

Form 5500 Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Annual Return/Report of Employee Benefit Plan This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6057(b) and 6058(a) of the Internal Revenue Code (the Code). ▶ Complete all entries in accordance with the instructions to the Form 5500.	OMB Nos. 1210-0110 1210-0089 2021 This Form is Open to Public Inspection
---	---	---

Part I	Annual Report Identification Information
For calendar plan year 2021 or fiscal plan year beginning <u>01/01/2021</u> and ending <u>12/31/2021</u>	
A This return/report is for:	☐ a multiemployer plan ☐ a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions.) ☒ a single-employer plan ☐ a DFE (specify) _____
B This return/report is:	☐ the first return/report ☐ the final return/report ☒ an amended return/report ☐ a short plan year return/report (less than 12 months)
C If the plan is a collectively-bargained plan, check here.	☐
D Check box if filing under:	☒ Form 5558 ☐ automatic extension ☐ the DFVC program ☐ special extension (enter description)
E If this is a retroactively adopted plan permitted by SECURE Act section 201, check here.	☐

Part II	Basic Plan Information—enter all requested information				
1a Name of plan <u>REDWOOD TRUST, INC. 401(K) PROFIT SHARING PLAN</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">1b Three-digit plan number (PN) ▶</td> <td style="width: 20%; text-align: center;"><u>001</u></td> </tr> <tr> <td colspan="2">1c Effective date of plan <u>01/01/1995</u></td> </tr> </table>	1b Three-digit plan number (PN) ▶	<u>001</u>	1c Effective date of plan <u>01/01/1995</u>	
1b Three-digit plan number (PN) ▶	<u>001</u>				
1c Effective date of plan <u>01/01/1995</u>					
2a Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions) <u>REDWOOD TRUST, INC.</u> <u>ONE BELVEDERE PLACE</u> <u>SUITE 300</u> <u>MILL VALLEY, CA 94941</u>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>2b Employer Identification Number (EIN) <u>68-0329422</u></td> </tr> <tr> <td>2c Plan Sponsor's telephone number <u>415-389-7373</u></td> </tr> <tr> <td>2d Business code (see instructions) <u>525920</u></td> </tr> </table>	2b Employer Identification Number (EIN) <u>68-0329422</u>	2c Plan Sponsor's telephone number <u>415-389-7373</u>	2d Business code (see instructions) <u>525920</u>	
2b Employer Identification Number (EIN) <u>68-0329422</u>					
2c Plan Sponsor's telephone number <u>415-389-7373</u>					
2d Business code (see instructions) <u>525920</u>					

Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

SIGN HERE	Filed with authorized/valid electronic signature.	10/17/2022	ASHLEY MILLER
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
SIGN HERE	Filed with authorized/valid electronic signature.	10/17/2022	ASHLEY MILLER
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
SIGN HERE			
	Signature of DFE	Date	Enter name of individual signing as DFE

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Form 5500 (2021)
v. 210624

3a Plan administrator's name and address ☐ Same as Plan Sponsor REDWOOD TRUST, INC. ONE BELVEDERE PLACE SUITE 300 MILL VALLEY, CA 94941	3b Administrator's EIN 68-0329422 3c Administrator's telephone number 415-389-7373
4 If the name and/or EIN of the plan sponsor or the plan name has changed since the last return/report filed for this plan, enter the plan sponsor's name, EIN, the plan name and the plan number from the last return/report: a Sponsor's name c Plan Name	4b EIN 4d PN
5 Total number of participants at the beginning of the plan year	5 370
6 Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines 6a(1) , 6a(2) , 6b , 6c , and 6d). a(1) Total number of active participants at the beginning of the plan year..... a(2) Total number of active participants at the end of the plan year b Retired or separated participants receiving benefits..... c Other retired or separated participants entitled to future benefits d Subtotal. Add lines 6a(2) , 6b , and 6c e Deceased participants whose beneficiaries are receiving or are entitled to receive benefits. f Total. Add lines 6d and 6e g Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item) h Number of participants who terminated employment during the plan year with accrued benefits that were less than 100% vested	6a(1) 235 6a(2) 287 6b 1 6c 146 6d 434 6e 0 6f 434 6g 429 6h 10
7 Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item).....	7
8a If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2E 2F 2G 2J 2K 2S 2T 3D b If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:	
9a Plan funding arrangement (check all that apply) (1) ☒ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor	9b Plan benefit arrangement (check all that apply) (1) ☒ Insurance (2) ☐ Code section 412(e)(3) insurance contracts (3) ☒ Trust (4) ☐ General assets of the sponsor
10 Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)	
a Pension Schedules (1) ☒ R (Retirement Plan Information) (2) ☐ MB (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary (3) ☐ SB (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	b General Schedules (1) ☒ H (Financial Information) (2) ☐ I (Financial Information – Small Plan) (3) ☒ <u>1</u> A (Insurance Information) (4) ☒ C (Service Provider Information) (5) ☐ D (DFE/Participating Plan Information) (6) ☐ G (Financial Transaction Schedules)

Part III Form M-1 Compliance Information (to be completed by welfare benefit plans)

11a If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

11b Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ☐ Yes ☐ No

11c Enter the Receipt Confirmation Code for the 2021 Form M-1 annual report. If the plan was not required to file the 2021 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code _____

SCHEDULE A (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Insurance Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500. ▶ Insurance companies are required to provide the information pursuant to ERISA section 103(a)(2).	OMB No. 1210-0110 2021 This Form is Open to Public Inspection
--	--	--

For calendar plan year 2021 or fiscal plan year beginning 01/01/2021 and ending 12/31/2021	
A Name of plan REDWOOD TRUST, INC. 401(K) PROFIT SHARING PLAN	B Three-digit plan number (PN) ▶ 001
C Plan sponsor's name as shown on line 2a of Form 5500 REDWOOD TRUST, INC.	D Employer Identification Number (EIN) 68-0329422

Part I	Information Concerning Insurance Contract Coverage, Fees, and Commissions	Provide information for each contract on a separate Schedule A. Individual contracts grouped as a unit in Parts II and III can be reported on a single Schedule A.
--------	---	--

1 Coverage Information:

(a) Name of insurance carrier
PRUDENTIAL RETIREMENT INSURANCE AND ANNUITY COMPANY

(b) EIN	(c) NAIC code	(d) Contract or identification number	(e) Approximate number of persons covered at end of policy or contract year	Policy or contract year	
				(f) From	(g) To
06-1050034	93629	041986	434	01/01/2021	12/31/2021

2 Insurance fee and commission information. Enter the total fees and total commissions paid. List in line 3 the agents, brokers, and other persons in descending order of the amount paid.

