ⁽¹⁾		82,077		261,569
Transfers to REO		(3,147)		(3,950)
Principal repayments		(209,493)		(391,023)
Changes in fair value, net		(13,628)		(15,733)
Fair Value at End of Period	\$	1,882,700	\$	1,882,700

- (1) We originate residential investor bridge loans at our TRS and transfer a portion of them to our REIT that we intend to hold for investment. Origination fees and any fair value changes on these loans prior to transfer are recognized within Mortgage banking activities, net on our consolidated statements of income. Once the loans are transferred to our REIT, they are classified as held-for-investment, with subsequent fair value changes generally recorded through Investment fair value changes, net on our consolidated statements of income.

Our \$2.05 billion \$1.88 billion of Residential investor bridge loans held-for-investment at March 31, 2024 June 30, 2024, were comprised of first-lien, interest-only loans with a weighted average coupon of 10.45% 10.33% and original maturities of six 6 to 36 months. At origination, the weighted average FICO score of sponsors of these loans loan borrowers was 752 728 and the weighted average LTV ratio of these loans was 64%. At March 31, 2024 June 30, 2024, 6% of the 2,654 loans in this portfolio, 108 loans with an aggregate fair value of \$93 million \$116 million and an unpaid principal balance of \$104 million \$128 million, were greater than 90 days delinquent; of which 92 of these delinquent. Included in the 90 days delinquent balance are loans in foreclosure with an aggregate fair value of \$70 million \$90 million and an aggregate unpaid principal balance of \$82 million, were in foreclosure. \$102 million. Additionally, REO associated with bridge loans decreased from \$88 million at December 31, 2023, to \$85 million \$86 million at March 31,

2024, June 30, 2024 resulting from foreclosure a decrease in fair value of loans with \$101 million and \$102 million \$5 million, offset by transfers to REO of unpaid principal, respectively, \$4 million during the six months ended June 30, 2024.

The fair value of residential investor bridge loans held-for-investment of \$2.05 billion \$1.88 billion at March 31, 2024 June 30, 2024 declined from \$2.07 billion at December 31, 2023. Changes in the fair value of these loans during the first second quarter of 2024 primarily reflect reductions in values for non-accrual bridge loans and certain modified bridge loans since the fourth quarter of 2023. In the first second quarter of 2024, \$50 million \$379 million of residential investor bridge loans (representing cumulative unpaid principal balance as of March 31, 2024 June 30, 2024) were subject to modifications that modifications. Of this balance, \$43 million included loans in forbearance without a rate reduction and \$335 million included reductions in interest rates (including, in certain cases, deferrals of interest), among other terms, and in certain cases, combined with infusions of fresh capital from either the existing sponsor or third-party new sources. The modifications converted may involve conversions of the contractual interest on the loans from floating to fixed and/or deferrals of a portion of the stated pay rate to fixed rate and resulted in an extended date or to maturity. In the second quarter of 2024, modifications on these loans maintained a weighted average reduction in contractual interest rate (including deferred interest) on these loans of approximately 3.3%. Of 10%, of which 4.35% represented deferred interest. In addition, \$4 million of residential investor bridge loans (representing cumulative unpaid principal balance as of June 30, 2024) were subject to modifications to extend the \$50 million of modified loans, all were contractually current at March 31, 2024. loan term, coupled with an increase in interest rate.

While we continue to work proactively with certain sponsors borrowers to address the impacts of rising interest rates, elongated project timelines, or other issues, further increases in delinquencies or modifications within our residential investor bridge loan portfolio could ultimately result in further decreases in net interest income and the fair value of our bridge loans held for investment, and further instances of borrower/sponsor stress could lead to realized credit losses. In addition to loans for which we completed these types of the loan modifications described above, during the first second quarter of 2024, we extended the maturities of \$155 \$69 million of loans (representing cumulative unpaid principal balance as of March 31, 2024 June 30, 2024). An increase in maturity extensions in the residential investor bridge portfolio would increase the expected time to repayment with a potential impact on fair values and credit losses. However, given the overall short duration nature of our bridge loans, a certain level of maturity extensions are a regular asset management outcome for these loans, irrespective of market conditions. In the first second quarter of 2024, the average length of maturity extensions granted on residential investor bridge loans was just under eight five months.

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

We finance our residential investor bridge loans with a combination of recourse, non-marginable warehouse facilities, non-recourse, non-marginable facilities, and non-recourse securitization debt. At March 31, 2024 June 30, 2024, we had \$27 \$860 million of debt incurred through short-term warehouse facilities with two six counterparties, which was secured by \$36 million of residential investor bridge loans; \$920 million of debt incurred through long-term facilities with four different counterparties, which was secured by \$1.22 \$1.20 billion of residential investor bridge loans; and \$709 million \$648 million of securitization debt secured by \$762 million \$686 million of residential investor bridge loans, and \$22 million \$18 million of restricted cash, cash and \$53 million of other assets. At March 31, 2024 June 30, 2024, the unpaid principal balance of bridge loans financed was \$2.04 \$1.90 billion, of which \$701 \$457 million was financed with recourse, non-marginable facilities, \$587 \$764 million was financed with non-recourse, non-marginable facilities, and \$752 \$680 million was financed through non-recourse CAFL bridge securitizations.

The following table provides the composition of residential investor bridge loans held-for-investment by product type as of March 31, June 30, 2024 and December 31, 2023.

Table 15.14 – Residential Investor Bridge Loans Held-for-Investment - By Product/Strategy Type

(In Thousands)	(In Thousands)	March 31, 2024	December 31, 2023	(In Thousands)	June 30, 2024	December 31, 2023
Renovate / Build for rent ("BFR") ⁽¹⁾						
Single Asset Bridge ("SAB") ⁽²⁾						
Multifamily ⁽³⁾						
Other						
Fair Value at End of Period						

(1) Includes loans to finance acquisition and/or stabilization of existing housing stock or to finance new construction of residential properties for rent.

(2) Includes loans for light to moderate renovation of residential and small multifamily properties (generally less than 20 units).

(3) Includes loans for predominantly light to moderate rehabilitation projects on multifamily properties.

At March 31, 2024 June 30, 2024, the fair value of our total residential investor bridge loans held-for-investment and associated REO represented 98.6% 97.9% of the combined unpaid principal balance of these loans and the unpaid principal balance of the loans associated with the REO at time of foreclosure. The fair value of multi-family multifamily loans within this population (\$883 \$827 million at March 31, 2024 June 30, 2024) and associated multifamily REO (\$44 million at March 31, 2024 June 30, 2024), represented 97.0% 96.6% of the combined unpaid principal balance of these loans and the unpaid principal balance of the loans associated with the REO at time of foreclosure.

Home Equity Investments

The following table provides the activity of HEI held at our investment portfolio during the three and six months ended March 31, 2024 June 30, 2024.

Table 16.15 – HEI at Investment Portfolio Segment - Activity

Home Equity Investments ⁽¹⁾	Three Months Ended
(In Thousands)	March 31, 2024
Balance at beginning of period	\$ 550,436
New/additional investments	307
Settlements	(11,565)
Changes in fair value, net	21,567
Balance at End of Period	\$ 560,745

Home Equity Investments ⁽¹⁾	Three Months Ended	Six Months Ended
(In Thousands)	June 30, 2024	June 30, 2024
Balance at beginning of period	\$ 560,745	\$ 550,436
New/additional investments	299	606
Settlements	(15,617)	(27,182)
Changes in fair value, net	28,692	50,259
Balance at End of Period	\$ 574,119	\$ 574,119

(1) Our HEI presented in this table as of **March 31, 2024** June 30, 2024, include **\$314 million** **\$321 million** of HEI owned in our consolidated HEI securitization entities and **\$247 million** **\$253 million** of **HEI** **HEI** owned directly at Redwood.

We finance a portion of our HEI through a short-term warehouse facility. At **March 31, 2024** June 30, 2024, there was **\$120** **\$103** million of debt outstanding on this warehouse facility, secured by HEI with a fair value of **\$240** **\$212** million.

Additional details on our HEI are included in Note **10** **11** of our Notes to Consolidated Financial Statements, included in Part I, Item 1 of this Quarterly Report on Form 10-Q. During the three and six months ended **March 31, 2024** June 30, 2024, positive investment fair value changes primarily reflected improvements in actual and forecasted home price appreciation, relative to previously modeled amounts.

Other Investments

The following table sets forth our other investments activity at our Investment Portfolio segment by significant asset type for the three and six months ended **March 31, 2024** June 30, 2024.

Table **17** **16** – Other Investments – Activity⁽¹⁾

Three Months Ended March 31, 2024					
Three Months Ended March 31, 2024					
Three Months Ended March 31, 2024					
Three Months Ended June 30, 2024	Servicing Investments ⁽²⁾	Strategic Investments	MSRs and Excess Servicing	Other	Total
Three Months Ended June 30, 2024					
Three Months Ended June 30, 2024					
Three Months Ended June 30, 2024	Servicing Investments ⁽²⁾	Strategic Investments	MSRs and Excess Servicing	Other	Total
(In Thousands)					
Balance at beginning of period					
Balance at beginning of period					
Balance at beginning of period					
New/additional investments					
Sales/distribution/repayments					
Servicer advances (repayments), net					
Changes in fair value, net					
Balance at End of Period					
Balance at End of Period					
Balance at End of Period					

Six Months Ended June 30, 2024					
(In Thousands)	Servicing Investments ⁽²⁾	Strategic Investments	MSRs and Excess Servicing	Other	Total
Balance at beginning of period	\$ 225,345	\$ 56,107	\$ 62,244	\$ 234	\$ 343,930
New/additional investments	—	4,669	85	—	4,754

Sales/distribution/repayments	—	—	—	(128)	(128)
Servicer advances (repayments), net	(8,959)	—	—	—	(8,959)
Changes in fair value, net	10,977	(1,746)	1,078	—	10,309
Balance at End of Period	\$ 227,363	\$ 59,030	\$ 63,407	\$ 106	\$ 349,906

Footnotes to Table 16

- (1) Tables include all "Other investments" as presented on our consolidated balance sheets. Strategic Investments presented above are held at Corporate/Other, and the remaining other investments are held in our Investment Portfolio segment.
- (2) Our servicing investments are owned through our consolidated Servicing Investment entities. At **March 31, 2024** **June 30, 2024**, our economic investment in these entities was **\$88 million** **\$100 million** (for GAAP purposes, we consolidated **\$247 million** **\$258 million** of servicing investments, **\$147 million** **\$146 million** of non-recourse short-term securitization debt, as well as other assets and liabilities for these entities).

Additional details on our Other Investments is included in Note **11** **12** 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 March 2024, our Board of Directors declared regular dividends of \$0.16 per common share and \$0.625 per Series A preferred share for the first quarter of 2024, which were paid on March 28, 2024 and April 15, 2024, respectively. As of March 31, 2024, we expect our full-year dividend distributions to exceed our annual minimum distribution requirements and we believe that we will meet all requirements for qualification as a REIT for federal income tax purposes. Many requirements for qualification as a REIT are complex and require analysis of particular facts and circumstances. Often there is only limited judicial or administrative interpretive guidance and as such there can be no assurance that the Internal Revenue Service or courts would agree with our various tax positions. If we were to fail to meet all the requirements for qualification as a REIT and the requirements for statutory relief, we would be subject to federal corporate income tax on our taxable income and we would not be able to elect to be taxed as a REIT for four years thereafter. Such an outcome could have a material adverse impact on our consolidated financial statements.

While our minimum REIT dividend requirement is generally 90% of our annual REIT taxable income, we carried a \$37 million federal net operating loss carry forward (NOL) into 2024 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 portion of our 2024 common stock dividend distributions to be taxable as ordinary income for federal income tax purposes. Any remaining amount is currently expected to be characterized as a return of capital, which in general is nontaxable (provided it does not exceed a shareholder's tax basis in Redwood shares) and reduces a shareholder's basis in Redwood shares (but not below zero). To the extent such distributions exceed a shareholder's basis in Redwood shares, such excess amount would be taxable as capital gain. We currently expect all of our 2024 preferred stock dividend distributions to be taxable as ordinary income for federal income tax purposes. Under the federal income tax rules applicable to REITs, none of Redwood's 2024 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 2024 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 both the three and six months ended **March 31, 2024 and 2023**, **June 30, 2024**, we recorded a tax provision of **\$1 million** **\$5 million**. For the three and six ended **June 30, 2023**, we recorded a tax provision of **\$0.1 million** and a tax benefit of \$1 million, respectively. Our tax provision is primarily derived from the activities at our TRS, as we do not book a material tax provision associated with income generated at our REIT. The switch to a tax provision from a benefit from income taxes year-over-year was primarily the result of GAAP income earned at our TRS in the first **quarter half** of 2024 compared to a GAAP loss in the first **quarter half** of 2023.

Realization of our deferred tax assets ("DTAs") is dependent on many factors, including generating sufficient taxable income prior to the expiration of NOL carryforwards (where applicable) and generating sufficient capital gains in future periods prior to the expiration of capital loss carryforwards. We determine the extent to which realization of our DTAs is not "more likely than not" and establish a valuation allowance accordingly. We closely analyzed the realizability of our net deferred tax assets in whole and in part, and, at **March 31, 2024** **June 30, 2024** and December 31, 2023, we reported net federal ordinary and capital DTAs with no material valuation allowance recorded against them. We evaluate our deferred tax assets each period to determine if a valuation allowance is required based on whether it is "more likely than not" that some portion of the deferred tax assets would not be realized. The ultimate realization of these deferred tax assets is dependent upon the generation of sufficient taxable income during future periods. We conduct our evaluation by considering, among other things, all available positive and negative evidence, historical operating results and cumulative earnings analysis, forecasts of future profitability, and the duration of statutory carryforward periods. Based on this analysis, we continue to believe it is more likely than not that we will realize our federal deferred tax assets in future periods as income is earned at our TRS; therefore, there continues to be no material valuation allowance recorded against our net federal DTAs. This evaluation requires significant judgment in assessing the possible need for a valuation allowance and changes to our assumptions could result in a material change in the valuation allowance with a corresponding impact on the provision for income taxes in the period including such change.

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

Consistent with prior periods, we continued to maintain a valuation allowance against the majority of our net state DTAs as realization of our state DTAs is dependent on generating sufficient taxable income in the same jurisdictions in which the DTAs exist and we project most of our state DTAs will expire prior to their utilization.

LIQUIDITY AND CAPITAL RESOURCES

Summary

In addition to the proceeds from equity and debt capital-raising transactions, our principal sources of cash and liquidity consist of borrowings under mortgage loan warehouse facilities, secured term financing facilities, securities repurchase agreements, a corporate secured revolving financing facility, payments of principal and interest we receive from our investment portfolio assets, proceeds from the sale of investment portfolio assets, and cash generated from our mortgage banking operating activities, such as the sale and securitization of mortgage loans. 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, to fund draws on our bridge loan portfolio and other commitments when requested, and to fund our operations.

At March 31, 2024 June 30, 2024, our total capital was \$1.92 billion \$2.12 billion, consisting of (i) \$1.22 billion of equity capital, (ii) \$680 million \$881 million of convertible notes and long-term other corporate debt on our consolidated balance sheets (including \$116 million \$107 million of convertible debt due in July 2024, \$157 million of exchangeable debt due in October 2025, \$207 million of convertible debt due in 2027, \$60 million \$125 million corporate secured revolving financing facility with CPP Investments due in March 2026, \$145 million of senior unsecured notes due in 2029, and \$140 million of trust-preferred securities due in 2037), and (iii) \$15 million of promissory notes included in short-term debt. In January 2024, we issued \$60 million of 9.125% fixed-rate senior unsecured notes with a maturity of March 1, 2029 which we may redeem in whole or in part at any time on or after March 1, 2026. In June 2024, we issued \$85 million of 9.000% fixed-rate senior unsecured notes with a maturity of September 1, 2029 which we may redeem in whole or in part at any time on or after September 1, 2026. Subsequent to quarter end, we repaid the \$107 million convertible debt in July 2024 with available cash on hand.

As of March 31, 2024 June 30, 2024, our unrestricted cash and cash equivalents were \$275 million \$276 million. While we believe our available cash is sufficient to fund our operations, we may raise equity or debt capital from time to time to increase our unrestricted cash and liquidity, to repay existing debt, to make long-term portfolio investments, to fund strategic acquisitions and investments, or for other purposes. To the extent we seek to raise additional capital, our approach will continue to be based on what we believe to be in the best interests of the company. 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 can be 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 loan or security being financed, a decline in the value of the underlying property securing the mortgage loan, as determined by an appraisal, broker price opinion, or similar third-party source, an extended dwell time (i.e., period of time financed using a particular financing facility) for certain types of mortgage 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, 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), or based on a decline in the market value of financed collateral in an aggregate amount that causes the effective advance rate associated with such financing facility to exceed a specified threshold, based on market value determinations by Redwood and one or more third party valuation agents.

We also distinguish our debt between recourse and non-recourse, as our non-recourse debt has unique characteristics that differentiate it in important ways from our recourse debt. When we refer to non-recourse debt, we mean debt that is payable solely from the assets pledged to secure such debt, and under which debt no creditor or lender has direct or indirect recourse to us (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. From time to time, we may incur debt with a mixture of both recourse and non-recourse elements, such that only a portion of the loan would be subject to a full recourse guaranty with the remainder being non-recourse. In this case, we would consider as recourse debt only that portion of borrowings subject to a full recourse guaranty, with the remainder considered non-recourse debt.

At March 31, 2024 June 30, 2024, in aggregate, we had \$2.24 \$2.49 billion of secured recourse debt outstanding, financing our mortgage banking operations and investment portfolio, of which \$364 million \$756 million was marginable and \$1.88 \$1.73 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, other short- and long-term debt facilities and other risks relating to our corporate debt and 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

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. In May 2023, our Board of Directors approved an additional authorization for the repurchase of up to \$70 million of our preferred stock. During the three six months ended March 31, 2024 June 30, 2024 we did not repurchase any shares of our common stock or preferred stock and repurchased \$31 million \$39 million of our convertible and exchangeable debt. At March 31, 2024 June 30, 2024, \$101 million of the current authorization remained available for the repurchase of shares of our common stock, and \$70 million remained available for the repurchase of shares of our preferred stock. To date in the second quarter of 2024, we have continued to repurchase outstanding debt securities. Like investments we may make, any repurchases of our common stock, preferred stock, or debt securities under these authorizations would reduce our available capital and unrestricted cash described above. above

Cash Flows and Liquidity for the Three Six Months Ended March 31, 2024 June 30, 2024

Cash flows from our mortgage banking activities and our investments can be volatile from quarter to quarter depending on many factors, including the timing and amount of loan originations, acquisitions, sales and profitability within our mortgage banking operations, 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 operating or investment activities.

Cash Flows from Operating Activities

During the **three six** months ended **March 31, 2024** **June 30, 2024**, our net cash used in operating activities was **\$954 million** **\$2.92 billion**. 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 residential loans associated with our mortgage banking activities. Loans purchased or originated for our mortgage banking operations are financed to a large extent with short-term and long-term debt obligations, for which changes in cash are included as a component of financing activities. Additionally, many of these loans are sold into securitizations, which we consolidate under GAAP, and cash inflows from these sales are shown as proceeds from ABS issued within financing activities. Further, loans securitized or transferred into our investment portfolio are reclassified as held-for-investment loans, and any subsequent principal repayments or proceeds from sales of these loans are classified as investing activities. During the first **three six** months of 2024, **excluding** we transferred **\$2.65 billion** of residential loans to six Sequoia securitizations and reclassified these loans as held-for-investment loans. **Excluding** cash flows from the purchase, origination, sale and principal payments of loans classified as held-for-sale, and the settlement of associated derivatives (which cumulatively totaled **\$970 million** **\$2.97 billion** of net cash outflows), cash flows from operating activities were positive **\$16 million** **\$51 million** during the first six months of 2024.

Cash Flows from Investing Activities

During the **three six** months ended **March 31, 2024** **June 30, 2024**, our net cash provided by investing activities was **\$350 million** **\$902 million** and primarily resulted from proceeds from principal payments on loans held-for-investment and proceeds from sales of securities, in excess of cash deployed into these investments. Because many of our investment securities, loans and HEI are financed through various borrowing agreements, a significant portion of the proceeds from any sales or principal payments of these assets are generally used to repay balances under these financing sources. Similarly, all or a significant portion of cash flows from principal payments of loans and HEI at consolidated securitization entities would generally be used to repay ABS issued by those entities.

Although we generally intend to hold our loans and investment securities as long-term investments, we may sell certain of these assets in order to manage our liquidity needs and interest rate risk, to meet other operating objectives, and to adapt to market conditions.

As presented in the "Supplemental Noncash Information" subsection of our consolidated statements of cash flows, during the **three six** months ended **March 31, 2024** **June 30, 2024**, we transferred **\$2.82 billion** of loans between held-for-sale and held-for-investment classification, which represent significant non-cash transactions that were not included in cash flows from investing activities.

Cash Flows from Financing Activities

During the **three six** months ended **March 31, 2024** **June 30, 2024**, our net cash provided by financing activities was **\$575 million** **\$1.99 billion**. This primarily resulted from **\$883 million** **\$1.85 billion** of net borrowings under ABS issued (resulting from the issuance of **three six** Sequoia securitizations) securitizations, net of related issuance costs), partially offset by **\$408 million** of net repayments of short-term debt borrowings, and **\$126 million** **\$186 million** of net borrowings under long-term debt facilities and long-term debt obligations. During the **three six** months ending **March 31, 2024** **June 30, 2024**, net long-term borrowings include cash provided from debt obligations included the issuance of **\$60 million** of senior notes in January 2024 and the issuance of **\$85 million** of senior notes in June 2024.

During the **three six** months ended **March 31, 2024** **June 30, 2024**, we declared and paid dividends for the first quarter and second quarters of 2024 on our common stock of **\$0.16** **\$0.32** per common share (totaling **\$22 million** **\$44 million**) and paid dividends on our preferred stock for the fourth quarter of 2023 and the first quarter of **\$0.625** **2024** of **\$1.2500** per share (totaling **\$2** **\$4** million) on our preferred stock. Specifically, on **March 7, 2024** **June 11, 2024**, the Board of Directors declared a regular dividend on our common stock of **\$0.16** per share for the **first** **second** quarter of 2024, which was paid on **March 28, 2024** **June 28, 2024** to shareholders of record on **March 21, 2024** **June 21, 2024**. Additionally, on **March 7, 2024** **June 11, 2024**, the Board of Directors declared a regular quarterly dividend of **\$0.625** per share of preferred stock, which was paid on **April 15, 2024** **July 15, 2024** to stockholders of record on **April 1, 2024** **July 1, 2024**.

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

Our material cash requirements from known contractual and other obligations during the twelve months following **March 31, 2024** **June 30, 2024**, include maturing short-term debt obligations, interest payments on debt obligations and ABS issued, payments on operating leases, funding commitments for residential investor bridge loans, strategic investments, and other current payables. Our material cash requirements from known contractual and other obligations beyond the twelve months following **March 31, 2024** **June 30, 2024**, include maturing long-term debt, interest payments on long-term debt, payments on operating leases and funding commitments for residential investor bridge loans, strategic investments, and principal and interest payments under ABS issued (as described further below under *Liquidity Needs for our Investment Portfolio*).

At **March 31, 2024** **June 30, 2024**, we had commitments to fund up to **\$513 million** **\$448 million** of additional advances on existing residential investor bridge loans. These commitments are generally subject to loan agreements with covenants regarding the financial performance of the borrower and other terms regarding advances that must be met before we fund the commitment (for example, funding is dependent on actual progress on a project and we retain the right to conduct due diligence with respect to each draw request to confirm conditions have been met). A majority of the commitments are for longer-term renovate/build-for-rent loans (which generally have funding caps below their full commitment amount) and are expected to fund over the next several quarters. Additionally, at **March 31, 2024** **June 30, 2024**, we had **\$1.58 billion** **\$1.53 billion** of available warehouse capacity for residential investor loans and scheduled bridge loan maturities are expected to provide an additional source of cash that can be used to fund our commitments.

For additional information regarding our material cash requirements, see Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2023 under the caption *Contractual Obligations*. For additional information on commitments and contingencies as of **March 31, 2024** **June 30, 2024** that could impact our liquidity and capital resources, see Note **17** **18** of our *Notes to Consolidated Financial Statements* in Part I, Item 1 of this Quarterly Report on Form 10-Q, which supplements the disclosures included in Note 17 to the Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2023.

Most of our loan warehouse facilities and our servicer advance financing were established with initial one-year terms and are regularly amended on an annual basis to extend the terms for an additional year ahead of their maturity. We renewed several of these facilities in 2023 and during the first quarter of 2024, extinguished others we deemed under-utilized, and have other such facilities with scheduled maturities during the next twelve months. During the first quarter of 2024, we entered into a new recourse, marginable \$200 million facility to finance residential consumer loans, and amended an existing residential consumer loan facility from recourse to non-recourse. Additionally, during the first quarter of 2024, we entered into a corporate secured revolving financing facility with CPP Investments to provide recourse debt financing secured by previously unencumbered assets, such as residential investor securities, residential consumer securities and other investments, as well as equity in certain operating subsidiaries. At March 31, 2024, this facility had a borrowing limit of \$200 million and a two-year term, with a one-year extension option. Subsequent to March 31, 2024, we exercised our right under the terms of the facility to increase the committed capacity to \$250 million.

One of our subordinate securities financing facilities matures in September 2024. Recourse term borrowings under this facility were \$123 million at March 31, 2024, and are secured by certain securities we retained from Sequoia securitizations we sponsored. Another one of our subordinate securities financing facilities matures in February 2025. Recourse term borrowings under this facility were \$101 million at March 31, 2024 and are secured by certain securities we retained from CAFL securitizations we sponsored. While we will continue to evaluate our alternatives with respect to these maturities, we expect we will be able to refinance these securities utilizing securities repurchase financing or alternative types of secured debt. However, if market interest rates remain elevated, the cost of this financing would increase our borrowing costs for these assets.

Additionally, one series of our convertible notes is maturing in July 2024 and has an outstanding principal balance of \$116 million at March 31, 2024. We expect to utilize cash on hand to repay our convertible debt that is maturing, which will reduce the amount of cash that can be deployed into our business and could reduce the earnings potential of our business. Further, if market rates for corporate capital remain elevated and we choose to issue new corporate capital, it could negatively impact our profitability.

We expect to meet our obligations coming due in less than one year from March 31, 2024, through a combination of cash on hand, payments of principal and interest we receive June 30, 2024 most likely from our investment portfolio assets, proceeds from the sale of investment portfolio assets, cash generated from our operating activities, incremental borrowings under existing, new or amended financing arrangements, or through the issuance of other previously mentioned sources of equity or debt capital. As of March 31, 2024 June 30, 2024, we had approximately \$370 million \$332 million of unencumbered assets, and we currently estimate we could generate incremental capital organically through financing of these assets. Our unencumbered assets consist primarily of bridge loans, HEI, and retained securities from our securitization activities. To date in the second third quarter of 2024, we have established a new financing line for bridge loans and we are actively engaged in seeking expanded financing capacity for HEI our residential consumer business which has been growing its volumes and expect to make further progress on this initiative in the second quarter of 2024.

During the first three months of 2024, the highest balance of our short-term debt outstanding was \$1.61 billion. See Note 14 17 in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information on our short-term debt. See debt obligations. Note 16 in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information on our long-term debt.

Liquidity Needs for our Mortgage Banking Activities

We generally use loan warehouse facilities to finance the loans we acquire and originate 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 March 31, 2024 June 30, 2024, we had residential consumer warehouse facilities outstanding with five six different counterparties, with \$1.35 billion \$1.65 billion of total capacity and \$879 million \$763 million of available capacity. These included non-marginable facilities with \$500 million of total capacity and marginable facilities with \$850 million \$1,150 million of total capacity. At March 31, 2024 June 30, 2024, we had residential investor warehouse facilities outstanding with six seven different counterparties, with \$2.71 billion \$2.53 billion of total capacity and \$1.58 \$1.53 billion of available capacity. All of these residential investor financing facilities are non-marginable. We note that several of these facilities used to finance our residential investor mortgage banking Residential Investor Mortgage Banking loan inventory are also used to finance bridge loans held in our investment portfolio.

As discussed above, Most 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 during the first and second quarters of 2024, and have other such facilities with scheduled maturities during the next twelve months. During the first six months of 2024, we use entered into two new recourse, marginable facilities with borrowing limits totaling \$500 million and amended an existing residential consumer loan facility from recourse to non-recourse. Additionally, during the first six months of 2024, we entered into one recourse, non-marginable \$100 million facility and as well as a non-recourse, non-marginable \$375 million facility 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. residential investor loans.

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

At June 30, 2024, in addition to our ABS issued, our investment portfolio was financed with \$689 million of secured recourse debt, of which \$134 million was marginable and \$555 million was non-marginable, and \$652 million of secured non-recourse debt that was non-marginable.

We use various forms of secured recourse and non-recourse debt to finance assets in our investment portfolio. Our ABS issued is non-recourse and represents debt of securitization entities that we consolidate for GAAP reporting purposes. Our exposure to these entities is primarily through the financial interests we have purchased or retained from these entities (typically subordinate securities and interest only securities). Each securitization entity is independent of Redwood and of each other and the assets and liabilities are not owned by and are not legal obligations of Redwood. As the debt issued by these entities is not a direct obligation of Redwood, and since the debt generally can remain outstanding for the full term of the loans it is financing within each securitization, this debt effectively provides permanent financing for these assets. Certain of our ABS issued, including that issued through our CAFL Bridge loan securitizations, HEI securitizations, and SLST re-securitization, are subject to optional redemptions and interest rate step-ups. If we choose not to redeem these securitizations, the interest rates will step-up, reducing our net interest income. If we choose to redeem the securities, we will need to secure

alternative sources of financing for these assets or utilize available cash. See Notes 4, 15 and 15, 16, respectively, in Part I, Item 1 of this Quarterly Report on Form 10-Q, for additional information on our principles of consolidation and our asset-backed securities issued.

Additionally, we have non-recourse debt in the form of non-marginable warehouse facilities to finance a portion of our residential investor bridge loan portfolio. While this debt is non-recourse to Redwood, it does have fixed terms with prepayment options that allow us to refinance this debt or ultimately repay it upon maturity. In addition, the residential investor bridge loan joint venture we established in 2023 has a dedicated warehouse facility. This warehouse facility is an obligation of the joint venture, not of Redwood, and it is non-recourse to Redwood (except for customary exceptions for fraud, acts of insolvency, or other "bad acts"). We expect to establish one or more established multiple similar, dedicated warehouse facilities for the residential investor bridge and term loan joint venture we established in the first quarter 2024. See Notes 11, 8 and 17, 18 in Part I, Item 1 of this Quarterly Report on Form 10-Q, for additional information regarding our residential investor bridge loan and bridge and term loan joint ventures. d ventures.

One of our subordinate securities financing facilities had a maturity date in September 2024. Recourse term borrowings under this facility were \$121 million at June 30, 2024, and were secured by certain subordinate and interest-only securities we retained from Sequoia securitizations we sponsored. In July 2024, this financing facility was refinanced into a new, non-recourse resecuritization, with a principal balance of \$205 million and a blended interest rate of 8.5%. The collateral for this resecuritization includes Sequoia securities that had been financed with our recourse subordinate securities financing, Sequoia securities financed through other facilities or previously unfinanced Sequoia securities.

Another one of our subordinate securities financing facilities matures in February 2025. Recourse term borrowings under this facility were \$97 million at June 30, 2024 and are secured by certain securities we retained from CAFL securitizations we sponsored. While we will continue to evaluate our alternatives with respect to this facility's maturity, we expect we will be able to refinance these securities utilizing securities repurchase financing or more third party valuation agents alternative types of secured debt. These subordinate securities financing facilities are subject to optional redemptions and interest rate step-ups. If we choose not to redeem these borrowings, the interest rates will step-up, and in some cases already have, reducing our net interest income. If we choose to redeem the securities, we will need to secure alternative sources of financing for these assets or utilize available cash.

The remainder of the debt we use to finance our investments is recourse debt, including our subordinate securities financing facilities, residential investor financing facilities, MSR financing facility, securities repo borrowings, HEI warehouse facility, and corporate secured revolving financing facility. For securities we have financed, our subordinate securities financing facilities are non-marginable and our repurchase debt facilities and MSR facility (which also finances certificated MSRs we classify as securities) are marginable. Our residential investor financing facilities and HEI warehouse facility 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 collateral that is non-delinquent), but may be subject to margin calls based on, for example, delinquency of the mortgage loan being financed, or a decline in the estimated value of the property securing the mortgage loan that is financed. We also characterize our corporate secured revolving financing facility as non-marginable, but it may be subject to margin calls based on a decline in the market value of financed collateral in an aggregate amount that causes the effective advance rate associated with such financing facility to exceed a specified threshold, based on market value determinations by Redwood and one or more third party valuation agents.

Additionally, our subordinate securities financing facilities are subject to optional redemptions and interest rate step-ups. If we choose not to redeem these borrowings, the interest rates will step-up, and in some cases already have, reducing our net interest income. If we choose to redeem the securities, we will need to secure alternative sources of financing for these assets or utilize available cash.