(a) Total amount of commissions paid	(b) Total amount of fees paid
0	0

3 Persons receiving commissions and fees. (Complete as many entries as needed to report all persons).

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

(a) Name and address of the agent, broker, or other person to whom commissions or fees were paid

(b) Amount of sales and base commissions paid	Fees and other commissions paid		(e) Organization code
	(c) Amount	(d) Purpose	

Part II Investment and Annuity Contract Information

Where individual contracts are provided, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

4	Current value of plan's interest under this contract in the general account at year end	4	5406493
5	Current value of plan's interest under this contract in separate accounts at year end.....	5	0

6 Contracts With Allocated Funds:**a** State the basis of premium rates ▶

b	Premiums paid to carrier	6b	
c	Premiums due but unpaid at the end of the year	6c	
d	If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, enter amount. Specify nature of costs ▶	6d	

e Type of contract: (1) ☐ individual policies (2) ☐ group deferred annuity
(3) ☐ other (specify) ▶

f If contract purchased, in whole or in part, to distribute benefits from a terminating plan, check here ▶ ☐**7** Contracts With Unallocated Funds (Do not include portions of these contracts maintained in separate accounts)

a Type of contract: (1) ☐ deposit administration (2) ☐ immediate participation guarantee
(3) ☐ guaranteed investment (4) ☒ other ▶ **GUARANTEED GENERAL ACCOUNT CONTRACT**

b	Balance at the end of the previous year	7b	5520730
----------	---	-----------	---------

c	Additions: (1) Contributions deposited during the year	7c(1)	693286	
	(2) Dividends and credits.....	7c(2)		
	(3) Interest credited during the year.....	7c(3)	84543	
	(4) Transferred from separate account.....	7c(4)		
	(5) Other (specify below).....	7c(5)	838747	

▶ **LOAN REPAYMENTS, TRANSFERS IN MISC. IN PLAN ROLLOVER**

(6) Total additions	7c(6)	1616576
---------------------------	--------------	---------

d	Total of balance and additions (add lines 7b and 7c(6))	7d	7137306
----------	--	-----------	---------

e Deductions:

	(1) Disbursed from fund to pay benefits or purchase annuities during year	7e(1)	750249	
	(2) Administration charge made by carrier.....	7e(2)	494	
	(3) Transferred to separate account.....	7e(3)		
	(4) Other (specify below).....	7e(4)	980070	

▶ **FORF. DR., TRANSFERS OUT LOAN INITIATIONS MISC. OUT**

(5) Total deductions	7e(5)	1730813
----------------------------	--------------	---------

f	Balance at the end of the current year (subtract line 7e(5) from line 7d).....	7f	5406493
----------	---	-----------	---------

Part III Welfare Benefit Contract Information

If more than one contract covers the same group of employees of the same employer(s) or members of the same employee organizations(s), the information may be combined for reporting purposes if such contracts are experience-rated as a unit. Where contracts cover individual employees, the entire group of such individual contracts with each carrier may be treated as a unit for purposes of this report.

8 Benefit and contract type (check all applicable boxes)

- a** ☐ Health (other than dental or vision)
 b ☐ Dental
 c ☐ Vision
 d ☐ Life insurance
e ☐ Temporary disability (accident and sickness)
 f ☐ Long-term disability
 g ☐ Supplemental unemployment
 h ☐ Prescription drug
i ☐ Stop loss (large deductible)
 j ☐ HMO contract
 k ☐ PPO contract
 l ☐ Indemnity contract
m ☐ Other (specify) ▶

9 Experience-rated contracts:

a Premiums: (1) Amount received	9a(1)		
(2) Increase (decrease) in amount due but unpaid	9a(2)		
(3) Increase (decrease) in unearned premium reserve	9a(3)		
(4) Earned ((1) + (2) - (3))		9a(4)	
b Benefit charges (1) Claims paid	9b(1)		
(2) Increase (decrease) in claim reserves	9b(2)		
(3) Incurred claims (add (1) and (2))		9b(3)	
(4) Claims charged		9b(4)	
c Remainder of premium: (1) Retention charges (on an accrual basis) --			
(A) Commissions	9c(1)(A)		
(B) Administrative service or other fees	9c(1)(B)		
(C) Other specific acquisition costs	9c(1)(C)		
(D) Other expenses	9c(1)(D)		
(E) Taxes	9c(1)(E)		
(F) Charges for risks or other contingencies	9c(1)(F)		
(G) Other retention charges	9c(1)(G)		
(H) Total retention		9c(1)(H)	
(2) Dividends or retroactive rate refunds. (These amounts were ☐ paid in cash, or ☐ credited.)		9c(2)	
d Status of policyholder reserves at end of year: (1) Amount held to provide benefits after retirement		9d(1)	
(2) Claim reserves		9d(2)	
(3) Other reserves		9d(3)	
e Dividends or retroactive rate refunds due. (Do not include amount entered in line 9c(2).)		9e	

10 Nonexperience-rated contracts:

a Total premiums or subscription charges paid to carrier	10a	
b If the carrier, service, or other organization incurred any specific costs in connection with the acquisition or retention of the contract or policy, other than reported in Part I, line 2 above, report amount. Specify nature of costs.	10b	

Part IV Provision of Information

11 Did the insurance company fail to provide any information necessary to complete Schedule A? ☐ Yes ☒ No

12 If the answer to line 11 is "Yes," specify the information not provided. ▶

SCHEDULE C (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Service Provider Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA). ▶ File as an attachment to Form 5500.	OMB No. 1210-0110
		2021
		This Form is Open to Public Inspection.

For calendar plan year 2021 or fiscal plan year beginning 01/01/2021 and ending 12/31/2021		
A Name of plan REDWOOD TRUST, INC. 401(K) PROFIT SHARING PLAN	B Three-digit plan number (PN) ▶	001
C Plan sponsor's name as shown on line 2a of Form 5500 REDWOOD TRUST, INC.	D Employer Identification Number (EIN) 68-0329422	

Part I	Service Provider Information (see instructions)
---------------	--

You must complete this Part, in accordance with the instructions, to report the information required for **each person** who received, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of monetary value) in connection with services rendered to the plan or the person's position with the plan during the plan year. If a person received **only** eligible indirect compensation for which the plan received the required disclosures, you are required to answer line 1 but are not required to include that person when completing the remainder of this Part.

1 Information on Persons Receiving Only Eligible Indirect Compensation

- a** Check "Yes" or "No" to indicate whether you are excluding a person from the remainder of this Part because they received only eligible indirect compensation for which the plan received the required disclosures (see instructions for definitions and conditions)..... ☒ Yes ☐ No
- b** If you answered line 1a "Yes," enter the name and EIN or address of each person providing the required disclosures for the service providers who received only eligible indirect compensation. Complete as many entries as needed (see instructions).

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation
PRUDENTIAL RETIREMENT INSURANCE AND
06-1050034

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

(b) Enter name and EIN or address of person who provided you disclosures on eligible indirect compensation

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

PRUDENTIAL RETIREMENT INSURANCE AND

06-1050034

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
13 15 37 50 64	NONE	63527	Yes ☒ No ☐	Yes ☒ No ☐	0	Yes ☒ No ☐

(a) Enter name and EIN or address (see instructions)

PENSIONMARK FINANCIAL GROUP LLC

61-1758632

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
27	NONE	42667	Yes ☐ No ☒	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

2. Information on Other Service Providers Receiving Direct or Indirect Compensation. Except for those persons for whom you answered "Yes" to line 1a above, complete as many entries as needed to list each person receiving, directly or indirectly, \$5,000 or more in total compensation (i.e., money or anything else of value) in connection with services rendered to the plan or their position with the plan during the plan year. (See instructions).

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

(a) Enter name and EIN or address (see instructions)

(b) Service Code(s)	(c) Relationship to employer, employee organization, or person known to be a party-in-interest	(d) Enter direct compensation paid by the plan. If none, enter -0-.	(e) Did service provider receive indirect compensation? (sources other than plan or plan sponsor)	(f) Did indirect compensation include eligible indirect compensation, for which the plan received the required disclosures?	(g) Enter total indirect compensation received by service provider excluding eligible indirect compensation for which you answered "Yes" to element (f). If none, enter -0-.	(h) Did the service provider give you a formula instead of an amount or estimated amount?
			Yes ☐ No ☐	Yes ☐ No ☐		Yes ☐ No ☐

Part I Service Provider Information (continued)

3. If you reported on line 2 receipt of indirect compensation, other than eligible indirect compensation, by a service provider, and the service provider is a fiduciary or provides contract administrator, consulting, custodial, investment advisory, investment management, broker, or recordkeeping services, answer the following questions for (a) each source from whom the service provider received \$1,000 or more in indirect compensation and (b) each source for whom the service provider gave you a formula used to determine the indirect compensation instead of an amount or estimated amount of the indirect compensation. Complete as many entries as needed to report the required information for each source.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation
PRUDENTIAL INSURANCE COMPANY OF AME	15 60 64	0

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.
PRUDENTIAL INVESTMENTS, LLC 22-3468527	22.000 BPS AND \$0.00 PER PARTICIPANT INVESTED IN THE FUND FROM 1/1/2021 TO 12/31/2021 PGIM HIGH YIELD CL Z

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

(a) Enter service provider name as it appears on line 2	(b) Service Codes (see instructions)	(c) Enter amount of indirect compensation

(d) Enter name and EIN (address) of source of indirect compensation	(e) Describe the indirect compensation, including any formula used to determine the service provider's eligibility for or the amount of the indirect compensation.

Part II Service Providers Who Fail or Refuse to Provide Information

4 Provide, to the extent possible, the following information for each service provider who failed or refused to provide the information necessary to complete this Schedule.

(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide
(a) Enter name and EIN or address of service provider (see instructions)	(b) Nature of Service Code(s)	(c) Describe the information that the service provider failed or refused to provide

Part III Termination Information on Accountants and Enrolled Actuaries (see instructions)

(complete as many entries as needed)

a Name:	SHEA LABAGH DOBBERSTEIN	b EIN:	94-2290202
c Position:	ACCOUNTANT		
d Address:	44 MONTGOMERY STREET, SUITE 3200 SAN FRANCISCO, CA 94104	e Telephone:	415-397-4444

Explanation: RESIGNING DUTIES.

a Name:		b EIN:	
c Position:			
d Address:		e Telephone:	

Explanation:

a Name:		b EIN:	
c Position:			
d Address:		e Telephone:	

Explanation:

a Name:		b EIN:	
c Position:			
d Address:		e Telephone:	

Explanation:

a Name:		b EIN:	
c Position:			
d Address:		e Telephone:	

Explanation:

SCHEDULE H (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Financial Information This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2021 This Form is Open to Public Inspection
--	--	---

For calendar plan year 2021 or fiscal plan year beginning 01/01/2021 and ending 12/31/2021		
A Name of plan REDWOOD TRUST, INC. 401(K) PROFIT SHARING PLAN	B Three-digit plan number (PN) ►	001
C Plan sponsor's name as shown on line 2a of Form 5500 REDWOOD TRUST, INC.	D Employer Identification Number (EIN) 68-0329422	

Part I	Asset and Liability Statement
---------------	--------------------------------------

1 Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. **Round off amounts to the nearest dollar.** MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.

Assets		(a) Beginning of Year	(b) End of Year
a Total noninterest-bearing cash.....	1a		
b Receivables (less allowance for doubtful accounts):			
(1) Employer contributions	1b(1)		
(2) Participant contributions.....	1b(2)		
(3) Other	1b(3)		
c General investments:			
(1) Interest-bearing cash (include money market accounts & certificates of deposit)	1c(1)		
(2) U.S. Government securities	1c(2)		
(3) Corporate debt instruments (other than employer securities):			
(A) Preferred	1c(3)(A)		
(B) All other	1c(3)(B)		
(4) Corporate stocks (other than employer securities):			
(A) Preferred	1c(4)(A)		
(B) Common	1c(4)(B)		
(5) Partnership/joint venture interests	1c(5)		
(6) Real estate (other than employer real property)	1c(6)		
(7) Loans (other than to participants)	1c(7)		
(8) Participant loans	1c(8)	361519	504276
(9) Value of interest in common/collective trusts	1c(9)		
(10) Value of interest in pooled separate accounts	1c(10)		
(11) Value of interest in master trust investment accounts	1c(11)		
(12) Value of interest in 103-12 investment entities	1c(12)		
(13) Value of interest in registered investment companies (e.g., mutual funds)	1c(13)	33319688	41257568
(14) Value of funds held in insurance company general account (unallocated contracts).....	1c(14)	5520730	5406493
(15) Other.....	1c(15)		

		(a) Beginning of Year	(b) End of Year
1d	Employer-related investments:		
(1)	Employer securities.....	1d(1)	
(2)	Employer real property.....	1d(2)	
e	Buildings and other property used in plan operation	1e	
f	Total assets (add all amounts in lines 1a through 1e)	1f	39201937 47168337
Liabilities			
g	Benefit claims payable	1g	
h	Operating payables	1h	
i	Acquisition indebtedness.....	1i	
j	Other liabilities.....	1j	
k	Total liabilities (add all amounts in lines 1g through 1j)	1k	0 0
Net Assets			
l	Net assets (subtract line 1k from line 1f)	1l	39201937 47168337

Part II Income and Expense Statement

2 Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

		(a) Amount	(b) Total
Income			
a	Contributions:		
(1)	Received or receivable in cash from: (A) Employers	2a(1)(A)	1235169
	(B) Participants	2a(1)(B)	3260398
	(C) Others (including rollovers).....	2a(1)(C)	735185
(2)	Noncash contributions.....	2a(2)	
(3)	Total contributions. Add lines 2a(1)(A) , (B) , (C) , and line 2a(2)	2a(3)	5230752
b	Earnings on investments:		
(1)	Interest:		
	(A) Interest-bearing cash (including money market accounts and certificates of deposit).....	2b(1)(A)	
	(B) U.S. Government securities	2b(1)(B)	
	(C) Corporate debt instruments	2b(1)(C)	
	(D) Loans (other than to participants)	2b(1)(D)	
	(E) Participant loans.....	2b(1)(E)	16864
	(F) Other	2b(1)(F)	84543
	(G) Total interest. Add lines 2b(1)(A) through (F)	2b(1)(G)	101407
(2)	Dividends: (A) Preferred stock.....	2b(2)(A)	
	(B) Common stock	2b(2)(B)	
	(C) Registered investment company shares (e.g. mutual funds).....	2b(2)(C)	506190
	(D) Total dividends. Add lines 2b(2)(A) , (B) , and (C)	2b(2)(D)	506190
(3)	Rents	2b(3)	
(4)	Net gain (loss) on sale of assets: (A) Aggregate proceeds	2b(4)(A)	
	(B) Aggregate carrying amount (see instructions).....	2b(4)(B)	
	(C) Subtract line 2b(4)(B) from line 2b(4)(A) and enter result	2b(4)(C)	0
(5)	Unrealized appreciation (depreciation) of assets: (A) Real estate	2b(5)(A)	
	(B) Other	2b(5)(B)	
	(C) Total unrealized appreciation of assets. Add lines 2b(5)(A) and (B)	2b(5)(C)	0