Delinquencies on residential investor bridge loans that are financed through warehouse facilities remained steady experienced an uptick during the first quarter six months of 2024, and have been and are expected to could continue to be, a required use of our liquidity to the extent the terms of the applicable warehouse facility apply reduced financing advance rates to these loans ("advance rate step-downs") or these loans become ineligible for financing under the terms of the warehouse facility. Loans pledged on certain of our warehouse facilities while they are performing, that subsequently become delinquent, may become subject to advance rate step downs or repurchase requirements. We continue to maintain warehouse capacity. While we may have the ability to finance delinquent loans on other facilities with capacity for these types of loans, the advance rates are generally lower and the interest rates are higher. Additionally, our liquidity may be impacted to the extent delinquencies on loans financed through CAFL bridge securitizations were elevated above established thresholds for an extended period, which could trigger adverse changes to certain structural terms of these transactions (such as terms relating to the amortization of the issued securities and the revolving availability of financing under these transactions).

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

At March 31, 2024, in addition to our ABS issued, our investment portfolio was financed with \$984 million of secured recourse debt, of which \$127 million was marginable and \$857 million was non-marginable, and \$475 million of secured non-recourse debt that was non-marginable.

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 and non-convertible senior debt securities we issue in the public markets and also includes trust preferred securities and promissory notes. Furthermore, during the first quarter of 2024, we entered into a corporate secured revolving financing facility to provide recourse debt financing secured by eligible collateral, which may include residential investor securities, residential consumer securities and other investments, as well as equity in certain operating subsidiaries. At June 30, 2024, this facility had a borrowing limit of \$250 million and a two-year term, with a one-year extension option. We also characterize our corporate secured revolving financing facility as non-marginable, but it may be subject to margin calls or cash flow sweeps based on a decline in the market value of financed collateral in an aggregate amount that causes the effective advance rate associated with such financing facility to exceed a specified threshold, based on market value determinations by Redwood and one or more third party valuation agents. See Notes 14 and 16 Note 17 in Part I, Item 1 of this Quarterly Report on Form 10-Q and Note 14 and Note 16 in Part II, Item 8 of our Annual Report on Form 10-K, for additional information on our unsecured short-term and long-term debt, debt obligations.

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 consumer and residential investor mortgage loans (including those we acquire or originate in anticipation of sale or securitization), and finance investments in securities and other investments. We may also use short- and long-term borrowings to fund other aspects of our business and operations, including the repurchase of shares of our capital stock. Recourse debt incurred under these facilities is generally either the direct obligation of Redwood Trust, Inc., or the direct obligation of subsidiaries of Redwood Trust, Inc. and guaranteed by Redwood Trust, Inc. Risks relating to debt incurred under these facilities are described in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023, 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 consumer and residential investor mortgage loan warehouse facilities (including recourse and non-recourse warehouse facilities), short-term securities repurchase facilities, a HEI warehouse facility, short-term servicer advance financing, a secured, revolving debt facility collateralized by mortgage servicing rights, subordinate securities financing facilities, and a corporate secured revolving financing facility.

During the three months ended March 31, 2024 we entered into a corporate secured revolving financing facility with CPP Investments to provide recourse debt financing secured by previously unencumbered assets, such as retained Residential Consumer and Residential Investor subordinate securities and other investments, as well as equity in certain operating subsidiaries. At March 31, 2024, this facility had a borrowing limit of \$200 million and a two-year term, with a one-year extension option. Subsequent to March 31, 2024, we exercised our right under the terms of the facility with CPP Investments to increase the borrowing limit of this facility to \$250 million.

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, our short-term securities repurchase facilities, and our corporate secured revolving financing facility, while transferred or pledged mortgage loans or securities are financed under the facility, to the extent the value of the loans or securities, or the collateral underlying those loans or securities, declines, we are generally required to either immediately reacquire the loans or securities or meet a margin requirement to transfer or pledge additional loans, securities 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 mortgage loans or securities, as marginable debt. Borrowing facilities Given 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 property securing the loan or security, 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, based on the occurrence of a triggering credit event impacting the financed loan or security which is followed by a decline in the market value of the financed loan or security (as determined by the lender), or based on a decline in the market value of financed collateral in an aggregate amount that causes the effective advance rate associated with such financing facility to exceed a specified threshold, based on market value determinations by Redwood and one or more third party valuation agents, 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 March 31, 2024, only our short-term securities repurchase facilities (with \$81 million of borrowings outstanding at March 31, 2024), three of our residential consumer mortgage loan warehouse facilities (with a combined \$237 million of borrowings outstanding at March 31, 2024), and a certificated MSR facility (with \$47 million of borrowings outstanding at March 31, 2024) 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, 2023 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, 2023 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 uncommitted lines when we need it, exposing us we are exposed 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, 2023 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, 2023 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, 2023 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, 2023 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.

Under many of our mortgage loan warehouse facilities, our short-term securities repurchase facilities, and our corporate secured revolving financing facility, while transferred or pledged mortgage loans or securities are financed under the facility, to the extent the value of the loans or securities, or the collateral underlying those loans or securities, declines, we are generally required to either immediately reacquire the loans or securities or meet a margin requirement to transfer or pledge additional loans, securities or cash in an amount at least equal to the decline in value. Of our active financing arrangements with outstanding balances at June 30, 2024, only our securities repurchase facilities (with \$88 million of borrowings outstanding at June 30, 2024), three of our residential consumer mortgage loan warehouse facilities (with a combined \$622 million of borrowings outstanding at June 30, 2024), and a certificated MSR facility (with \$46 million of borrowings outstanding at June 30, 2024) 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, 2023 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, 2023 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."

At March 31, 2024 June 30, 2024, 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 March 31, 2024 June 30, 2024 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 March 31, 2024 June 30, 2024 our level of recourse indebtedness resulted in our being in compliance with these covenants at a level such that we could incur more than \$4 billion in additional recourse indebtedness.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates. A discussion of critical accounting policies and the possible effects of changes in estimates on our consolidated financial statements is included in Note 2 — *Basis of Presentation* and Note 3 — *Summary of Significant Accounting Policies* included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

We have elected the fair value option of accounting for a significant portion of the assets and some of the liabilities on our balance sheet, and the majority of these assets and liabilities utilize Level 3 valuation inputs, which require a significant level of estimation uncertainty. See Note 5 6 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 March 31, 2024 June 30, 2024, 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, 2023, incorporated herein by reference, for the same information on these assets and liabilities as of December 31, 2023. 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, 2023, 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, 2023.

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, 2023.

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, 2023, 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, 2023.

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 first second quarter of 2024 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 18 to the Financial Statements within this Quarterly Report on Form 10-Q under the heading "Loss Contingencies - Litigation, Claims and Demands," which supplements the disclosures included in Note 17 to the Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2023 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, 2023.

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

During the three months ended **March 31, 2024** **June 30, 2024**, we did not sell any equity securities that were not registered under the Securities Act of 1933, as amended, except as set forth below.

In conjunction with establishing the joint venture with CPP Investments in March 2024, we issued warrants exercisable for 1,974,905 shares of our common stock (the "First Tranche Warrants"); and (ii) warrants exercisable for 4,608,112 shares of our common stock (the "Second Tranche Warrants" and together with the First Tranche Warrants, the "Warrants"). For a description of the terms of the Warrants, see *Note 18* to the Financial Statements within this Quarterly Report on Form 10-Q under the heading "*Equity - Common Stock Warrants*."

In July 2022, our Board of Directors approved an authorization for the repurchase of up to \$125 million of our common stock, and also authorized the repurchase of outstanding debt securities, including convertible and exchangeable debt. In May 2023, our Board of Directors approved an additional authorization for the repurchase of up to \$70 million of our preferred stock. These authorizations have no expiration dates and do not obligate us to acquire any specific number of shares or securities. During the three months ended **March 31, 2024** **June 30, 2024**, we did not repurchase any shares of our common or preferred stock under this program. At **March 31, 2024** **June 30, 2024**, \$101 million and \$70 million of the current authorization remained available for the repurchase of shares of our common and preferred stock, respectively, and we also continued to be authorized to repurchase outstanding debt securities.

The following table contains information on the shares of our common stock that we purchased or otherwise acquired during the three months ended **March 31, 2024** **June 30, 2024**.

(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	
January April 1, 2024 - January 31, 2024 April 30, 2024	—	\$ —	—	\$	—
February May 1, 2024 - February 29, 2024 May 31, 2024	—	\$ —	—	\$	—
March June 1, 2024 - March 31, 2024 June 30, 2024	—	\$ —	—	\$	—
Total	—	\$ —	—	\$	101,260

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures (Not Applicable)

Item 5. Other Information

Effective August 6, 2024, 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), Fred J. Matera (Redwood's Chief Investment Officer), Sasha G. Macomber (Redwood's Chief Human Resource Officer), and Andrew P. Stone (Redwood's Executive Vice President, Chief Legal Officer, and Secretary). These agreements were amended and restated to, among other things, update or clarify certain defined terms, update or clarify certain severance-related terms, and update provisions related to certain restrictive covenants, as well as to reflect previously disclosed compensation terms applicable to these officers.

The preceding summary of the six 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 10.1, 10.2, 10.3, 10.4, 10.5 and 10.6 to this Quarterly Report on Form 10-Q and incorporated by reference herein.

During the three months ended **March 31, 2024** **June 30, 2024**, no director or "officer" (as defined in 17 CFR § 240.16a-1(f)) of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation **S-K** **S-K**, except as set forth below.

On May 10, 2024, Andrew P. Stone, Redwood's Executive Vice President, Chief Legal Officer and Secretary adopted a Rule 10b5-1 trading arrangement to sell between 13,500 and 14,000 shares on December 23, 2024. The actual number of shares to be sold is based on the tax withholding rate applicable to the delivery of shares in December 2024 underlying previously awarded deferred stock units and will be calculated in accordance with the formula set forth in the plan. The plan is intended to satisfy the affirmative defense of Rule 10b5-1(c).

Item 6. Exhibits

Exhibit Number	Exhibit
3.1	Articles of Amendment and Restatement of the Registrant, effective July 6, 1994 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.1, filed on August 6, 2008)
3.1.1	Articles Supplementary of the Registrant, effective August 10, 1994 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.1.1, filed on August 6, 2008)
3.1.2	Articles Supplementary of the Registrant, effective August 11, 1995 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.1.2, filed on August 6, 2008)
3.1.3	Articles Supplementary of the Registrant, effective August 9, 1996 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.1.3, filed on August 6, 2008)
3.1.4	Certificate of Amendment of the Registrant, effective June 30, 1998 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.1.4, filed on August 6, 2008)
3.1.5	Articles Supplementary of the Registrant, effective April 7, 2003 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.1.5, filed on August 6, 2008)
3.1.6	Articles of Amendment of the Registrant, effective June 12, 2008 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.1.6, filed on August 6, 2008)
3.1.7	Articles of Amendment of the Registrant, effective May 19, 2009 (incorporated by reference to the Registrant's Current Report on Form 8-K, Exhibit 3.1, filed on May 21, 2009)
3.1.8	Articles of Amendment of the Registrant, effective May 24, 2011 (incorporated by reference to the Registrant's Current Report on Form 8-K, Exhibit 3.1, filed on May 20, 2011)
3.1.9	Articles of Amendment of the Registrant, effective May 18, 2012 (incorporated by reference to the Registrant's Current Report on Form 8-K, Exhibit 3.1, filed on May 21, 2012)
3.1.10	Articles of Amendment of the Registrant, effective May 16, 2013 (incorporated by reference to the Registrant's Current Report on Form 8-K, Exhibit 3.1, filed on May 21, 2013)
3.1.11	Articles of Amendment of the Registrant, effective May 16, 2019 (incorporated by reference to the Registrant's Current Report on Form 8-K, Exhibit 3.1, filed on May 17, 2019)
3.1.12	Articles of Amendment of the Registrant, effective June 15, 2020 (incorporated by reference to the Registrant's Current Report on Form 8-K, Exhibit 3.1, filed on June 15, 2020)
3.1.13	Articles Supplementary of the Registrant, effective January 13, 2023 (incorporated by reference to the Registrant's Form 8-A, Exhibit 3.2, filed on January 13, 2023) (No. 001-13759)
3.2	Amended and Restated Bylaws of the Registrant, as adopted on November 2, 2022 (incorporated by reference to the Registrant's Annual Report on Form 10-K, Exhibit 3.2, filed on March 1, 2023)
4.1	Warrant Agreement, dated as of March 18, 2024, between Redwood Trust, Inc. and Canada Pension Plan Investment Board ("CPP Investments"), through its subsidiary CPP Credit Investments II Inc. (incorporated by reference to the Registrant's Current Report on Form 8-K, Exhibit 4.1, filed on March 19, 2024)
4.2	Form of certificate representing the 9.125% 9.00% Senior Note Notes due 2029 (included as Exhibit A to the Fourth Fifth Supplemental Indenture, incorporated by reference to the Registrant's Form 8-A, Exhibit 4.2, 4.4, filed on January 22, 2024 June 18, 2024)
4.3 4.2	Fourth Fifth Supplemental Indenture, dated January 22, 2024 June 18, 2024, between Redwood Trust, Inc. and Wilmington Trust, National Association, as Trustee (incorporated by reference to the Registrant's Form 8-A, Exhibit 4.2, 4.4, filed on January 22, 2024 June 18, 2024)
10.1*	Form Ninth Amended and Restated Employment Agreement, dated as of Restricted Stock Unit Award Agreement under 2014 Incentive Plan (February 2024 Form of Award Agreement (incorporated August 6, 2024, by reference to and between Christopher J. Abate and the Registrant's Annual Report on Form 10-K, Exhibit 10.1, filed on February 29, 2024) Registrant (filed herewith))
10.2*	Form Seventh Amended and Restated Employment Agreement, dated as of Deferred August 6, 2024, by and between Dashiell I. Robinson and the Registrant (filed herewith)
10.3*	Fourth Amended and Restated Employment Agreement, dated as of August 6, 2024, by and between Brooke E. Carillo and the Registrant (filed herewith)
10.4*	Third Amended and Restated Employment Agreement, dated as of August 6, 2024, by and between Fred J. Matera and the Registrant (filed herewith)
10.5*	Fourth Amended and Restated Employment Agreement, dated as of August 6, 2024, by and between Sasha G. Macomber and the Registrant (filed herewith)
10.6*	Ninth Amended and Restated Employment Agreement, dated as of August 6, 2024, by and between Andrew P. Stone and the Registrant (filed herewith)
10.7*	2002 Redwood Trust, Inc. Employee Stock Unit Award Agreement under 2014 Incentive Purchase Plan, (December 2023 and February as amended through May 21, 2024 Form of Award Agreement (incorporated by reference to the Registrant's Annual Current Report on Form 10-K, 8-K, Exhibit 10.2, 10.1, filed on February 29, 2024) May 24, 2024)
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	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 March 31, 2024 June 30, 2024 , is filed in inline XBRL-formatted interactive data files: (i) Consolidated Balance Sheets at March 31, 2024 June 30, 2024 and December 31, 2023; (ii) Consolidated Statements of Income for the three and six months ended March 31, 2024 June 30, 2024 and 2023; (iii) Statements of Consolidated Comprehensive Income for the three and six months ended March 31, 2024 June 30, 2024 and 2023; (iv) Consolidated Statements of Changes in Stockholders' Equity for the three and six months ended March 31, 2024 June 30, 2024 and 2023; (v) Consolidated Statements of Cash Flows for the three six months ended March 31, 2024 June 30, 2024 and 2023; and (vi) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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

SIGNATURES

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

REDWOOD TRUST, INC.

Date: **May 8, August 7, 2024**

By: /s/ Christopher J. Abate

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

Date: **May 8, August 7, 2024**

By: /s/ Brooke E. Carillo

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

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EXHIBIT 10.1

NINTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Ninth Amended and Restated Employment Agreement ("Agreement"), effective as of August 6, 2024 (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 Eighth Amended and Restated Employment Agreement by and between the Executive and the Company dated November 3, 2023 (the "Prior Agreement").

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

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

1. Employment and Responsibilities. During the Term, the Executive shall serve as the sole Chief 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, 2024; provided, however, that (i) on January 1, 2025 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 \$950,000 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) or an Externalization of Management (as defined in herein), immediately prior to such Change of Control or Externalization of Management the Company shall be obligated to pay the Executive: (A) when such Change of Control or Externalization of Management 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 or Externalization of Management; and (B) when such Change of Control or Externalization of Management 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 or Externalization of Management 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 Externalization of Management (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

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frequency of performance evaluations may vary depending upon, among other things, length of service, past performance, changes in job duties or performance levels, but generally would occur on an annual basis. The Board shall, at least annually, review the Executive's entire compensation package to determine whether it continues to meet the Company's compensation objectives. Such annual review will include a determination of (i) whether to increase the Base Salary in accordance with Section 3(a); (ii) the incentive performance bonus to be awarded in accordance with Section 3(b); and (iii) the amount and type of any equity awards granted in accordance with Section 3(c). Salary increases and incentive bonus awards are solely within the discretion of the Board and may depend upon many factors other than the Executive's performance.