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts.....	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts.....	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts.....	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities.....	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds).....	2b(10)		5083325
c Other income.....	2c		-54962
d Total income. Add all income amounts in column (b) and enter total.....	2d		10866712
Expenses			
e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers.....	2e(1)	2793667	
(2) To insurance carriers for the provision of benefits.....	2e(2)		
(3) Other.....	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3).....	2e(4)		2793667
f Corrective distributions (see instructions).....	2f		5182
g Certain deemed distributions of participant loans (see instructions).....	2g		-4556
h Interest expense.....	2h		
i Administrative expenses: (1) Professional fees.....	2i(1)		
(2) Contract administrator fees.....	2i(2)		
(3) Investment advisory and management fees.....	2i(3)		
(4) Other.....	2i(4)	106019	
(5) Total administrative expenses. Add lines 2i(1) through (4).....	2i(5)		106019
j Total expenses. Add all expense amounts in column (b) and enter total.....	2j		2900312
Net Income and Reconciliation			
k Net income (loss). Subtract line 2j from line 2d.....	2k		7966400
l Transfers of assets:			
(1) To this plan.....	2l(1)		
(2) From this plan.....	2l(2)		

Part III Accountant's Opinion

3 Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

a The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unmodified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

b Check the appropriate box(es) to indicate whether the IQPA performed an ERISA section 103(a)(3)(C) audit. Check both boxes (1) and (2) if the audit was performed pursuant to both 29 CFR 2520.103-8 and 29 CFR 2520.103-12(d). Check box (3) if pursuant to neither.

(1) ☒ DOL Regulation 2520.103-8 (2) ☐ DOL Regulation 2520.103-12(d) (3) ☐ neither DOL Regulation 2520.103-8 nor DOL Regulation 2520.103-12(d).

c Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: **MAYER HOFFMAN MCCANN P.C.**

(2) EIN: **43-1947695**

d The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

Part IV Compliance Questions

4 CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

a Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.).....

	Yes	No	Amount
4a		X	

	Yes	No	Amount
b Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.)			
4b		X	
c Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)			
4c		X	
d Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)			
4d		X	
e Was this plan covered by a fidelity bond?	X		1000000
f Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X	
4f		X	
g Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4g		X	
h Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?			
4h		X	
i Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	X		
4i	X		
j Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked and see instructions for format requirements.)			
4j		X	
k Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?			
4k		X	
l Has the plan failed to provide any benefit when due under the plan?			
4l		X	
m If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)			
4m		X	
n If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.			
4n			

5a Has a resolution to terminate the plan been adopted during the plan year or any prior plan year? ☐ Yes ☒ No
If "Yes," enter the amount of any plan assets that reverted to the employer this year _____.

5b If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

5c Was the plan a defined benefit plan covered under the PBGC insurance program at any time during this plan year? (See ERISA section 4021 and instructions.) ☐ Yes ☐ No ☐ Not determined
If "Yes" is checked, enter the My PAA confirmation number from the PBGC premium filing for this plan year _____.

SCHEDULE R (Form 5500) Department of the Treasury Internal Revenue Service Department of Labor Employee Benefits Security Administration Pension Benefit Guaranty Corporation	Retirement Plan Information This schedule is required to be filed under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code). ► File as an attachment to Form 5500.	OMB No. 1210-0110 2021 This Form is Open to Public Inspection.
---	--	---

For calendar plan year 2021 or fiscal plan year beginning 01/01/2021 and ending 12/31/2021

A Name of plan REDWOOD TRUST, INC. 401(K) PROFIT SHARING PLAN	B Three-digit plan number (PN) ► 001
C Plan sponsor's name as shown on line 2a of Form 5500 REDWOOD TRUST, INC.	D Employer Identification Number (EIN) 68-0329422

Part I	Distributions
--------	---------------

All references to distributions relate only to payments of benefits during the plan year.

1 Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	1	0
2 Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits): EIN(s): 22-1211670 Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
3 Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year	3	

Part II	Funding Information (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part.)
---------	--

4 Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? If the plan is a defined benefit plan, go to line 8.	☐ Yes ☐ No ☐ N/A
5 If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____ If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.	
6 a Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived)	6a
b Enter the amount contributed by the employer to the plan for this plan year	6b
c Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	6c
If you completed line 6c, skip lines 8 and 9.	
7 Will the minimum funding amount reported on line 6c be met by the funding deadline?	☐ Yes ☐ No ☐ N/A
8 If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change?	☐ Yes ☐ No ☐ N/A

Part III	Amendments
----------	------------

9 If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box.....	☐ Increase ☐ Decrease ☐ Both ☐ No
--	--

Part IV	ESOPs (see instructions). If this is not a plan described under section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
---------	--

10 Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan?	☐ Yes ☐ No
11 a Does the ESOP hold any preferred stock?	☐ Yes ☐ No
b If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.)	☐ Yes ☐ No
12 Does the ESOP hold any stock that is not readily tradable on an established securities market?	☐ Yes ☐ No

For Paperwork Reduction Act Notice, see the Instructions for Form 5500.

Schedule R (Form 5500) 2021
v. 201209

Part V Additional Information for Multiemployer Defined Benefit Pension Plans

13 Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

a Name of contributing employer

b EIN

c Dollar amount contributed by employer

d Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month _____ Day _____ Year _____

e Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) _____

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): _____

- 14** Enter the number of deferred vested and retired participants (inactive participants), as of the beginning of the plan year, whose contributing employer is no longer making contributions to the plan for:

a The current plan year. Check the box to indicate the counting method used to determine the number of inactive participants: ☐ last contributing employer ☐ alternative ☐ reasonable approximation (see instructions for required attachment).....

14a

b The plan year immediately preceding the current plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment).....

14b

c The second preceding plan year. ☐ Check the box if the number reported is a change from what was previously reported (see instructions for required attachment).....

14c

- 15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

a The corresponding number for the plan year immediately preceding the current plan year.....

15a

b The corresponding number for the second preceding plan year

15b

- 16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

a Enter the number of employers who withdrew during the preceding plan year

16a

b If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers.....

16b

- 17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment..... ☐

Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

- 18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment..... ☐

- 19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

a Enter the percentage of plan assets held as:

Stock: _____% Investment-Grade Debt: _____% High-Yield Debt: _____% Real Estate: _____% Other: _____%

b Provide the average duration of the combined investment-grade and high-yield debt:

☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more

c What duration measure was used to calculate line 19(b)?

☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): _____

- 20 PBGC missed contribution reporting requirements.** If this is a multiemployer plan or a single-employer plan that is not covered by PBGC, skip line 20.

a Is the amount of unpaid minimum required contributions for all years from Schedule SB (Form 5500) line 40 greater than zero? ☐ Yes ☐ No

b If line 20a is "Yes," has PBGC been notified as required by ERISA sections 4043(c)(5) and/or 303(k)(4)? Check the applicable box:

☐ Yes.

☐ No. Reporting was waived under 29 CFR 4043.25(c)(2) because contributions equal to or exceeding the unpaid minimum required contribution were made by the 30th day after the due date.

☐ No. The 30-day period referenced in 29 CFR 4043.25(c)(2) has not yet ended, and the sponsor intends to make a contribution equal to or exceeding the unpaid minimum required contribution by the 30th day after the due date.

☐ No. Other. Provide explanation _____

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULE

Year Ended December 31, 2021

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

Year Ended December 31, 2021

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-4
Statements of Net Assets Available for Benefits as of December 31, 2021 and 2020	5
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2021	6
Notes to Financial Statements	7-16
Supplemental Schedule:	
Schedule H – Line 4i: Schedule of Assets (Held at End of Year) as of December 31, 2021	17



Mayer Hoffman McCann P.C.

44 Montgomery Street, Suite 3200 ■ San Francisco, CA 94104

415.397.4444 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT

TO THE PLAN ADMINISTRATOR AND PARTICIPANTS **OF REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN**

Scope and Nature of the ERISA Section 103(a)(3)(C) Audit for the 2021 Financial Statements

We have performed the audit of the financial statements of REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN ("the Plan"), an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), as permitted by ERISA Section 103(a)(3)(C) ("ERISA Section 103(a)(3)(C) audit"). The financial statements comprise the statement of net assets available for benefits as of December 31, 2021, and the related statement of changes in net assets available for benefits for the year then ended, and the related notes to the financial statements.

Management, having determined it is permissible in the circumstances, has elected to have the audit of the 2021 financial statements performed in accordance with ERISA Section 103(a)(3)(C) pursuant to 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. As permitted by ERISA Section 103(a)(3)(C), our audit need not extend to any statements or information related to assets held for investment of the Plan ("investment information") by a bank or similar institution or insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency, provided that the statements or information regarding assets so held are prepared and certified to by the bank or similar institution or insurance carrier in accordance with 29 CFR 2520.103-5 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA ("qualified institution").

Management has obtained a certification from a qualified institution as of and for the year ended December 31, 2021, stating that the certified investment information, as described in Note 4 to the financial statements, is complete and accurate.

Opinion on the 2021 Financial Statements

In our opinion, based on our audit and on the procedures performed as described in the Auditors' Responsibilities for the Audit of the 2021 Financial Statements section:

- The amounts and disclosures in the accompanying 2021 financial statements, other than those agreed to or derived from the certified investment information, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
- The information in the accompanying 2021 financial statements related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).



Member of Kreston International — a global network of independent accounting firms

Basis for Opinion on the 2021 Financial Statements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 2021 Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our ERISA Section 103(a)(3)(C) audit opinion.

Responsibilities of Management for the 2021 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management's election of the ERISA Section 103(a)(3)(C) audit does not affect management's responsibility for the financial statements.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern within one year after the date that the 2021 financial statements are issued or available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the Plan, and determining that the Plan's transactions that are presented and disclosed in the financial statements are in conformity with the Plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditors' Responsibilities for the Audit of the 2021 Financial Statements

Except as described in the Scope and Nature of the ERISA Section 103(a)(3)(C) Audit for the 2021 Financial Statements section of our report, our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

Our audit did not extend to the certified investment information, except for obtaining and reading the certification, comparing the certified investment information with the related information presented and disclosed in the 2021 financial statements, and reading the disclosures relating to the certified investment information to assess whether they are in accordance with the presentation and disclosure requirements of accounting principles generally accepted in the United States of America.

Accordingly, the objective of an ERISA Section 103(a)(3)(C) audit is not to express an opinion about whether the financial statements as a whole are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter - Supplemental Schedule Required by ERISA

The supplemental schedule of Schedule H – Line 4i: Schedule of Assets (Held at End of Year) as of December 31, 2021, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information included in the supplemental schedule, other than that agreed to or derived from the certified investment information, has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. For information included in the supplemental schedule that agreed to or is derived from the certified investment information, we compared such information to the related certified investment information.

In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, other than the information agreed to or derived from the certified investment information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion:

- The form and content of the supplemental schedule, other than the information in the supplemental schedule that agreed to or is derived from the certified investment information, are presented, in all material respects, in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.
- The information in the supplemental schedule related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Other Matter - Auditors' Report on the 2020 Financial Statements

The 2020 financial statements of the Plan were audited by predecessor auditors. As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA, the plan administrator instructed the predecessor auditors not to perform, and they did not perform, any auditing procedures with respect to the information certified by the qualified institution. Their report dated October 14, 2021 indicated that (a) because of the significance of the information that they did not audit, they were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and accordingly, they did not express an opinion on the 2020 financial statements and supplemental schedule, and (b) the form and content of the information included in the 2020 financial statements and supplemental schedule other than that derived from the certified information were presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.



San Francisco, California
October 13, 2022

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	2021	2020
<u>ASSETS</u>		
<u>INVESTMENTS, AT FAIR VALUE</u>	<u>\$ 41,257,568</u>	<u>\$ 33,319,688</u>
<u>FULLY BENEFIT-RESPONSIVE INVESTMENT</u> <u>CONTRACT, AT CONTRACT VALUE</u>	<u>5,406,493</u>	<u>5,520,730</u>
<u>RECEIVABLES</u>		
Employer Contributions	85,069	88,082
Notes Receivable from Participants	<u>504,276</u>	<u>361,519</u>
<u>TOTAL RECEIVABLES</u>	<u>589,345</u>	<u>449,601</u>
<u>NET ASSETS AVAILABLE FOR BENEFITS</u>	<u>\$ 47,253,406</u>	<u>\$ 39,290,019</u>

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year Ended December 31, 2021

ADDITIONS

ADDITIONS TO NET ASSETS ATTRIBUTED TO:

INVESTMENT INCOME

Net Appreciation in Fair Value of Investments	\$ 5,119,334
Interest and Dividend Income	<u>590,733</u>

<u>NET INVESTMENT INCOME</u>	<u>5,710,067</u>
------------------------------	------------------

INTEREST INCOME ON NOTES RECEIVABLE
FROM PARTICIPANTS

16,864

CONTRIBUTIONS

Participants	3,260,398
Employer	1,176,096
Rollover	<u>735,185</u>

<u>TOTAL CONTRIBUTIONS</u>	<u>5,171,679</u>
----------------------------	------------------

<u>TOTAL ADDITIONS</u>	<u>10,898,610</u>
------------------------	-------------------

DEDUCTIONS

DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:

<u>BENEFITS PAID TO PARTICIPANTS</u>	2,798,849
--------------------------------------	-----------

<u>ADMINISTRATIVE EXPENSES</u>	<u>136,374</u>
--------------------------------	----------------

<u>TOTAL DEDUCTIONS</u>	<u>2,935,223</u>
-------------------------	------------------

<u>NET INCREASE IN NET ASSETS</u>	7,963,387
-----------------------------------	-----------

NET ASSETS AVAILABLE FOR BENEFITS
AT BEGINNING OF YEAR

39,290,019

NET ASSETS AVAILABLE FOR BENEFITS
AT END OF YEAR

\$ 47,253,406

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – DESCRIPTION OF THE PLAN

The following description of the Redwood Trust, Inc. 401(k) Profit Sharing Plan (the “Plan”) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan’s provisions.