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

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

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form of, and vesting and payment terms applicable to, the Additional Compensation) shall be determined by the Board or its Compensation Committee in its sole discretion in a manner consistent with the Erroneously Awarded Compensation Policy (to the extent applicable) and with any applicable plan, program and/or award agreement governing and/or evidencing such Incentive Based Compensation.

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

(a) Benefit Plans. The Executive shall be entitled to participate in any benefit plans relating to equity-based compensation awards, pension, thrift, profit sharing, life insurance, medical coverage, education, deferred compensation, or other retirement or employee benefits available to senior executive officers of the Company, subject to any restrictions (including waiting periods) specified in such plans and/or related individual agreements. The Company shall make commercially reasonable efforts to obtain medical and disability insurance, and such other forms of insurance as the Board shall from time to time determine, for its senior executive officers.

(b) Paid Time Off. The Executive shall be entitled to paid time off each calendar year pursuant to the Company's policies applicable to senior executive officers of the Company, as in effect from time to time.

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

6. Termination of Executive's Employment.

(a) Death. If the Executive dies while employed by the Company, his employment shall immediately terminate. The Company's obligation to pay the Executive's Base Salary shall cease as of the date of the Executive's death, and any unpaid Base Salary shall be paid to the Executive's estate. In addition, (i) within fifteen (15) days of the Executive's death, the Company shall pay to the Executive's estate an incentive performance bonus based on Executive's Target Bonus then in effect, prorated for the number of days of employment completed by the Executive during the year of his death, and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). The Executive's beneficiaries or his estate shall receive

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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

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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 or Externalization of Management, 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 if 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;

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(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

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benefits which have accrued and/or vested on the termination date will continue in effect according to their terms.

(d) Termination By The Company Without Cause. The Company may terminate 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 that such occurrence does not constitute "Good Reason"), 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, any of the following events, which are hereby deemed to have the effect of a material reduction in Executive's responsibilities, duties and authority: (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, (B) the Company entering into and consummating one or more agreements with one or more Third-Party External Management Companies (as defined below), which, when taken alone or together, provide for the external management of all or substantially all of the Company's assets and/or operations (an "Externalization of Management"), or (C) 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 any of sub-clauses (A), (B) or (C) 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

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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 of Control or Externalization of Management, 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 or Externalization of Management (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

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immediately following the consummation of the Change of Control or Externalization of Management). Following a Change of Control or Externalization of Management, 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.

For purposes of this Agreement, "Third-Party External Management Company" is defined as follows: an entity engaged to externally manage some or all of the Company's assets and/or operations that is not (i) a majority-owned subsidiary of the Company or otherwise controlled by the Company, (ii) owned, in whole or in part, by the Executive or otherwise controlled by the Executive or (iii) an entity for which the Executive serves as a director or officer (or for which the Executive otherwise acts as a manager or fiduciary).

(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

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

(iii) Equity Awards. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than two

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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 of 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 of Control or Externalization of Management, 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.

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(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

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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 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, solicit any of the Company's employees to work for any competing real estate or mortgage investment organization as determined under Section 9(a).

(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

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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

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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,

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impracticable and extremely difficult to prove, and that each such breach would cause the Company irreparable harm. It is further agreed that, in addition to any and all remedies available at law or equity (including money damages), either party shall be entitled to temporary and permanent injunctive relief to enforce the provisions of this Section, without the necessity of proving actual damages. It is further agreed that either party shall be entitled to seek such equitable relief in any forum, including a court of law, notwithstanding the provisions of Section 11. Either party may pursue any of the remedies described herein concurrently or consecutively in any order as to any such breach or violation, and the pursuit of one of such remedies at any time will not be deemed an election of remedies or waiver of the right to pursue any of the other such remedies.

(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,

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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

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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.

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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

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Agreement may only be made upon the Executive's "separation from service" from the Company.

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

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

[Signature Page Follows]

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

REDWOOD TRUST, INC.

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

EXECUTIVE

/s/ Christopher J. Abate
Christopher J. Abate

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INDIVIDUAL TERMINATION

**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)

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made by members of the Board of Directors in the course of meetings or discussions of the Board of Directors (or any committee thereof) or in communications between members of the Board of Directors and the Executive, and not disclosed to the public, (iii) made by a member of the Board of Directors in the good faith belief that the statements are required for the proper discharge of his or her fiduciary duties, or (iv) made by the Board of Directors in connection with a termination of the Executive for Cause.

[Signature Page Follows]

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

EXECUTIVE

Name:

Christopher J. Abate

Date:

COMPANY

Name:

Date:

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GROUP TERMINATION**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,

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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.

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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)

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made by members of the Board of Directors in the course of meetings or discussions of the Board of Directors (or any committee thereof) or in communications between members of the Board of Directors and the Executive, and not disclosed to the public, (iii) made by a member of the Board of Directors in the good faith belief that the statements are required for the proper discharge of his or her fiduciary duties, or (iv) made by the Board of Directors in connection with a termination of the Executive for Cause.

[Signature Page Follows]

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

EXECUTIVE

Name: _____
Christopher J. Abate

Date: _____

COMPANY

Name: _____

Date: _____

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EXHIBIT C
Section 2870 of California Labor Code

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

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

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

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

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EXHIBIT D

DEFINITION OF "CHANGE OF CONTROL"

With respect to (i) equity-based or equity-related awards granted prior to November 6, 2020 and (ii) long-term incentive and/or retention compensation awards that are payable in cash granted prior to November 6, 2020, the following definition of Change of Control shall apply:

"Change of Control" refers to the occurrence of any of the following:

(1) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires ownership of stock of the Company that, together with other stock held by such person or group constitutes more than 50 percent of the total fair market value or total voting power of all stock of the Company; or

(2) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30 percent or more of the total voting power of the stock of the Company; or

(3) during any 12-month period, a majority of the members of the Company's board of directors is replaced by directors whose appointment or election is not endorsed by a majority of the members of the Company's board of directors prior to such appointment or election; or

(4) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisition; provided, that that no change of control shall be deemed to occur when the assets are transferred to:

(x) a shareholder of the Company in exchange for or with respect to its stock,

(y) a person, or more than one person acting as a group (within the meaning of Section 409A of the Code), that owns, directly or indirectly, 50

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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:

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(a) 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

(b) 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."

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EXHIBIT E

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

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

1. Persons Subject to Policy

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

2. Compensation Subject to Policy

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

3. Recovery of Compensation

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

4. Manner of Recovery; Limitation on Duplicative Recovery

The Committee shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation, Erroneously Awarded Compensation or time-vesting equity or cash awards, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other

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compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

5. Administration

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

6. Interpretation

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

7. No Indemnification; No Liability

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

8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to (but without duplication of), any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based or cash-based plan or award agreement

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thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the "**Other Recovery Arrangements**"). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company.

9. Severability

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

10. Amendment and Termination

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

11. Definitions

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

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

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

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

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Financial Reporting Measure" means any measure determined and presented in accordance with the accounting principles used in preparing the Company's financial statements,

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and any measures derived wholly or in part from such measures, including GAAP and non-GAAP financial measures, as well as stock or share price and total equityholder or stockholder return.

"GAAP" means United States generally accepted accounting principles.

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

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

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

"Three-Year Period" means, with respect to a Restatement, the three completed fiscal years immediately preceding the date that the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare such Restatement, or, if earlier, the date on which a court, regulator or other legally authorized body directs the Company to prepare such Restatement. The "Three-Year Period" also includes any transition period (that

results from a change in the Company's fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence. However, a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to 12 months shall be deemed a completed fiscal year.

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EXHIBIT 10.2

SEVENTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Seventh Amended and Restated Employment Agreement ("Agreement"), effective as of August 6, 2024 (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 Sixth Amended and Restated Employment Agreement by and between the Executive and the Company dated November 3, 2023 (the "Prior Agreement").

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

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

1. Employment and Responsibilities. During the Term, the Executive shall serve as the sole 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, 2024; provided, however, that (i) on January 1, 2025 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

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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 \$875,000 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 195% 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) or an Externalization of Management (as defined in herein), immediately prior to such Change of Control or Externalization of Management the Company shall be obligated to pay the Executive: (A) when such Change of Control or Externalization of Management 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 or Externalization of Management; and (B) when such Change of Control or Externalization of Management occurs

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after the conclusion of a calendar year in respect of which no annual bonus has yet been paid (i.e., such Change of Control or Externalization of Management 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 Externalization of Management (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

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performance of his duties and responsibilities, the accomplishment of established performance objectives, and/or other factors or criteria that the Board, in its sole discretion, may deem relevant. The frequency of performance evaluations may vary depending upon, among other things, length of service, past performance, changes in job duties or performance levels, but generally would occur on an annual basis. The Board shall, at least annually, review the Executive's entire compensation package to determine whether it continues to meet the Company's compensation objectives. Such annual review will include a determination of (i) whether to increase the Base Salary in accordance with Section 3(a); (ii) the incentive performance bonus to be awarded in accordance with Section 3(b); and (iii) the amount and type of any equity awards granted in accordance with Section 3(c). Salary increases and incentive bonus awards are solely within the discretion of the Board and may depend upon many factors other than the Executive's performance.

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

(f) Erroneous Underpayment of Compensation. With respect to any Incentive Based Compensation (as defined in the Erroneously Awarded Compensation Policy) granted to the Executive during the Term, if a Restatement (as defined in the Erroneously Awarded Compensation Policy) results in an applicable restated Financial Reporting Measure (as defined in the Erroneously Awarded Compensation Policy) being positively impacted (i.e., being increased rather than decreased), the Executive will be entitled to receive additional compensation in an amount equal to the difference between the amount of Incentive Based Compensation the Executive should have received (i.e., based on the restated Financial Reporting Measure) and the amount of Incentive Based Compensation the Executive received (i.e., based on the original, non-restated Financial Reporting Measure) (the "Additional Compensation"). The terms and conditions of any Additional Compensation (including, for

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example, the methodology for calculation of the amount of the Additional Compensation, and the form of, and vesting and payment terms applicable to, the Additional Compensation) shall be determined by the Board or its Compensation Committee in its sole discretion in a manner consistent with the Erroneously Awarded Compensation Policy (to the extent applicable) and with any applicable plan, program and/or award agreement governing and/or evidencing such Incentive Based Compensation.

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

(a) Benefit Plans. The Executive shall be entitled to participate in any benefit plans relating to equity-based compensation awards, pension, thrift, profit sharing, life insurance, medical coverage, education, deferred compensation, or other retirement or employee benefits available to senior executive officers of the Company, subject to any restrictions (including waiting periods) specified in such plans and/or related individual agreements. The Company shall make commercially reasonable efforts to obtain medical and disability insurance, and such other forms of insurance as the Board shall from time to time determine, for its senior executive officers.

(b) Paid Time Off. The Executive shall be entitled to paid time off each calendar year pursuant to the Company's policies applicable to senior executive officers of the Company, as in effect from time to time.

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

6. Termination of Executive's Employment.

(a) Death. If the Executive dies while employed by the Company, his employment shall immediately terminate. The Company's obligation to pay the Executive's Base Salary shall cease as of the date of the Executive's death, and any unpaid Base Salary shall be paid to the Executive's estate. In addition, (i) within fifteen (15) days of the Executive's death, the Company shall pay to the Executive's estate an incentive performance bonus based on Executive's Target Bonus then in effect, prorated for the number of days of employment completed by the Executive during the year of his death, and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when

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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

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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 or Externalization of Management, 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;

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(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.

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(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 that such occurrence does not constitute "Good Reason"), 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, any of the following events, which are hereby deemed to have the effect of a material reduction in Executive's responsibilities, duties and authority: (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), (B) the Company entering into and consummating one or more agreements with one or more Third-Party External Management Companies (as defined below), which, when taken alone or together, provide for the external management of all or substantially all of the Company's assets and/or operations (an "Externalization of Management"), or (C) 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 any of sub-clauses (A), (B) or (C) 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.);

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(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 of Control or Externalization of Management, 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 or Externalization of Management (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 or Externalization of Management). Following a Change of Control or Externalization of Management, in order to resign for Good Reason, the Executive must provide a Good Reason Notice, but the Company

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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.

For purposes of this Agreement, "Third-Party External Management Company" is defined as follows: an entity engaged to externally manage some or all of the Company's assets and/or operations that is not (i) a majority-owned subsidiary of the Company or otherwise controlled by the Company, (ii) owned, in whole or in part, by the Executive or otherwise controlled by the Executive or (iii) an entity for which the Executive serves as a director or officer (or for which the Executive otherwise acts as a manager or fiduciary).

(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.

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

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

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

(ii) **Severance Payment.**

(A) In the event such termination is not a CIC Termination (as defined below), then the Company shall provide the Executive (x) an amount equal to one (1.0) times the sum of (i) Executive's Annual Base Salary as in effect immediately prior to his termination and (ii) Executive's Target Bonus in effect immediately prior to his termination and (y) an amount equal to the Executive's Target Bonus in effect immediately prior to his termination, pro-rated for the number of days of employment completed by the Executive during the year in which his employment is terminated.

(B) In the event such termination of employment occurs within three months prior to, on, or within 24 months following a Change of Control or Externalization of Management (a "CIC Termination"), then instead of providing the payments in Section 7(a)(ii)(A), the Company shall provide the Executive an amount equal to the sum of (x) the Executive's Target Bonus in effect immediately prior to his termination, prorated for the number of days of employment completed by the Executive during the year in which his employment terminated; (y) one-and-one-half (1.5) times the Executive's Annual Base Salary as in effect immediately prior to his termination; and (z) one-and-one-half (1.5) times the Executive's Target Bonus in effect immediately prior to his termination. Notwithstanding the foregoing, the maximum aggregate amount that the Company shall pay to the Executive pursuant to this Section 7(a)(ii)(B) is \$5,500,000.

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

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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

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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 of 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 of Control or Externalization of Management, 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.

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(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 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, solicit any of the Company's employees to work for any competing real estate or mortgage investment organization as determined under Section 9(a).

(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.

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(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

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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

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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

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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

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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

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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.

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

[Signature Page Follows]

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

REDWOOD TRUST, INC.

By: /s/ Christopher J. Abate
Christopher J. Abate
Chief Executive Officer

EXECUTIVE

/s/ Dashiell I. Robinson
Dashiell I. Robinson

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INDIVIDUAL TERMINATION

**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

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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

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Board of Directors and the Executive, and not disclosed to the public, (iii) made by a member of the Board of Directors in the good faith belief that the statements are required for the proper discharge of his or her fiduciary duties, or (iv) made by the Board of Directors in connection with a termination of the Executive for Cause.

[Signature Page Follows]

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

EXECUTIVE

Name: _____

Dashiell I. Robinson

Date: _____

COMPANY

Name: _____

Date: _____

GROUP TERMINATION

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

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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.

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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

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

[Signature Page Follows]

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

EXECUTIVE

Name: _____
Dashiell I. Robinson
Date: _____

COMPANY

Name: _____
Date: _____

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I

EXHIBIT C

Section 2870 of California Labor Code

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

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

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

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

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EXHIBIT D

DEFINITION OF "CHANGE OF CONTROL"

With respect to (i) equity-based or equity-related awards granted prior to November 6, 2020 and (ii) long-term incentive and/or retention compensation awards that are payable in cash granted prior to November 6, 2020, the following definition of Change of Control shall apply:

"Change of Control" refers to the occurrence of any of the following:

(1) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires ownership of stock of the Company that, together with other stock held by such person or group constitutes more than 50 percent of the total fair market value or total voting power of all stock of the Company; or

(2) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30 percent or more of the total voting power of the stock of the Company; or

(3) during any 12-month period, a majority of the members of the Company's board of directors is replaced by directors whose appointment or election is not endorsed by a majority of the members of the Company's board of directors prior to such appointment or election; or

(4) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisition; provided, that that no change of control shall be deemed to occur when the assets are transferred to:

(x) a shareholder of the Company in exchange for or with respect to its stock,

(y) a person, or more than one person acting as a group (within the meaning of Section 409A of the Code), that owns, directly or indirectly, 50

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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:

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(a) 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

(b) 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."