General – The Plan was established on January 1, 1995 to provide retirement benefits for employees of Redwood Trust, Inc. (the “Company”), and was subsequently amended to include employees of 5 Arches, LLC (“5 Arch”) and CoreVest American Finance Lender, LLC (“CoreVest”). The Plan is a defined contribution plan available to all full-time United States employees who have reached at least 21 years of age and who are not nonresident aliens, members of a collective bargaining agreement or part-time employees credited with less than 1,000 hours of service. Employees meeting the aforementioned eligibility criteria may participate in the Plan on the first day of the calendar month following thirty consecutive days of employment. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended and certain provisions of the Internal Revenue Code (“IRC”).

The Plan provides for a plan administrator who is responsible for keeping accurate and complete records of the Plan’s operations, informing participants of changes or amendments to the Plan, ensuring that the Plan conforms to the law and to government regulations, and providing participants with any reports and documents required by law.

Effective April 7, 2020, the Plan implemented the distribution and loan provisions of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act that was signed into law on March 27, 2020. The distribution provisions allowed the Plan’s qualified participants to take a coronavirus-related distribution up to \$100,000 from the Plan beginning on or after January 1, 2020 and before December 31, 2020. The loan provisions increased the maximum loan available to a qualified participant to the lesser of his or her account balance or \$100,000 for a loan issued between March 27, 2020, and September 22, 2020. The loan provisions also allowed qualified Plan participants who had outstanding loans on or after March 27, 2020 to defer any repayments until December 31, 2020.

Participant Contributions – Participants in the Plan may elect to contribute, on a pretax, after-tax and post-tax (“Roth”) basis, either a percentage or set dollar amount of annual eligible compensation, as defined by the Plan agreement. Participants may contribute up to 100% of their annual eligible compensation, subject to annual limits specified by the IRC. All newly eligible employees, except for 5 Arch employees, are automatically enrolled to contribute 5% of their eligible compensation, unless they decline participation in the Plan. Thereafter, effective January 1st of each year, the contribution will automatically increase by 1%, up to a maximum of 10%, not to exceed the annual maximum amount permitted by the IRC.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – DESCRIPTION OF THE PLAN (Continued)

Participant Contributions (Continued) – For the year ended December 31, 2021, the annual limitation was \$19,500. Participants who reached at least 50 years of age by the end of the Plan year were permitted to make additional catch-up contributions limited to \$6,500 for the year ended December 31, 2021. Participants are also allowed to roll over contributions from other qualified retirement plans, subject to approval by the Plan administrator.

Employer Contributions – The Company may make discretionary matching contributions determined annually based on a percentage of the participant's pretax contributions. For the year ended December 31, 2021, the Company's matching contribution equaled 50% of the participant's contributions to the Plan, up to a maximum of 4% of the participant's annual eligible compensation, limited to a maximum of \$9,750 per participant. The Plan also allows the Company to make discretionary profit-sharing contributions. For the year ended December 31, 2021, the Company elected to make no profit-sharing contributions to the Plan.

Participant Accounts – The Plan maintains an account for each participant that is credited with the participant's contributions and the Company's matching contributions and allocations of (a) the Company's profit-sharing contributions, if any, and (b) the Plan's investment earnings or losses. Participant accounts are charged with an allocation of administrative expenses that are paid for by the Plan, offset by an allocation of revenue sharing credits, if any. Allocations are based on the participant earnings, account balances, or specific participant transactions, as defined by the Plan agreement. The benefit to which a participant is entitled is equivalent to the participant's vested account balance.

Vesting – Participants are immediately vested in their voluntary and rollover contributions plus actual earnings thereon. Vesting in employer contributions and earnings thereon is based on years of continuous service. Participants become 33% vested on their first anniversary of employment with the Company and vest an additional 33% annually thereafter. Participants become 100% vested after three years of credited service. Upon disability or death while employed by the Company, the participant becomes 100% vested in their account balance.

Investment Options – Upon enrollment in the Plan, participants may direct the investment of their account balances into various funds offered through the Plan.

Notes Receivable from Participants – Eligible participants may borrow from their vested account balance and are permitted a maximum of two loans. The minimum loan amount is \$1,000 and the maximum is equal to the lesser of \$50,000 or 50% of their vested account balance. Permitted loan terms are 12 to 60 months for general loans and 61 to 180 months for loans made to finance the purchase of a primary residence. Interest rates are based on the prime rate published in the Wall Street Journal and the rate remains fixed for the life of the loan.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – DESCRIPTION OF THE PLAN (Continued)

Notes Receivable from Participants (Continued) – Principal and interest are paid ratably through semi-monthly or bi-weekly payroll deductions. Loans, and any unpaid interest, become due and payable immediately upon termination of employment or death. As discussed above, pursuant to the CARES Act, the maximum loan amounts for qualified participants was increased for loans issued between March 27, 2020, and September 22, 2020. Additionally, qualified participants could request a delay of loan repayments that were scheduled between March 27, 2020 and December 31, 2020. If a delay was granted, the participant's note was re-amortized and included any interest accrued during the period of delay.

Payment of Benefits – Participants are eligible to receive distributions from the Plan upon reaching normal or early retirement age, termination of service, disability, or death. Normal retirement age, as amended is 62 years and early retirement age is 59 ½ years. A participant who has reached 59 1/2 years of age may elect to receive a pre-retirement distribution. A participant may also be eligible for a withdrawal due to financial hardship in certain circumstances. Distributions to the participant or beneficiary are made in the form of a lump-sum payment or in monthly, quarterly or annual installments totaling the value of the participant's vested interest in his or her account. If a terminated participant's account is \$1,000 or less, the balance will be distributed to the participant in a lump sum. Account balances between \$1,000 and \$5,000 will be directly rolled over into an individual retirement account ("IRA").

Benefit payments to the participant generally must begin no later than April 1st following the later of the end of the year after the participant attains age 72 or the year in which the participant terminates employment. In addition, pursuant to the CARES Act, participants who were currently receiving required minimum distributions were offered the option to waive their 2020 distribution and participants who were due to receive the first required distribution in 2020 had their distribution automatically waived. As discussed above, the Plan also permitted qualified participants to request a coronavirus-related distribution up to \$100,000 during 2020, with repayment terms up to three years, in accordance with the CARES Act.

Forfeited Accounts – A participant's non-vested account balance is forfeited upon separation of employment with the Company. Forfeited balances are used to reduce future Company matching contributions. As of December 31, 2021 and 2020, forfeited non-vested accounts amounted to \$13,435 and \$13,103, respectively. Forfeitures of \$58,810 were used to partially fund employer contributions during the year ended December 31, 2021.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The Plan's financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results may differ from those estimates.

Investment Valuation and Income Recognition – Investments are reported at fair value, except for the fully benefit-responsive investment contract, the Guaranteed Income Fund, which is reported at contract value. The Plan's Investment Committee determines the Plan's valuation policies utilizing information provided by the investment adviser and trustee. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements. Contract value represents deposits made to the contract, plus earnings at guaranteed crediting rates, less withdrawals and fees.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Notes Receivable from Participants – Notes receivable from participants represent loans that are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses when they are incurred. No allowance for credit losses has been recorded as of December 31, 2021 or 2020. Delinquent participant loans are reported as distributions of benefit payments based upon the terms of the plan document. During the year ending December 31, 2021 there were no delinquent participant loans.

Payment of Benefits – Benefits are recorded when paid.

Administrative Expenses – Certain administrative expenses of maintaining the Plan are paid directly by the Company and are excluded from these financial statements. Fees related to the administration of notes receivable from participants and investment related expenses are charged directly to participants' accounts and are included in administrative expenses. Investment related expenses are included in net appreciation of the fair value of investments.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 3 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

Plan assets measured at fair value consist of investments in mutual funds. The fair value of mutual funds is determined using the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded. There have been no changes in the methodology used to determine fair value as of December 31, 2021 and 2020.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

The preceding valuation method may produce a fair value determination that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2021 and 2020:

		2021			
		Level 1	Level 2	Level 3	Total
Total Investments in the Fair Value Hierarchy:					
Mutual Funds		<u>\$ 41,257,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,257,568</u>
		2020			
		Level 1	Level 2	Level 3	Total
Total Investments in the Fair Value Hierarchy:					
Mutual Funds		\$ 33,319,688	\$ -	\$ -	\$ 33,319,688

NOTE 4 – INFORMATION CERTIFIED BY THE TRUSTEE OF THE PLAN

The Plan administrator has elected the method of compliance as permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, Prudential Bank & Trust, F.S.B. ("Prudential"), the trustee of the Plan, has certified the completeness and accuracy of all investments and the notes receivable from participants information presented on the accompanying Statements of Net Assets Available for Benefits, and the investment information in Notes 3 and 5 as of December 31, 2021 and 2020, the supplemental Schedule H, line 4i: Schedule of Assets (Held at End of Year) as of December 31, 2021, and the related investment income and income on notes receivable from participants presented in the Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2021.

The Plan's independent public accountants did not perform auditing procedures with respect to this information, except for comparing such information to the related information included in the financial statements and supplemental schedule.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 5 – GUARANTEED INCOME FUND

The Plan entered into a general account backed evergreen (no maturity date) group annuity contract with Prudential Retirement Insurance and Annuity Company. Prudential Retirement Insurance and Annuity Company maintains contributions to this fund in a general account. The account is credited with earnings at guaranteed crediting rates and charged for Plan withdrawals and administrative expenses. The issuer is contractually obligated to repay the principal and a specified interest rate that was guaranteed to the Plan. Generally, there are no circumstances that could limit the ability of the Plan to transact at contract value or which would result in benefits to be paid out over an extended period of time. This contract is considered to be benefit responsive.

The Plan has determined that the contract value of this fund represents its fair value because, there are not any specific securities in the general account that back the liabilities of this annuity contract and it would be inappropriate to look to the market value of the securities within the insurer's general account to determine a fair value. Also, because the Plan has the right to receive interest at crediting rates which are announced in advance and guaranteed for a specified period of time as outlined in the group annuity contract, there are not any known cash flows that could be discounted. As a result, the contract value represents the fair value.

Interest is credited on contract balances using a single "portfolio rate" approach. Under this methodology, a single interest crediting rate is applied to all contributions made to the product regardless of the timing of those contributions. Interest crediting rates are reviewed on a semi-annual basis for resetting. When establishing interest crediting rates for this product, the issuer considers many factors, including current economic and market conditions, the general interest rate environment and both the expected and actual experience of a reference portfolio within the issuer's general account. These rates are established without the use of a specific formula.

The following table summarizes information regarding the Guaranteed Income Fund as of December 31, 2021 and 2020:

<u>Year</u>	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Significant Input Values</u>	<u>Weighted Average</u>
2021	\$5,406,493	Contract Value	Composite Guaranteed Rate	Minimum Rate of 1.50%	1.50%
2020	\$5,520,730	Contract Value	Composite Guaranteed Rate	Minimum Rate of 1.50%	1.50%

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 6 – RELATED PARTY TRANSACTIONS

Certain Plan investments are managed by Prudential, who also serves as the trustee of the Plan and therefore, these transactions qualify as related party-in-interest transactions; however, they are exempt from the prohibited transaction rules under ERISA.

Prudential provides certain administrative services to the Plan pursuant to a trust agreement between the Company and Prudential. Prudential receives revenue from investment fund service providers for services Prudential provides to the funds. This revenue sharing is used to offset certain amounts owed to Prudential for its administrative services to the Plan and excess revenue, if any, may also be credited to participants.

Fees incurred and paid by the Plan to Prudential for the recordkeeping and investment management services are recorded as part of administrative expenses. The Plan also pays directly any other fees related to the Plan's operations if not paid by the Company or through revenue sharing.

NOTE 7 – PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their account balances.

On April 20, 2020, the Company experienced a 20% reduction in workforce. This level of reduction of participating employees triggered a partial plan termination. Accordingly, all affected participating employees became 100% vested in their account balances, if not already fully vested.

NOTE 8 – TAX STATUS

The Plan is a defined contribution plan designed to qualify as a tax-exempt plan under the IRC. A favorable determination letter from the IRS was received on April 29, 2014, regarding the qualified status of the prototype plan on which the terms of the Plan are based. The Plan has not filed for a separate determination letter; however, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. Accordingly, no provision for income taxes is reported in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the federal and state taxing authorities. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 – RISKS AND UNCERTAINTIES

The Plan provides for various investment options in any combination among the funds offered through Prudential. Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risks. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in investment value in the near term would materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits and the Statement of Changes in Net Assets Available for Benefits.

As of December 31, 2021, and 2020, investments in 3 funds represented 46% and 48% of total assets, respectively.

NOTE 10 – RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of amounts presented in the financial statements to Form 5500 as of December 31, 2021 and 2020, and for the year ended December 31, 2021:

	<u>2021</u>	<u>2020</u>
a. Net Assets Available for Benefits per the Financial Statements	\$ 47,253,406	\$ 39,290,019
Reconciling Item:		
Employer Contributions Receivable	<u>(85,069)</u>	<u>(88,082)</u>
Net Assets Available for Benefits per Form 5500	<u>\$ 47,168,337</u>	<u>\$ 39,201,937</u>
 b. Net Increase in Net Assets per the Financial Statements	 \$ 7,963,387	
Reconciling Item:		
Change in Employer Contributions Receivable	<u>3,013</u>	
Net Increase in Net Assets Per Form 5500	<u>\$ 7,966,400</u>	

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 11 – SUBSEQUENT EVENTS

Effective April 1, 2022, the Plan sponsor appointed Fidelity Management Trust Company as the plan's trustee, thereby replacing Prudential as the plan's trustee. This change had no significant impact on the Plan's provisions.