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EXHIBIT E

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

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

1. **Persons Subject to Policy**

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

2. **Compensation Subject to Policy**

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

3. **Recovery of Compensation**

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

4. **Manner of Recovery; Limitation on Duplicative Recovery**

The Committee shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation, Erroneously Awarded Compensation or time-vesting equity or cash awards, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other

compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

5. **Administration**

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

equityholders or stockholders, and employees. The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, or to third-party agents of the Company, as permitted under applicable law, including any Applicable Rules.

6. Interpretation

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

7. No Indemnification; No Liability

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

8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to (but without duplication of), any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based or cash-based plan or award agreement

thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the "**Other Recovery Arrangements**"). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company.

9. Severability

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

10. Amendment and Termination

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

11. Definitions

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

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

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

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

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

“Financial Reporting Measure” means any measure determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements,

and any measures derived wholly or in part from such measures, including GAAP and non-GAAP financial measures, as well as stock or share price and total equityholder or stockholder return.

“GAAP” means United States generally accepted accounting principles.

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

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

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

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

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EXHIBIT 10.3

FOURTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Fourth Amended and Restated Employment Agreement (“Agreement”), effective as of August 6, 2024 (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 Third Amended and Restated Employment Agreement by and between the Executive and the Company dated November 3, 2023 (the “Prior Agreement”).

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

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

1. Employment and Responsibilities. During the Term, the Executive shall serve as the sole Chief 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, 2024; provided, however, that (i) on January 1, 2025 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 \$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 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) or an Externalization of Management (as defined in herein), immediately prior to such Change of Control or Externalization of Management the Company shall be obligated to pay the Executive: (A) when such Change of Control or Externalization of Management 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 or Externalization of Management; and (B) when such Change of Control or Externalization of Management 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 or Externalization of Management 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 Externalization of Management (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

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discretion, may deem relevant. The frequency of performance evaluations may vary depending upon, among other things, length of service, past performance, changes in job duties or performance levels, but generally would occur on an annual basis. The Board shall, at least annually, review the Executive's entire compensation package to determine whether it continues to meet the Company's compensation objectives. Such annual review will include a determination of (i) whether to increase the Base Salary in accordance with Section 3(a); (ii) the incentive performance bonus to be awarded in accordance with Section 3(b); and (iii) the amount and type of any equity awards granted in accordance with Section 3(c). Salary increases and incentive bonus awards are solely within the discretion of the Board and may depend upon many factors other than the Executive's performance.

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

the Company's organizational documents, under this Agreement, and/or any indemnification agreement between the Executive and the Company, or otherwise.

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

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form of, and vesting and payment terms applicable to, the Additional Compensation) shall be determined by the Board or its Compensation Committee in its sole discretion in a manner consistent with the Erroneously Awarded Compensation Policy (to the extent applicable) and with any applicable plan, program and/or award agreement governing and/or evidencing such Incentive Based Compensation.

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

(a) Benefit Plans. The Executive shall be entitled to participate in any benefit plans relating to equity-based compensation awards, pension, thrift, profit sharing, life insurance, medical coverage, education, deferred compensation, or other retirement or employee benefits available to senior executive officers of the Company, subject to any restrictions (including waiting periods) specified in such plans and/or related individual agreements. The Company shall make commercially reasonable efforts to obtain medical and disability insurance, and such other forms of insurance as the Board shall from time to time determine, for its senior executive officers.

(b) Paid Time Off. The Executive shall be entitled to paid time off each calendar year pursuant to the Company's policies applicable to senior executive officers of the Company, as in effect from time to time.

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

6. Termination of Executive's Employment.

(a) Death. If the Executive dies while employed by the Company, her employment shall immediately terminate. The Company's obligation to pay the Executive's Base Salary shall cease as of the date of the Executive's death, and any unpaid Base Salary shall be paid to the Executive's estate. In addition, (i) within fifteen (15) days of the Executive's death, the Company shall pay to the Executive's estate an incentive performance bonus based on Executive's Target Bonus then in effect, prorated for the number of days of employment completed by the Executive during the year of her death, and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). The Executive's beneficiaries or her estate shall

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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

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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 or Externalization of Management, 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;

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(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

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benefits which have accrued and/or vested on the termination date will continue in effect according to their terms.

(d) Termination By The Company Without Cause. The Company may terminate 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 that such occurrence does not constitute "Good Reason"), 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, any of the following events, which are hereby deemed to have the effect of a material reduction in Executive's responsibilities, duties and authority: (A) the Executive ceasing to serve as the sole chief financial officer of a publicly traded company, (B) the Company entering into and consummating one or more agreements with one or more Third-Party External Management Companies (as defined below), which, when taken alone or together, provide for the external management of all or substantially all of the Company's assets and/or operations (an "Externalization of Management"), or (C) 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 any of sub-clauses (A), (B) or (C) 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

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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 of Control or Externalization of Management, 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 or Externalization of Management (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 or Externalization of

Management). Following a Change of Control or Externalization of Management, 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

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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.

For purposes of this Agreement, "Third-Party External Management Company" is defined as follows: an entity engaged to externally manage some or all of the Company's assets and/or operations that is not (i) a majority-owned subsidiary of the Company or otherwise controlled by the Company, (ii) owned, in whole or in part, by the Executive or otherwise controlled by the Executive or (iii) an entity for which the Executive serves as a director or officer (or for which the Executive otherwise acts as a manager or fiduciary).

(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.

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(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 or Externalization of Management (a "CIC Termination"), then instead of providing the payments in Section 7(a)(ii)(A), the Company shall provide the Executive an amount equal to the sum of (x) the Executive's Target Bonus in effect immediately prior to her termination, prorated for the number of days of employment completed by the Executive during the year in which her employment terminated; (y) one-and-one-quarter (1.25) times the Executive's Annual Base Salary as in effect immediately prior to her termination; and (z) one-and-one-quarter (1.25) times the Executive's Target Bonus in effect immediately prior to her termination. Notwithstanding the foregoing, the maximum aggregate amount that the Company shall pay to the Executive pursuant to this Section 7(a)(ii)(B) is \$5,000,000.

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

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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

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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

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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 of 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 of Control or Externalization of Management, 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%

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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.

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(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 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, solicit any of the Company's employees to work for any competing real estate or mortgage investment organization as determined under Section 9(a).

(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.

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(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.

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(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

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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

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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

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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.

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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.

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

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

[Signature Page Follows]

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

REDWOOD TRUST, INC.

By: /s/ Christopher J. Abate
Christopher J. Abate
Chief Executive Officer

EXECUTIVE

/s/ Brooke E. Carillo
Brooke E. Carillo

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INDIVIDUAL TERMINATION

**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

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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

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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

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Board of Directors and the Executive, and not disclosed to the public, (iii) made by a member of the Board of Directors in the good faith belief that the statements are required for the proper discharge of his or her fiduciary duties, or (iv) made by the Board of Directors in connection with a termination of the Executive for Cause.

[Signature Page Follows]

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

EXECUTIVE

Name:

Brooke E. Carillo

Date:

COMPANY

Name:

Date:

GROUP TERMINATION

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

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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.

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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

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

[Signature Page Follows]

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

EXECUTIVE

Name:

Brooke E. Carillo

Date:

COMPANY

Name:

Date:

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EXHIBIT C

Section 2870 of California Labor Code

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

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

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

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

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EXHIBIT D

DEFINITION OF "CHANGE OF CONTROL"

"Change of Control" refers to the occurrence of any of the following:

(a) A transaction or series of transactions (other than an offering of common stock to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of transactions that meets the requirements of clauses (i) and (ii) of subsection (c) below) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 30% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

(b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new Director(s) (other than a Director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in subsections (a) or (c) of this definition) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(ii) after which no person or group beneficially owns voting securities representing 30% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (ii) as beneficially owning 30% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction."

EXHIBIT E

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

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

1. **Persons Subject to Policy**

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

2. **Compensation Subject to Policy**

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

3. **Recovery of Compensation**

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

4. **Manner of Recovery; Limitation on Duplicative Recovery**

The Committee shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation, Erroneously Awarded Compensation or time-vesting equity or cash awards, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other

compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

5. **Administration**

This Policy shall be administered, interpreted and construed by the Committee, which is authorized to make all determinations necessary, appropriate or advisable for such purpose. The Board may re-vest in itself the authority to administer, interpret and construe this Policy in accordance with applicable law, and in such event references herein to the “Committee” shall be deemed to be references to the Board. Subject to any permitted review by the applicable national securities exchange or association pursuant to the Applicable Rules, all determinations and decisions made by the

Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company and its affiliates, equityholders or stockholders, and employees. The Committee may delegate administrative duties with respect to this Policy to one or more directors or employees of the Company, or to third-party agents of the Company, as permitted under applicable law, including any Applicable Rules.

6. Interpretation

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

7. No Indemnification; No Liability

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

8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to (but without duplication of), any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based or cash-based plan or award agreement

thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the "**Other Recovery Arrangements**"). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company.

9. Severability

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

10. Amendment and Termination

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

11. Definitions

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

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

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

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

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

“Financial Reporting Measure” means any measure determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements,

and any measures derived wholly or in part from such measures, including GAAP and non-GAAP financial measures, as well as stock or share price and total equityholder or stockholder return.

“GAAP” means United States generally accepted accounting principles.

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

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

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

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

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EXHIBIT 10.4

THIRD AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Third Amended and Restated Employment Agreement (“Agreement”), effective as of August 6, 2024 (the “Effective Date”), is entered into by and between **Fred J. Matera** (the “Executive”) and **Redwood Trust, Inc.**, a Maryland corporation (the “Company”), and amends and restates in its entirety that certain Second Amended and Restated Employment Agreement by and between the Executive and the Company dated November 3, 2023 (the “Prior Agreement”).

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

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

1. Employment and Responsibilities. During the Term, the Executive shall serve as the sole Chief Investment Officer of the Company, reporting to the Chief Executive Officer of the Company, with responsibilities, duties and authority customary for such position and with a principal Company office of Executive in Englewood, Colorado. The Executive does hereby accept and agree to such continued employment. The Chief Executive Officer may, from time to time, in his sole discretion, modify, reassign and/or augment the Executive's responsibilities, subject to prior approval by the Board of Directors of the Company (the "Board"), and any such modification, reassignment and/or augmentation shall be deemed a waiver by the Executive of his rights under Section 6(e)(i) hereof only with his express prior written consent. Any such modification, reassignment or augmentation of responsibilities shall be in writing. The Executive shall devote such time, energy and skill to the performance of his duties for the Company and for the benefit of the Company as may be necessary or required for the effective conduct and operation of the Company's business.

2. Term of Agreement. The term of this Agreement (the "Term") shall commence on the Effective Date and shall continue through December 31, 2024; provided, however, that (i) on January 1, 2025 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

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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 \$800,000 per year, paid in accordance with the customary payroll practices of the Company subject to annual review and increase by the Board in its sole discretion (or by the Board's separately designated Compensation Committee in its sole discretion). For the avoidance of doubt, references to the Board in this Section 3 shall include the Board's separately designated Compensation Committee.

(b) Performance Bonus. The Executive shall be eligible to receive an annual bonus. The Board in its discretion will determine whether such annual bonus will be paid, the amount of such bonus and its form of payment. The Executive's target annual bonus amount is 185% of his Base Salary 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) or an Externalization of Management (as defined in herein), immediately prior to such Change of Control or Externalization of Management the Company shall be obligated to pay the Executive: (A) when such Change of Control or Externalization of Management 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 or Externalization of Management; and (B) when such Change of Control or Externalization of Management 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 or Externalization of Management occurs after December 31st, but

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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 Externalization of Management (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

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discretion, may deem relevant. The frequency of performance evaluations may vary depending upon, among other things, length of service, past performance, changes in job duties or performance levels, but generally would occur on an annual basis. The Board shall, at least annually, review the Executive's entire compensation package to determine whether it continues to meet the Company's compensation objectives. Such annual review will include a determination of (i) whether to increase the Base Salary in accordance with Section 3(a); (ii) the incentive performance bonus to be awarded in accordance with Section 3(b); and (iii) the amount and type of any equity awards granted in accordance with Section 3(c). Salary increases and incentive bonus awards are solely within the discretion of the Board and may depend upon many factors other than the Executive's performance.

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

the Company's organizational documents, under this Agreement, and/or any indemnification agreement between the Executive and the Company, or otherwise.

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

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determined by the Board or its Compensation Committee in its sole discretion in a manner consistent with the Erroneously Awarded Compensation Policy (to the extent applicable) and with any applicable plan, program and/or award agreement governing and/or evidencing such Incentive Based Compensation.

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

(a) Benefit Plans. The Executive shall be entitled to participate in any benefit plans relating to equity-based compensation awards, pension, thrift, profit sharing, life insurance, medical coverage, education, deferred compensation, or other retirement or employee benefits available to senior executive officers of the Company, subject to any restrictions (including waiting periods) specified in such plans and/or related individual agreements. The Company shall make commercially reasonable efforts to obtain medical and disability insurance, and such other forms of insurance as the Board shall from time to time determine, for its senior executive officers.

(b) Paid Time Off. The Executive shall be entitled to paid time off each calendar year pursuant to the Company's policies applicable to senior executive officers of the Company, as in effect from time to time.

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

6. Termination of Executive's Employment.

(a) Death. If the Executive dies while employed by the Company, his employment shall immediately terminate. The Company's obligation to pay the Executive's Base Salary shall cease as of the date of the Executive's death, and any unpaid Base Salary shall be paid to the Executive's estate. In addition, (i) within fifteen (15) days of the Executive's death, the Company shall pay to the Executive's estate an incentive performance bonus based on Executive's Target Bonus then in effect, prorated for the number of days of employment completed by the Executive during the year of his death, and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). The Executive's beneficiaries or his estate shall receive benefits in accordance with the Company's retirement, insurance and other applicable programs

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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

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(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 or Externalization of Management, 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 if 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

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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.

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(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 that such occurrence does not constitute "Good Reason"), 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, any of the following events, which are hereby deemed to have the effect of a material reduction in Executive's responsibilities, duties and authority: (A) the Executive ceasing to serve as the sole chief investment officer of a publicly traded company, (B) the Company entering into and consummating one or more agreements with one or more Third-Party External Management Companies (as defined below), which, when taken alone or together, provide for the external management of all or substantially all of the Company's assets and/or operations (an "Externalization of Management"), or (C) on or after a Change of Control, if as a result of such Change of Control, the Company becomes a subsidiary of another entity and the Executive is not appointed (or after appointment, ceases) to be the sole chief investment officer of the top-tier parent entity of the Company (or its successor); provided that, for the avoidance of doubt, the appointment of the Executive to a top-tier parent entity that is not publicly traded does not eliminate the Executive's rights under any of sub-clauses (A), (B) or (C) above;

(ii) A reduction in the Executive's Base Salary or in the Executive's Target Bonus or a material reduction by the Company in the value of the Executive's total compensation package (salary, bonus opportunity, equity incentive award opportunity and benefits) if such a reduction is not made in proportion to an across-the-board reduction for all senior executives of the Company (and for the avoidance of doubt, following a Change of Control, the reference to senior executives of the Company shall include, without limitation, all senior executives of any top tier parent entity of any acquiror of and/or successor to Redwood Trust, Inc.);

(iii) The relocation of the Executive's principal Company office to a location more than twenty-five (25) miles from its location as of the Effective Date (which location is the Company's office in Englewood, Colorado), except for required travel away from the Executive's principal Company office on the Company's business to the extent

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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 of Control or Externalization of Management, 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 or Externalization of Management (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 or Externalization of Management). Following a Change of Control or Externalization of Management, 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.

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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.

For purposes of this Agreement, "Third-Party External Management Company" is defined as follows: an entity engaged to externally manage some or all of the Company's assets and/or operations that is not (i) a majority-owned subsidiary of the Company or otherwise controlled by the Company, (ii) owned, in whole or in part, by the Executive or otherwise controlled by the Executive or (iii) an entity for which the Executive serves as a director or officer (or for which the Executive otherwise acts as a manager or fiduciary).

(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.

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

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

(ii) Severance Payment.

(A) In the event such termination is not a CIC Termination (as defined below), then the Company shall provide the Executive (x) an amount equal to one (1.0) times the sum of (i) Executive's Annual Base Salary as in effect immediately prior to his termination and (ii)

Executive's Target Bonus in effect immediately prior to his termination and (y) an amount equal to the Executive's Target Bonus in effect immediately prior to his termination pro-rated for the number of days of employment completed by the Executive during the year in which his employment is terminated.

(B) In the event such termination of employment occurs within three months prior to, on, or within 24 months following a Change of Control or Externalization of Management (a "CIC Termination"), then instead of providing the payments in Section 7(a)(ii)(A), the Company shall provide the Executive an amount equal to the sum of (x) the Executive's Target Bonus in effect immediately prior to his termination, prorated for the number of days of employment completed by the Executive during the year in which his employment terminated; (y) one-and-one-half (1.5) times the Executive's Annual Base Salary as in effect immediately prior to his termination; and (z) one-and-one-half (1.5) times the Executive's Target Bonus in effect immediately prior to his termination. Notwithstanding the foregoing, the maximum aggregate amount that the Company shall pay to the Executive pursuant to this Section 7(a)(ii)(B) is \$5,000,000.

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

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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

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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.

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

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(e) Timing of Bonus Payments. Notwithstanding any other provision of this Agreement, all bonus payments provided under this Agreement in connection with the termination of the employment of the Executive shall be payable on the date that is six months after the termination date.

8. Disputes Relating To Executive's Termination of Employment For Good Reason. If the Executive resigns his employment with the Company alleging in good faith as the basis for such resignation "Good Reason" as defined in Section 6(e), and if the Company then disputes the Executive's right to the payments, vesting, consideration, and benefits provided for under Section 7, the Company shall continue to pay the Executive the full compensation (including, without limitation, his Base Salary, annual bonus and equity-based long-term incentive awards) in effect at the date the Executive provided written notice of such resignation, and the Company shall continue the Executive as a participant in all compensation, benefit and insurance plans in which the Executive was then a participant, and provide continuing vesting for any compensation, award or benefit with a vesting condition, until the date the dispute is finally resolved, either by mutual written agreement of the parties or by application of the provisions of Section 11. For the purposes of this Section 8, the Company shall bear the burden of proving that the grounds for the Executive's resignation do not fall within the scope of Section 6(e), and there shall be a rebuttable presumption that the Executive alleged such grounds in good faith.

9. Restrictive Covenant Provisions.

(a) Noncompetition.

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

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(ii) Noncompetition Following Employment by the Company. The Executive promises and agrees that for a period of six (6) months after the termination of his employment with the Company (regardless of the reason for such termination), he will not, directly or

indirectly, without the prior written consent of a majority of the non-employee members of the Board, manage, operate, join, control, participate in, or be connected (A) as a stockholder, partner, or other equity holder in (other than as a passive owner of 1.99% or less of the outstanding equity interests of any entity) any Restricted Business, or (B) as an officer, director, consultant, independent contractor, advisor, or employee of, any Restricted Business.

For purposes of this Agreement, a "Restricted Business" means any business engaged in acquiring, originating, financing, securitizing, selling, servicing, or investing in: residential or business purpose mortgage loans (including without limitation, second lien residential mortgage loans); assets backed by, related to, or derived from residential or business purpose mortgage loans; or other assets that are related to residential or business purpose real estate or ownership interests in, or payment obligations relating to, residential or business purpose real estate, including, without limitation, home equity investments and/or home appreciation investments (or providing advisory or consulting services with respect to any of the foregoing), in each case, in the geographic regions that are addressed by the business activities of the Company and its subsidiaries and affiliates during the Term of this Agreement or as the date of any termination of the Executive's employment with the Company (regardless of the reason for such termination), as applicable.

(b) Non-Solicitation of Employees, Customers, Clients and Counterparties.

(i) Non-Solicitation of Employees. The Executive agrees that he will not directly or indirectly solicit, hire, or employ (or assist, aid, or counsel any other person, firm or organization in soliciting, hiring, or employing) any of the Company's employees (or employees of any of the Company's subsidiaries or affiliates) to work for any business enterprise or other organization for a period of twelve (12) months following the termination of the Executive's employment with the Company (regardless of the reason for such termination); provided, the Executive shall not be prohibited from soliciting for employment, hiring, or employing any employee of the Company (or of any of its subsidiaries or affiliates), as the case may be, pursuant to a general employment advertisement or solicitation from a head hunter or other placement professional not specifically directed at such employees.

(ii) Non-Solicitation of Customers, Clients and Counterparties. The Executive agrees that for a period of six (6) months following the termination of the

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Executive's employment with the Company (regardless of the reason for such termination) he will not directly or indirectly (A) solicit (or assist, aid, or counsel any other person, firm or organization in soliciting) the sale or distribution of products, services, or solutions for any Restricted Business, to any client, customer or counterparty (or prospective client, customer or counterparty) of the Company or any of its subsidiaries or affiliates or (B) induce, encourage, attempt to induce, or attempt to encourage (or assist, aid, or counsel any other person, firm or organization with any of the foregoing) any client, customer or counterparty (or prospective client, customer or counterparty) of the Company or any of its subsidiaries or affiliates to cease doing business with the Company or any of its subsidiaries or affiliates, terminate its business relationship with the Company or any of its subsidiaries or affiliates, or transfer any portion or all of its business away from the Company or any of its subsidiaries or affiliates. For purposes of this sub-section (ii), the term "prospective client, customer or counterparty" is defined as any individual or entity who was solicited, directly or indirectly, by the Executive or any employee of the Company or any of its subsidiaries or affiliates with the Executive's knowledge or assistance to engage in business with the Company or any of its subsidiaries or affiliates within the one (1) year period preceding the termination of the Executive's employment with the Company.

Moreover, at all times following the termination of the Executive's employment with the Company (regardless of the reason for such termination), the Executive shall not use any trade secret or Confidential Information (as defined below) of the Company or any of its subsidiaries or affiliates to directly or indirectly (I) solicit (or assist, aid, or counsel any other person, firm or organization in soliciting) the sale or distribution of products, services, or solutions for any business enterprise or other organization, to any client, customer or counterparty (or prospective client, customer or counterparty) of the Company or any of its subsidiaries or affiliates or (II) induce, encourage, attempt to induce, or attempt to encourage (or assist, aid, or counsel any other person, firm or organization with any of the foregoing) any client, customer or counterparty (or prospective client, customer or counterparty) of the Company or any of its subsidiaries or affiliates to cease doing business with the Company or any of its subsidiaries or affiliates, terminate its business relationship with the Company or any of its subsidiaries or affiliates, or transfer any portion or all of its business away from the Company or any of its subsidiaries or affiliates.

(c) Duty To Avoid Conflict Of Interest. During his employment by the Company, the Executive agrees not to engage or participate in, directly or indirectly, any

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activities in conflict with the best interests of the Company. The Company shall be the final decision-maker with regard to any conflict of interest issue.

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

(e) Confidential And Proprietary Information.

(1) It is hereby acknowledged that the Executive has and shall gain knowledge of trade secrets and confidential information owned by or related to the Company and/or its affiliates including but not limited to the following: (i) the names, lists, buying habits and practices of customers, clients or vendors, (ii) marketing and related information, (iii) relationships with the persons or entities with whom or with which the Company has contracted, (iv) their products, designs, software, developments, improvements and methods of operation, (v) financial condition, profit performance and financial requirements, (vi) the compensation paid to employees, (vii) business plans and the information contained therein, and (viii) all other confidential information of, about or concerning the Company, the manner of operation of the Company and other confidential data of any kind, nature or description relating to the Company (collectively, the "Confidential Information"). Confidential Information does not include information which (A) is or becomes generally available to the public other than as a result of a disclosure by the Executive; or (B) becomes available to the Executive on a non-confidential basis after the termination or expiration of the Executive's obligations under this Agreement from a source other than the Company, provided that such source is not bound by a confidentiality agreement with or other contractual, legal or fiduciary obligation of confidentiality to the Company or any other party with respect to such information; or (C) is independently developed after the termination or expiration of the Executive's obligations under this agreement without reference to the Confidential Information, provided such independent development can reasonably be proven by the Executive by written records.

(2) The parties hereby acknowledge that the Confidential Information constitutes important, unique, material and confidential trade secrets which affect the successful activities of the Company, and constitute a substantial part of the assets and goodwill of the Company. In view of the foregoing, the Executive agrees that he will not at any time whether during or after the term of this Agreement, except as required in the course of the Executive's employment by Company and at its direction and for its sole benefit, in any fashion, form or manner, directly or indirectly (i) use or divulge, disclose, communicate or provide or permit

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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

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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.

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

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

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

If to the Executive: Fred J. Matera
c/o Redwood Trust, Inc.
8310 S. Valley Highway
Englewood, CO 80112
Phone: (415) 389-7373
Fax: (415) 381-1773

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

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

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by final, binding and confidential arbitration in Denver, Colorado conducted by JAMS or its successor, under the then applicable rules of JAMS.

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

The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (b) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that the Executive or the Company would be entitled to seek in a court of law. With respect to attorney's fees, the arbitrator shall award to the Executive his attorneys' fees based on a determination of the extent to which the Executive has prevailed as to the material issues raised in determination of the dispute (and, for the avoidance of doubt, regardless of the extent to which the Company has prevailed as to the material issues raised in determination of the dispute, the arbitrator is not authorized to award to the

Company any portion of its attorney's fees); and, moreover, to the extent the Executive prevails as to substantially all of the material issues raised in determination of the dispute, the arbitrator shall award to the Executive all of his attorneys' fees. The Company shall pay all JAMS' arbitration fees. Nothing in this Agreement is intended to prevent either the Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such mediation or arbitration.

12. Advancement of Executive's Legal Fees. In connection with the resolution of any dispute in accordance with Section 11, the Company shall advance to the Executive all reasonable attorneys' fees of the Executive as they are incurred and reasonably documented by the Executive in respect of any mediation, arbitration or litigation related thereto. The Executive shall not be required to reimburse the Company for any such advances of attorney's fees until a final determination is made with respect to such dispute and, then, the Executive's obligation to repay any such advances shall, (i) in the context of mediation or arbitration, be subject to an affirmative determination of the mediator or arbitrator that the Executive is obligated to repay such advances and (ii) in the context any litigation, be subject to the condition that substantially all of the material issues raised in such litigation have been resolved by a final (non-appealable) judgement in favor of the Company.

13. Assignment; Successors. This Agreement is personal in its nature, and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that, in the event of the merger, consolidation, transfer, or sale of all or substantially all of the assets of the Company with or to

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any other individual or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder.

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

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

The Executive and the Company entered into a Letter Agreement dated October 1, 2023 relating to the Executive's temporary assignment to New York, New York. The terms of such Letter Agreement are set forth in Exhibit F attached hereto and are incorporated herein; the terms set forth in such Letter Agreement and in Exhibit F attached hereto include amendments to this Agreement, as well as provisions that are additive to the subject matter contained in this Agreement, and to such extent constitute a modification of this Agreement and such terms are neither superseded by, nor does the subject matter of such terms supersede, this Agreement.

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

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

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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

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Agreement may only be made upon the Executive's "separation from service" from the Company.

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

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

[Signature Page Follows]

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

REDWOOD TRUST, INC.

By: /s/ Christopher J. Abate
Christopher J. Abate
Chief Executive Officer

EXECUTIVE

/s/ Fred J. Matera
Fred J. Matera

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INDIVIDUAL TERMINATION

**EXHIBIT A
RELEASE AGREEMENT**

Except as otherwise set forth in this Release Agreement, Fred J. Matera ("Executive") hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date Executive signs this Release Agreement. The Company, its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns, hereby releases Executive and his heirs, executors, successors and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date the Company signs this Release Agreement.

This general mutual release includes, but is not limited to: (A) all claims arising out of or in any way related to Executive's employment with the Company or the termination of that employment; (B) all claims related to Executive's compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (C) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (D) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; (E) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended); and (F) all claims and rights with respect to Executive's right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator or to the attention of the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency claims of discrimination, harassment, interference with leave rights, and retaliation (provided, however, that the Executive releases the Executive's right to secure damages or other relief for any such alleged treatment); provided, however, that nothing in this paragraph shall be construed in any way to release (i) the Company from (x) its obligation to indemnify Executive pursuant to, and in accordance with, Section 18 of the Executive's Seventh Amended and

Restated Employment Agreement with the Company (the "Employment Agreement"), the Company's bylaws or binding resolutions, or applicable law or pursuant to, and in accordance with, any written indemnification agreement between the Executive and the Company or (y) the Company's payment obligations under Section 7 of the Employment Agreement, as well as the Company's other continuing obligations to the Executive under the Employment Agreement, (ii) any right or claim to coverage under any applicable D&O policies, (iii) claims to vested benefits that Executive is entitled to receive under any other plan or agreement covering Executive, (iv) Executive's vested equity awards and other awards, or (v) claims relating to or arising out of the Executive's fraud or breach of fiduciary duty.

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

Both the Executive and the Company acknowledge that each has read and understands Section 1542 of the California Civil Code which reads as follows:

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

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

Notwithstanding anything herein, the Executive acknowledges and agrees that, pursuant to 18 USC Section 1833(b), the Executive will not be held criminally or civilly liable under any

federal or state trade secret law for the disclosure of a trade secret that is made: (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing contained herein prevents the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful.

Mutual Nondisparagement.

(a) Nondisparagement by Executive. At all times following the cessation of the Executive's employment with the Company, the Executive agrees not to make negative comments or statements about, or otherwise criticize or disparage, in any format or through any medium, the Company or any entity controlled by, controlling or under common control with the Company ("Affiliates") or any of the officers, directors, managers, employees,

services, operations, investments or products of the Company or any of its Affiliates. For purposes of the foregoing sentence, disparagement shall include, but not be limited to, negative comments or statements intended or reasonably likely to be harmful or disruptive to a person's or entity's respective business, business reputation, business operations, or personal reputation.

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

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

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Board of Directors and the Executive, and not disclosed to the public, (iii) made by a member of the Board of Directors in the good faith belief that the statements are required for the proper discharge of his or her fiduciary duties, or (iv) made by the Board of Directors in connection with a termination of the Executive for Cause.

[Signature Page Follows]

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

EXECUTIVE

Name: _____

Fred J. Matera

Date: _____

COMPANY

Name: _____

Date: _____

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GROUP TERMINATION**EXHIBIT B
RELEASE AGREEMENT**

Except as otherwise set forth in this Release Agreement, Fred J. Matera ("Executive") hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date Executive signs this Release Agreement. The Company, its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns, hereby releases Executive and his heirs, executors, successors and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date the Company signs this Release Agreement. This general mutual release includes, but is not limited to: (A) all claims arising out of or in any way related to Executive's employment with the Company or the termination of that employment; (B) all claims related to Executive's compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (C) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (D) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; (E) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended); and (F) all claims and rights with respect to Executive's right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator or to the attention of the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency claims of discrimination, harassment, interference with leave rights, and retaliation (provided, however, that the Executive releases the Executive's right to secure damages or other relief for any such alleged treatment); provided, however, that nothing in this paragraph shall be construed in any way to release (i) the Company from (x) its obligation to indemnify Executive pursuant to, and in accordance with, Section 18 of the Executive's Seventh Amended and Restated

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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.

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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.

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

[Signature Page Follows]

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

EXECUTIVE

Name: _____
Fred J. Matera

Date: _____

COMPANY

Name: _____

Date: _____

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EXHIBIT C
Section 2870 of California Labor Code

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

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

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

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

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EXHIBIT D
DEFINITION OF "CHANGE OF CONTROL"

"Change of Control" refers to the occurrence of any of the following:

a. A transaction or series of transactions (other than an offering of common stock to the general public through a registration statement filed with the Securities and Exchange Commission or a transaction or series of transactions that meets the requirements of clauses (i) and (ii) of subsection (c) below) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 30% of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

b. During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new Director(s) (other than a Director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in subsections (a) or (c) of this definition) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the Directors then still in office who either were Directors at the beginning of the two-year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

c. The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company's assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

i. which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise

succeeds to the business of the Company (the Company or such person, the "Successor Entity")) directly or indirectly, at least a majority of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

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ii. after which no person or group beneficially owns voting securities representing 30% or more of the combined voting power of the Successor Entity; provided, however, that no person or group shall be treated for purposes of this clause (ii) as beneficially owning 30% or more of the combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction."

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EXHIBIT E

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

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

1. **Persons Subject to Policy**

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

2. **Compensation Subject to Policy**

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

3. **Recovery of Compensation**

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

4. Manner of Recovery; Limitation on Duplicative Recovery

The Committee shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation, Erroneously Awarded Compensation or time-vesting equity or cash awards, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other

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compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

5. Administration

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

6. Interpretation

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

7. No Indemnification; No Liability

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

8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to (but without duplication of), any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based or cash-based plan or award agreement

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thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the “**Other Recovery Arrangements**”). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company.

9. **Severability**

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

10. **Amendment and Termination**

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

11. **Definitions**

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

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

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

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

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

“**Financial Reporting Measure**” means any measure determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements,

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and any measures derived wholly or in part from such measures, including GAAP and non-GAAP financial measures, as well as stock or share price and total equityholder or stockholder return.

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

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

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

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

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

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EXHIBIT F

TERMS RELATING TO THE EXECUTIVE'S TEMPORARY ASSIGNMENT TO NEW YORK, NEW YORK

The Company and the Executive have agreed to the Executive ("you") fulfilling a temporary assignment to the Company's office in New York, New York (the "Temporary Assignment") for the period from October 1, 2023 to September 30, 2024 (the "Temporary Assignment Period"). The terms set forth below (i) set out certain terms of your employment relating to the Temporary Assignment, which are in addition to those set forth in the Agreement to which this Exhibit F is attached (the "Employment Agreement") and (ii) amends the terms of the Employment Agreement only to the extent explicitly set forth below, including as set forth under the heading "Amendments to Your Employment Agreement". Capitalized terms used but not defined in this Exhibit F will have the meanings set forth in the Employment Agreement. The terms set forth in this Exhibit F are effective as of October 1, 2023.

1. Temporary Assignment. To provide temporary senior leadership for the Company's office in New York, New York you accept the Temporary Assignment and agree to reside in the New York City area and maintain your principal Company office at the Company's office in New York City for the duration of the Temporary Assignment Period. Aside from your paid time off ("PTO") and ordinary course business travel required in connection with fulfilling your duties and responsibilities to the Company, you agree to regularly be present at, and work from, the Company's New York City office in accordance with the Company's in-office work policy. At the conclusion of the Temporary Assignment Period, the Company's Englewood, Colorado office will resume as your then going-forward principal Company office, unless otherwise mutually agreed and documented in an amendment to the Employment Agreement.

2. Temporary Assignment Stipend. The Company will assist you with costs related to the Temporary Assignment by providing you with a cash payment of \$77,500 (the "Temporary Assignment Stipend"). The Temporary Assignment Stipend will be paid to you within 15 business days following October 1, 2023 (and will be reported as ordinary income to you for income tax purposes and be subject to applicable taxes and withholdings), and is intended to assist you with the cost of apartment hunting trips, moving expenses, the rental or purchase of furnishings, and any other travel or other expense relating to the Temporary Assignment. You will not be required to document use of the Temporary Assignment Stipend and the Temporary Assignment Stipend will be retained by you even if your actual such costs are less than the Temporary Assignment Stipend.

You and the Company acknowledge and agree that the Temporary Assignment Stipend will not be fully earned unless you are continuously employed by the Company through September 30, 2024 as follows: in the event that during the Temporary Assignment Period, either (i) you voluntarily terminate your employment with the Company without "Good Reason" (including any retirement) or (ii) the Company terminates your employment with the Company for "Cause", then you are required to repay to the Company the following – the product of (x) number of full months of the Temporary Assignment Period that you are not employed by the Company, multiplied by, (y) \$6,458.33.

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3. Reimbursements for Housing-Related Expenses During the Temporary Assignment Period. During the Temporary Assignment Period, the Company will reimburse you for the cost of renting an apartment to dwell in within New York County (Manhattan), New York, which apartment shall include a separate room within which you will establish a "home office", and the monthly rent for such apartment (together with any similar associated monthly fees) shall not exceed \$12,500 ("Reimbursements for Housing-Related Expenses"). In addition, the Company will reimburse you for the cost of a one-time broker's fee associated with locating such apartment, up to an amount of \$22,500. The Company will treat the reimbursement of such broker's fee and the Reimbursements for Housing-Related Expenses as business-related expenses associated with the Temporary Assignment (and does not anticipate that they will be required to be reported as ordinary income to you for income tax purposes).

You will be responsible for ordinary cost of living expenses, including, without limitation: furnishings, utilities, renter's insurance, any optional apartment building or living amenities (e.g., cleaning service, gym membership, parking, etc.) and commuting costs. You will be also responsible for the security deposit on such apartment, as well as the cost of any damage you may cause to such apartment.

In the event that during the Temporary Assignment Period, either (i) you voluntarily terminate your employment with the Company without "Good Reason" (including any retirement) or (ii) the Company terminates your employment with the Company for "Cause", then the Reimbursements for Housing-Related Expenses would immediately terminate and no longer be provided.

4. Amendments and Provisions Related to Your Employment Agreement – Provisions Related to the Temporary Assignment and Your Employment Agreement. With respect to the Employment Agreement, you agree that: (i) the Temporary Assignment and the related temporary change to Officer's principal Company office does not, and will not, represent a "Good Reason" under the Employment Agreement nor does it give rise now, or at any time in the future, to any right of Officer to terminate his employment under the Employment Agreement for Good Reason under Section 7(e)(iii) of the Employment Agreement; and (ii) neither the Temporary Housing Stipend nor the Reimbursements for Housing-Related Expenses described above will be considered part of the value of Officer's "total compensation package" for purposes of Section 7(e)(ii) of the Employment Agreement – i.e., the one-time nature of the Temporary Assignment Stipend and/or cessation of Reimbursements for Housing-Related Expenses in accordance with this Exhibit F will not be considered a reduction in compensation within the definition of "Good Reason" under the Employment Agreement and will not be taken into account in determining any severance payment amount (or other amount) that could become payable by the Company under the Employment Agreement in connection with any termination of your employment with the Company.

5. No Other Terms Related to Temporary Assignment. This Exhibit F sets forth in full the terms related to your Temporary Assignment during the Temporary Assignment Period. Without limitation of the foregoing, other than the Temporary Assignment Stipend and the Reimbursements for Housing-Related Expenses described above in Sections 2 and 3 of this Exhibit F, the Company will not be

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obligated to cover any personal or relocation-related expenses of Officer related to the Temporary Assignment Period.

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EXHIBIT 10.5

FOURTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Fourth Amended and Restated Employment Agreement ("Agreement"), effective as of August 6, 2024 (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 Third Amended and Restated Employment Agreement by and between the Executive and the Company dated November 3, 2023 (the "Prior Agreement").

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

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

1. Employment and Responsibilities. During the Term, the Executive shall serve as 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, 2024; provided, however, that (i) on January 1, 2025 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

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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 \$500,000 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) or an Externalization of Management (as defined in herein), immediately prior to such Change of Control or Externalization of Management the Company shall be obligated to pay the Executive: (A) when such Change of Control or Externalization of Management 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 or Externalization of Management; and (B) when such Change of Control or Externalization of Management 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 or Externalization of Management occurs after December 31st, but

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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 Externalization of Management (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

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discretion, may deem relevant. The frequency of performance evaluations may vary depending upon, among other things, length of service, past performance, changes in job duties or performance levels, but generally would occur on an annual basis. The Board shall, at least annually, review the Executive's entire compensation package to determine whether it continues to meet the Company's compensation objectives. Such annual review will include a determination of (i) whether to increase the Base Salary in accordance with Section 3(a); (ii) the incentive performance bonus to be awarded

in accordance with Section 3(b); and (iii) the amount and type of any equity awards granted in accordance with Section 3(c). Salary increases and incentive bonus awards are solely within the discretion of the Board and may depend upon many factors other than the Executive's performance.

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

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

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determined by the Board or its Compensation Committee in its sole discretion in a manner consistent with the Erroneously Awarded Compensation Policy (to the extent applicable) and with any applicable plan, program and/or award agreement governing and/or evidencing such Incentive Based Compensation.

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

(a) Benefit Plans. The Executive shall be entitled to participate in any benefit plans relating to equity-based compensation awards, pension, thrift, profit sharing, life insurance, medical coverage, education, deferred compensation, or other retirement or employee benefits available to senior executive officers of the Company, subject to any restrictions (including waiting periods) specified in such plans and/or related individual agreements. The Company shall make commercially reasonable efforts to obtain medical and disability insurance, and such other forms of insurance as the Board shall from time to time determine, for its senior executive officers.

(b) Paid Time Off. The Executive shall be entitled to paid time off each calendar year pursuant to the Company's policies applicable to senior executive officers of the Company, as in effect from time to time.

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

6. Termination of Executive's Employment.

(a) Death. If the Executive dies while employed by the Company, her employment shall immediately terminate. The Company's obligation to pay the Executive's Base Salary shall cease as of the date of the Executive's death, and any unpaid Base Salary shall be paid to the Executive's estate. In addition, (i) within fifteen (15) days of the Executive's death, the Company shall pay to the Executive's estate an incentive

performance bonus based on Executive's Target Bonus then in effect, prorated for the number of days of employment completed by the Executive during the year of her death, and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). The Executive's beneficiaries or her estate shall receive benefits in accordance with the Company's retirement, insurance and other applicable

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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

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(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 or Externalization of Management, 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

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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.

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(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 that such occurrence does not constitute "Good Reason"), 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, any of the following events, which are hereby deemed to have the effect of a material reduction in Executive's responsibilities, duties and authority: (A) the Executive ceasing to serve as the sole chief human resource officer of a publicly traded company, (B) the Company entering into and consummating one or more agreements with one or more Third-Party External Management Companies (as defined below), which, when taken alone or together, provide for the external management of all or substantially all of the Company's assets and/or operations (an "Externalization of Management"), or (C) 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 any of sub-clauses (A), (B) or (C) 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

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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 of Control or Externalization of Management, 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 or Externalization of Management (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 or Externalization of Management). Following a Change of Control or Externalization of Management, 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.

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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.

For purposes of this Agreement, "Third-Party External Management Company" is defined as follows: an entity engaged to externally manage some or all of the Company's assets and/or operations that is not (i) a majority-owned subsidiary of the Company or otherwise controlled by the Company, (ii) owned, in whole or in part, by the Executive or otherwise controlled by the Executive or (iii) an entity for which the Executive serves as a director or officer (or for which the Executive otherwise acts as a manager or fiduciary).

(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.

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(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 or Externalization of Management (a "CIC Termination"), then instead of providing the payments in Section 7(a)(ii)(A), the Company shall provide the Executive an amount equal to the sum of (x) the Executive's Target Bonus in effect immediately prior to her termination, prorated for the number of days of employment completed by the Executive during the year in which her employment terminated; (y) one (1) times the Executive's Annual Base Salary as in effect immediately prior to her termination; and (z) one (1) times the Executive's Target Bonus in effect immediately prior to her termination. Notwithstanding the foregoing, the maximum aggregate amount that the Company shall pay to the Executive pursuant to this Section 7(a)(ii)(B) is \$2,000,000.

(iii) Equity Awards. All stock options or other equity-related awards with time-based vesting, including deferred or restricted stock units, shall vest in full and, in the case of stock options, shall be exercisable for such period as set forth in the applicable award agreement by which such awards are evidenced (but in no event for a period of less than two years or through the expiration date of the stock option, whichever is earlier). If the Executive's employment shall be terminated by the Company without Cause, all stock options or other equity-related awards subject to performance-based vesting, including performance stock units, shall remain outstanding and shall continue to be eligible to vest and become payable or exercisable based on (x) the performance goals set forth in the applicable award agreement by which such awards are evidenced and (y) a reduced number of target shares adjusted on a pro-

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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

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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.

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

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(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 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, solicit any of the Company's employees to work for any competing real estate or mortgage investment organization as determined under Section 9(a).

(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

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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

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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

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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.

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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

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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.

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

[Signature Page Follows]

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

REDWOOD TRUST, INC.

By: /s/ Christopher J. Abate
Christopher J. Abate
Chief Executive Officer

EXECUTIVE

/s/ Sasha G. Macomber
Sasha G. Macomber

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INDIVIDUAL TERMINATION

**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

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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

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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

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Board of Directors and the Executive, and not disclosed to the public, (iii) made by a member of the Board of Directors in the good faith belief that the statements are required for the proper discharge of his or her fiduciary duties, or (iv) made by the Board of Directors in connection with a termination of the Executive for Cause.

[Signature Page Follows]

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

EXECUTIVE

Name: _____
Sasha G. Macomber

Date: _____

COMPANY

Name: _____

Date: _____

GROUP TERMINATION

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

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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.

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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.

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

[Signature Page Follows]

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

EXECUTIVE

Name: _____

Sasha G. Macomber

Date: _____

COMPANY

Name: _____

Date: _____

EXHIBIT C**Section 2870 of California Labor Code**

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

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

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

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

EXHIBIT D

DEFINITION OF "CHANGE OF CONTROL"

With respect to (i) equity-based or equity-related awards granted prior to November 6, 2020 and (ii) long-term incentive and/or retention compensation awards that are payable in cash granted prior to November 6, 2020, the following definition of Change of Control shall apply:

"Change of Control" refers to the occurrence of any of the following:

(1) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires ownership of stock of the Company that, together with other stock held by such person or group constitutes more than 50 percent of the total fair market value or total voting power of all stock of the Company; or

(2) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30 percent or more of the total voting power of the stock of the Company; or

(3) during any 12-month period, a majority of the members of the Company's board of directors is replaced by directors whose appointment or election is not endorsed by a majority of the members of the Company's board of directors prior to such appointment or election; or

(4) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisition; provided, that that no change of control shall be deemed to occur when the assets are transferred to:

(x) a shareholder of the Company in exchange for or with respect to its stock,

(y) a person, or more than one person acting as a group (within the meaning of Section 409A of the Code), that owns, directly or indirectly, 50

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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:

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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."

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EXHIBIT E

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

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

1. **Persons Subject to Policy**

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

2. Compensation Subject to Policy

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

3. Recovery of Compensation

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

4. Manner of Recovery; Limitation on Duplicative Recovery

The Committee shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation, Erroneously Awarded Compensation or time-vesting equity or cash awards, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other

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compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

5. Administration

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

6. Interpretation

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

7. No Indemnification; No Liability

The Company shall not indemnify or insure any person against the loss of any Erroneously Awarded Compensation pursuant to this Policy, nor shall the Company directly or indirectly pay or reimburse any person for any premiums for third-party insurance policies that such person may elect to

purchase to fund such person's potential obligations under this Policy. None of the Company, an affiliate of the Company or any member of the Committee or the Board shall have any liability to any person as a result of actions taken under this Policy.

8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to (but without duplication of), any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based or cash-based plan or award agreement

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thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the “**Other Recovery Arrangements**”). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company.

9. Severability

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

10. Amendment and Termination

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

11. Definitions

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

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

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

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

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

“**Financial Reporting Measure**” means any measure determined and presented in accordance with the accounting principles used in preparing the Company's financial statements,

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and any measures derived wholly or in part from such measures, including GAAP and non-GAAP financial measures, as well as stock or share price and total equityholder or stockholder return.

"GAAP" means United States generally accepted accounting principles.

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

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

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

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

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EXHIBIT 10.6

NINTH AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Ninth Amended and Restated Employment Agreement ("Agreement"), effective as of August 6, 2024 (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 Eighth Amended and Restated Employment Agreement by and between the Executive and the Company dated November 3, 2023 (the "Prior Agreement").

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

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

1. Employment and Responsibilities. During the Term, the Executive shall serve as 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, 2024; provided, however, that (i) on January 1, 2025 and each succeeding January 1, the Term shall automatically be extended for one additional year unless, not later than three months prior to any such January 1, either party shall have given written notice to the other that it does not wish to extend the Term and (ii) such one year extensions of the Term shall not occur on and after the January 1 of the year in which the Executive will attain age sixty-five (65) but instead the Term shall be extended only until the date of the Executive's sixty-fifth (65th) birthday.

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3. Compensation.

(a) Base Salary. The Company shall pay the Executive, and the Executive agrees to accept from the Company, in payment for his services to the Company a base salary (the "Base Salary") at the rate of not less than \$500,000 per year, paid in accordance with the customary payroll practices of the Company subject to annual review and increase by the Board in its sole discretion (or by the Board's separately designated Compensation Committee in its sole discretion). For the avoidance of doubt, references to the Board in this Section 3 shall include the Board's separately designated Compensation Committee.

(b) Performance Bonus. The Executive shall be eligible to receive an annual bonus. The Board in its discretion will determine whether such annual bonus will be paid, the amount of such bonus and its form of payment. The Executive's target annual bonus amount is 175% of his Base Salary 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) or an Externalization of Management (as defined in herein), immediately prior to such Change of Control or Externalization of Management the Company shall be obligated to pay the Executive: (A) when such Change of Control or Externalization of Management 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 or Externalization of Management; and (B) when such Change of Control or Externalization of Management 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 or Externalization of Management occurs after December 31st, but before the designated payment date for the annual bonus in respect of such completed calendar

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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 Externalization of Management (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

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discretion, may deem relevant. The frequency of performance evaluations may vary depending upon, among other things, length of service, past performance, changes in job duties or performance levels, but generally would occur on an annual basis. The Board shall, at least annually, review the Executive's entire compensation package to determine whether it continues to meet the Company's compensation objectives. Such annual review will include a determination of (i) whether to increase the Base Salary in accordance with Section 3(a); (ii) the incentive performance bonus to be awarded in accordance with Section 3(b); and (iii) the amount and type of any equity awards granted in accordance with Section 3(c). Salary increases and incentive bonus awards are solely within the discretion of the Board and may depend upon many factors other than the Executive's performance.

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

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

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form of, and vesting and payment terms applicable to, the Additional Compensation) shall be determined by the Board or its Compensation Committee in its sole discretion in a manner consistent with the Erroneously Awarded Compensation Policy (to the extent applicable) and with any applicable plan, program and/or award agreement governing and/or evidencing such Incentive Based Compensation.

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

(a) Benefit Plans. The Executive shall be entitled to participate in any benefit plans relating to equity-based compensation awards, pension, thrift, profit sharing, life insurance, medical coverage, education, deferred compensation, or other retirement or employee benefits available to senior executive officers of the Company, subject to any restrictions (including waiting periods) specified in such plans and/or related individual agreements. The Company shall make commercially reasonable efforts to obtain medical and disability insurance, and such other forms of insurance as the Board shall from time to time determine, for its senior executive officers.

(b) Paid Time Off. The Executive shall be entitled to paid time off each calendar year pursuant to the Company's policies applicable to senior executive officers of the Company, as in effect from time to time.

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

6. Termination of Executive's Employment.

(a) Death. If the Executive dies while employed by the Company, his employment shall immediately terminate. The Company's obligation to pay the Executive's Base Salary shall cease as of the date of the Executive's death, and any unpaid Base Salary shall be paid to the Executive's estate. In addition, (i) within fifteen (15) days of the Executive's death, the Company shall pay to the Executive's estate an incentive performance bonus based on Executive's Target Bonus then in effect, prorated for the number of days of employment completed by the Executive during the year of his death, and (ii) the Company shall pay to the Executive's estate any earned but unpaid annual bonus from a prior service year (as and when such bonuses become payable generally). The Executive's beneficiaries or his estate shall receive

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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

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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 or Externalization of Management, 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 if 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;

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(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

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benefits which have accrued and/or vested on the termination date will continue in effect according to their terms.

(d) Termination By The Company Without Cause. The Company may terminate 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 that such occurrence does not constitute "Good Reason"), 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, any of the following events, which are hereby deemed to have the effect of a material reduction in Executive's responsibilities, duties and authority: (A) the Executive ceasing to serve as the sole chief legal officer of a publicly traded company, (B) the Company entering into and consummating one or more agreements with one or more Third-Party External Management Companies (as defined below), which, when taken alone or together, provide for the external management of all or substantially all of the Company's assets and/or operations (an "Externalization of Management"), or (C) 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 any of sub-clauses (A), (B) or (C) 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

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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 of Control or Externalization of Management, 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 or Externalization of Management (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 or Externalization of

Management). Following a Change of Control or Externalization of Management, 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

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determination of whether to accept the Executive's resignation for Good Reason shall be determined by the "Review Committee" as set forth in subsection (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.

For purposes of this Agreement, "Third-Party External Management Company" is defined as follows: an entity engaged to externally manage some or all of the Company's assets and/or operations that is not (i) a majority-owned subsidiary of the Company or otherwise controlled by the Company, (ii) owned, in whole or in part, by the Executive or otherwise controlled by the Executive or (iii) an entity for which the Executive serves as a director or officer (or for which the Executive otherwise acts as a manager or fiduciary).

(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.

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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 or Externalization of Management (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

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to his termination. Notwithstanding the foregoing, the maximum aggregate amount that the Company shall pay to the Executive pursuant to this Section 7(a)(ii)(B) is \$2,000,000.

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

(iv) Continuation of Fringe Benefits. For a period of up to nine (9) months (or, in the event of a CIC Termination, twelve (12) months) following the date of the Executive's termination of employment with Company, subject to the Executive's valid election to continue healthcare coverage under Section 4980B of the Internal Revenue Code of 1986, as amended (the "Code") and the regulations thereunder, the Company shall continue to provide the Executive and the Executive's eligible dependents with coverage under its group health plans at the same levels and the same cost to the Executive as would have applied if the Executive's employment had not been terminated based on the Employee's elections in effect on the date of

termination (the "Continued Coverage"), provided that (1) if any plan pursuant to which such benefits are provided is not, or ceases prior to the expiration of the period of continuation coverage to be, exempt from the application of Section 409A of the Code under Treasury Regulation Section 1.409A-1(a)(5), or (2) the Company is otherwise unable to continue to cover the Executive under its group health plans without penalty under applicable law (including without limitation, Section 2716 of the Public Health Service Act or the Patient Protection and Affordable Care Act), the Company may in its sole discretion provide that (i) the Executive shall pay to the Company, on an after-tax basis, a monthly amount equal to the full premium cost of the Continued Coverage for such month and (ii) within 30 days of such premium payment, the Company shall reimburse the Executive in cash (less required withholding) an amount equal to the sum of (A) the excess of (x) the full premium cost of the Continued Coverage for such month over (y) any premium amount that would have been payable by the Executive if the Executive had been actively employed by the Company for such month and (B) an additional cash amount equal to the aggregate imputed or imposed federal, state and local taxes on any such amount in subclause (A), plus any taxes imposed on such cash amount, so that the Executive on an after-tax basis is in the same position as if there had been no imputation or imposition of income on the Executive. For the nine (9) month (or, in the event of a CIC Termination, twelve (12) month) period following the termination of the Executive's employment, the Company shall also continue to provide the Executive with all life insurance, disability insurance and other fringe benefits set forth in Section 4 as if the Executive's employment under the Agreement had not been terminated; provided, however, that such life insurance, disability insurance and other fringe benefits shall cease as of the date the Executive receives such coverage from a subsequent employer.

(v) Payment/Benefit Limitation. If any payment or benefit due under this Agreement, together with all other payments and benefits that the Executive receives or is entitled to receive from the Company or any of its subsidiaries, affiliates or related entities, would (if paid or provided) constitute an "excess parachute payment" for purposes of Section 280G of the Code, the amounts otherwise payable and benefits otherwise due under this Agreement will either (i) be delivered in full, or (ii) be limited to the minimum extent necessary to ensure that no portion thereof will fail to be tax-deductible to the Company by reason of Section 280G of the Code (and therefore, no portion thereof will be subject to the excise tax imposed under Section 4999 of the Code), whichever of the foregoing amounts, taking into account applicable federal, state and local income and employment taxes and the excise tax imposed under Section 4999 of the Code, results in the receipt by the Executive, on an after-tax basis, of the greatest amount of payments and benefits, notwithstanding that all or some portion of such payments and/or benefits may be subject to the excise tax imposed under Section 4999 of the Code. Unless otherwise specified in writing by the Executive, in the event that the payments

and/or benefits are to be reduced pursuant to this Section 7(a)(v), such payments and benefits shall be reduced such that the reduction of cash compensation to be provided to the Executive as a result of this Section 7 is minimized. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. All determinations required to be made under this Section 7(a)(v) shall be made by the Company's independent public accounting firm (or such other nationally recognized public accounting firm as may be selected by the Company and to which selection the Executive consents (such consent not to be unreasonably withheld)) which shall provide detailed supporting calculations both to the Company and the Executive within fifteen (15) business days of the receipt of notice from the Executive that there has been a payment or benefit subject to this Section 7(a)(v), or such earlier time as is requested by the Company.

(b) No Mitigation Required; No Other Entitlement To Benefits Under Agreement. The Executive shall not be required in any way to mitigate the amount of any payment provided for in this Section 7, including, without limitation, by seeking other employment, nor shall the amount of any payment provided for in this Section 7 be reduced by any compensation earned by the Executive as the result of employment with another employer after the termination date of employment, or otherwise. Except as set forth in this Section 7, following a termination governed by this Section

7, the Executive shall not be entitled to any other compensation or benefits set forth in this Agreement, except as may be separately negotiated by the parties and approved the Board in writing in conjunction with the termination of the Executive's employment under this Section 7.

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

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"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

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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 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, solicit any of the Company's employees to work for any competing real estate or mortgage investment organization as determined under Section 9(a).

(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

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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

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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

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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.

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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

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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

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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

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death), the Company shall pay the Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Executive during such period. Any right to a series of installment payments pursuant to this Agreement is to be treated as a right to a series of separate payments. To the extent permitted under Section 409A of the Code, any separate payment or benefit under this Agreement or otherwise shall not be deemed "nonqualified deferred compensation" subject to Section 409A of the Code to the extent provided in the exceptions in Treasury Regulation Section 1.409A-1(b)(4), Section 1.409A-1(b)(9) or any other applicable exception or provision of Section 409A. All payments of nonqualified deferred compensation subject to Section 409A to be made upon a termination of employment under this Agreement may only be made upon the Executive's "separation from service" from the Company.

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

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

[Signature Page Follows]

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

REDWOOD TRUST, INC.

By: /s/ Christopher J. Abate

Christopher J. Abate

Chief Executive Officer

EXECUTIVE

/s/ Andrew P. Stone

Andrew P. Stone

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INDIVIDUAL TERMINATION

EXHIBIT A
RELEASE AGREEMENT

Except as otherwise set forth in this Release Agreement, Andrew P. Stone ("Executive") hereby generally and completely releases the Company and its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date Executive signs this Release Agreement. The Company, its directors, officers, employees, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns, hereby releases Executive and his heirs, executors, successors and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date the Company signs this Release Agreement.

This general mutual release includes, but is not limited to: (A) all claims arising out of or in any way related to Executive's employment with the Company or the termination of that employment; (B) all claims related to Executive's compensation or benefits from the Company, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company; (C) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (D) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; (E) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans

with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) ("ADEA"), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended); and (F) all claims and rights with respect to Executive's right to communicate directly with, cooperate with, or provide information to, any federal, state or local government regulator or to the attention of the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency claims of discrimination, harassment, interference with leave rights, and retaliation (provided, however, that the Executive releases the Executive's right to secure damages or other relief for any such alleged treatment); provided, however, that nothing in this paragraph shall be construed in any way to release (i) the Company from (x) its obligation to indemnify Executive pursuant to, and in accordance with, Section 18 of the Executive's Seventh Amended and Restated Employment Agreement with the Company (the "Employment Agreement"), the Company's bylaws or binding resolutions, or applicable law or pursuant to, and in accordance with, any written indemnification agreement between the Executive and the Company or (y) the Company's payment obligations under Section 7 of the Employment Agreement, as well as the Company's other continuing obligations to the Executive under the Employment Agreement, (ii) any right or claim to coverage under any applicable D&O policies, (iii) claims to vested benefits that Executive is entitled to receive under any other plan or agreement covering Executive, (iv) Executive's vested equity awards and other awards, or (v) claims relating to or arising out of the Executive's fraud or breach of fiduciary duty.

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

Both the Executive and the Company acknowledge that each has read and understands Section 1542 of the California Civil Code which reads as follows:

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

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

Notwithstanding anything herein, the Executive acknowledges and agrees that, pursuant to 18 USC Section 1833(b), the Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. Nothing contained

herein prevents the Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment or discrimination or any other conduct that the Executive has reason to believe is unlawful.

Mutual Nondisparagement.

(a) Nondisparagement by Executive. At all times following the cessation of the Executive's employment with the Company, the Executive agrees not to make negative comments or statements about, or otherwise criticize or disparage, in any format or through any medium, the Company or any entity controlled by, controlling or under common control with the Company ("Affiliates") or any of the officers, directors, managers, employees, services, operations, investments or products of the Company or any of its Affiliates. For purposes of the foregoing sentence, disparagement shall include, but not be limited to, negative comments or statements intended or reasonably likely to be harmful or disruptive to a person's or entity's respective business, business reputation, business operations, or personal reputation.

(b) Nondisparagement by Designated Company Representatives. At all times following the cessation of the Executive's employment with the Company, the Company agrees not to publish, and agrees to cause the Designated Company Representatives not to make, negative comments or statements about, or otherwise criticize or disparage, in any format or through any medium, the Executive. For purposes of the foregoing sentence, disparagement shall include, but not be limited to, negative comments or statements intended or reasonably likely to be harmful or disruptive to a person's business reputation or personal reputation. For purposes of this sub-section (b), the "Designated Company Representatives" are (i) all executive officers of the

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Company while serving in such capacity and (ii) all members of the Board of Directors while serving in such capacity.

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

[Signature Page Follows]

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

EXECUTIVE

Name: _____

Andrew P. Stone

Date: _____

COMPANY

Name: _____

Date: _____

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GROUP TERMINATION**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

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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.

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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.

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

[Signature Page Follows]

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

EXECUTIVE

Name: _____
Andrew P. Stone

Date: _____

COMPANY

Name: _____

Date: _____

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EXHIBIT C
Section 2870 of California Labor Code

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

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

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

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

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EXHIBIT D

DEFINITION OF "CHANGE OF CONTROL"

With respect to (i) equity-based or equity-related awards granted prior to November 6, 2020 and (ii) long-term incentive and/or retention compensation awards that are payable in cash granted prior to November 6, 2020, the following definition of Change of Control shall apply:

"Change of Control" refers to the occurrence of any of the following:

(1) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires ownership of stock of the Company that, together with other stock held by such person or group constitutes more than 50 percent of the total fair market value or total voting power of all stock of the Company; or

(2) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30 percent or more of the total voting power of the stock of the Company; or

(3) during any 12-month period, a majority of the members of the Company's board of directors is replaced by directors whose appointment or election is not endorsed by a majority of the members of the Company's board of directors prior to such appointment or election; or

(4) any one person, or more than one person acting as a group (within the meaning of Section 409A of the Code), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40 percent of the total gross fair market value of all of the assets of the Company immediately before such acquisition or acquisition; provided, that that no change of control shall be deemed to occur when the assets are transferred to:

(x) a shareholder of the Company in exchange for or with respect to its stock,

(y) a person, or more than one person acting as a group (within the meaning of Section 409A of the Code), that owns, directly or indirectly, 50

percent or more of the total value or voting power of all of the outstanding stock of the Company, or

(z) an entity, at least 50 percent of the total value or voting power of which is owned, directly or indirectly, by a person that owns directly or indirectly 50 percent or more of the total value or voting power of all of the outstanding stock 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.”

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EXHIBIT E

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

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

1. Persons Subject to Policy

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

2. Compensation Subject to Policy

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

3. Recovery of Compensation

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

4. Manner of Recovery; Limitation on Duplicative Recovery

The Committee shall, in its sole discretion, determine the manner of recovery of any Erroneously Awarded Compensation, which may include, without limitation, reduction or cancellation by the Company or an affiliate of the Company of Incentive-Based Compensation, Erroneously Awarded Compensation or time-vesting equity or cash awards, reimbursement or repayment by any person subject to this Policy of the Erroneously Awarded Compensation, and, to the extent permitted by law, an offset of the Erroneously Awarded Compensation against other

compensation payable by the Company or an affiliate of the Company to such person. Notwithstanding the foregoing, unless otherwise prohibited by the Applicable Rules, to the extent this Policy provides for recovery of Erroneously Awarded Compensation already recovered by the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 or Other Recovery Arrangements, the amount of Erroneously Awarded Compensation

already recovered by the Company from the recipient of such Erroneously Awarded Compensation may be credited to the amount of Erroneously Awarded Compensation required to be recovered pursuant to this Policy from such person.

5. Administration

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

6. Interpretation

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

7. No Indemnification; No Liability

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

8. Application; Enforceability

Except as otherwise determined by the Committee or the Board, the adoption of this Policy does not limit, and is intended to apply in addition to (but without duplication of), any other clawback, recoupment, forfeiture or similar policies or provisions of the Company or its affiliates, including any such policies or provisions of such effect contained in any employment agreement, bonus plan, incentive plan, equity-based or cash-based plan or award agreement

thereunder or similar plan, program or agreement of the Company or an affiliate or required under applicable law (the “**Other Recovery Arrangements**”). The remedy specified in this Policy shall not be exclusive and shall be in addition to every other right or remedy at law or in equity that may be available to the Company or an affiliate of the Company.

9. Severability

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

10. Amendment and Termination

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

11. Definitions

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

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

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

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

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Financial Reporting Measure" means any measure determined and presented in accordance with the accounting principles used in preparing the Company's financial statements,

and any measures derived wholly or in part from such measures, including GAAP and non-GAAP financial measures, as well as stock or share price and total equityholder or stockholder return.

"GAAP" means United States generally accepted accounting principles.

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

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

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

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

**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: May 8, 2024 August 7, 2024

/s/ Christopher J. Abate

Christopher J. Abate

Chief Executive Officer

EXHIBIT 31.2

**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: May 8, 2024 August 7, 2024

/s/ Brooke E. Carillo

Brooke E. Carillo
Chief Financial Officer

EXHIBIT 32.1

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 March 31, 2024 June 30, 2024 (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: May 8, 2024 August 7, 2024

/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.

EXHIBIT 32.2

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 March 31, 2024 June 30, 2024 (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: May 8, 2024 August 7, 2024

/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.

DISCLAIMER

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