Plan management has evaluated the impact of subsequent events on these financial statements, including disclosures, through October 13, 2022, which is the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULE

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

SCHEDULE H – LINE 4i: SCHEDULE OF ASSETS (HELD AT END OF YEAR)

EIN: 68-0329422

Plan Number: 001

December 31, 2021

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost	(e) Current Value
		<u>Mutual Funds:</u>		
	Vanguard	Vanguard Small Cap Index	35,885 Shares ^	\$ 3,888,857
	Vanguard	Vanguard 500 IDX Admiral	26,336 Shares ^	11,583,369
	Vanguard	Vanguard International Growth Fund	39,550 Shares ^	5,509,331
	Vanguard	Vanguard Mid Cap Index	13,569 Shares ^	4,280,351
	Vanguard	Vanguard Intermediate Term	155,537 Shares ^	1,849,338
	Dimensional Fund	DFA World US Govt Fixed Income	145,179 Shares ^	1,456,145
	PIMCO	PIMCO INC Fund Inst	156,483 Shares ^	1,868,401
	Cohen & Steer	Cohen & Steer Inst Realty	31,584 Shares ^	1,869,125
	JP Morgan	JPM Large Cap Growth	52,533 Shares ^	3,364,760
	JP Morgan	JPM Small Cap Growth	29,364 Shares ^	755,542
	INVESCO	Invesco Developing Markets	8,492 Shares ^	399,310
	PGIM	PGIM High Yield	25,363 Shares ^	139,494
	American Funds	American Funds Wash MUT	23,886 Shares ^	1,443,926
	TIAA-CREF	TIAA Lifecy Index 2040	11,217 Shares ^	313,291
	TIAA-CREF	TIAA Lifecy Index 2030	3,040 Shares ^	74,337
	TIAA-CREF	TIAA Cref Interneq Ind	15,940 Shares ^	364,712
	TIAA-CREF	TIAA Lifecy Index 2045	2,658 Shares ^	77,090
	TIAA-CREF	TIAA Lifecy Index 2025	4,031 Shares ^	90,473
	TIAA-CREF	TIAA Lifecy Index 2050	46 Shares ^	1,348
	TIAA-CREF	TIAA Lifecy IDX Retirement	708 Shares ^	12,115
	TIAA-CREF	TIAA Lifecy Index 2055	203 Shares ^	4,812
	TIAA-CREF	TIAA Lifecy Index 2060	1,227 Shares ^	22,484
	Delaware Funds	Delaware Small cap value	6,737 Shares ^	548,597
	Brown Advisory	Brown Advy Sust Growth	8,789 Shares ^	439,969
	Virtus	Virtus Kar Mid Cap Growth	3,401 Shares ^	241,758
	MFS	MFS Mid Cap Value	3,806 Shares ^	123,420
	Western Asset	West Asset Core Bond	40,845 Shares ^	535,215
				<u>41,257,568</u>
		<u>Fully Benefit-Responsive Investment Contract:</u>		
*	Prudential Retirement Insurance and Annuity Company	Guaranteed Income Fund 1.50%	187,597 Units ^	5,406,493
*	Notes Receivable from Participants	36 notes receivable bearing interest ranging from 3.25% to 5.50% with maturity dates from Aug 2021 to March 2036	-	<u>504,276</u>
				<u>\$ 47,168,337</u>

* Denotes Party-In-Interest as defined by ERISA.

^ Column (d) Cost is omitted for participant directed investments.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULE

Year Ended December 31, 2021

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

Year Ended December 31, 2021

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-4
Statements of Net Assets Available for Benefits as of December 31, 2021 and 2020	5
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2021	6
Notes to Financial Statements	7-16
Supplemental Schedule:	
Schedule H – Line 4i: Schedule of Assets (Held at End of Year) as of December 31, 2021	17



Mayer Hoffman McCann P.C.

44 Montgomery Street, Suite 3200 ■ San Francisco, CA 94104

415.397.4444 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT

TO THE PLAN ADMINISTRATOR AND PARTICIPANTS **OF REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN**

Scope and Nature of the ERISA Section 103(a)(3)(C) Audit for the 2021 Financial Statements

We have performed the audit of the financial statements of REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN ("the Plan"), an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), as permitted by ERISA Section 103(a)(3)(C) ("ERISA Section 103(a)(3)(C) audit"). The financial statements comprise the statement of net assets available for benefits as of December 31, 2021, and the related statement of changes in net assets available for benefits for the year then ended, and the related notes to the financial statements.

Management, having determined it is permissible in the circumstances, has elected to have the audit of the 2021 financial statements performed in accordance with ERISA Section 103(a)(3)(C) pursuant to 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. As permitted by ERISA Section 103(a)(3)(C), our audit need not extend to any statements or information related to assets held for investment of the Plan ("investment information") by a bank or similar institution or insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency, provided that the statements or information regarding assets so held are prepared and certified to by the bank or similar institution or insurance carrier in accordance with 29 CFR 2520.103-5 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA ("qualified institution").

Management has obtained a certification from a qualified institution as of and for the year ended December 31, 2021, stating that the certified investment information, as described in Note 4 to the financial statements, is complete and accurate.

Opinion on the 2021 Financial Statements

In our opinion, based on our audit and on the procedures performed as described in the Auditors' Responsibilities for the Audit of the 2021 Financial Statements section:

- The amounts and disclosures in the accompanying 2021 financial statements, other than those agreed to or derived from the certified investment information, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
- The information in the accompanying 2021 financial statements related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).



Member of Kreston International — a global network of independent accounting firms

Basis for Opinion on the 2021 Financial Statements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 2021 Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our ERISA Section 103(a)(3)(C) audit opinion.

Responsibilities of Management for the 2021 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management's election of the ERISA Section 103(a)(3)(C) audit does not affect management's responsibility for the financial statements.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern within one year after the date that the 2021 financial statements are issued or available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the Plan, and determining that the Plan's transactions that are presented and disclosed in the financial statements are in conformity with the Plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditors' Responsibilities for the Audit of the 2021 Financial Statements

Except as described in the Scope and Nature of the ERISA Section 103(a)(3)(C) Audit for the 2021 Financial Statements section of our report, our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

Our audit did not extend to the certified investment information, except for obtaining and reading the certification, comparing the certified investment information with the related information presented and disclosed in the 2021 financial statements, and reading the disclosures relating to the certified investment information to assess whether they are in accordance with the presentation and disclosure requirements of accounting principles generally accepted in the United States of America.

Accordingly, the objective of an ERISA Section 103(a)(3)(C) audit is not to express an opinion about whether the financial statements as a whole are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter - Supplemental Schedule Required by ERISA

The supplemental schedule of Schedule H – Line 4i: Schedule of Assets (Held at End of Year) as of December 31, 2021, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information included in the supplemental schedule, other than that agreed to or derived from the certified investment information, has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. For information included in the supplemental schedule that agreed to or is derived from the certified investment information, we compared such information to the related certified investment information.

In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, other than the information agreed to or derived from the certified investment information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion:

- The form and content of the supplemental schedule, other than the information in the supplemental schedule that agreed to or is derived from the certified investment information, are presented, in all material respects, in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.
- The information in the supplemental schedule related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Other Matter - Auditors' Report on the 2020 Financial Statements

The 2020 financial statements of the Plan were audited by predecessor auditors. As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA, the plan administrator instructed the predecessor auditors not to perform, and they did not perform, any auditing procedures with respect to the information certified by the qualified institution. Their report dated October 14, 2021 indicated that (a) because of the significance of the information that they did not audit, they were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and accordingly, they did not express an opinion on the 2020 financial statements and supplemental schedule, and (b) the form and content of the information included in the 2020 financial statements and supplemental schedule other than that derived from the certified information were presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

Mayer Hoffman McCann P.C.

San Francisco, California
October 13, 2022

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	2021	2020
<u>ASSETS</u>		
<u>INVESTMENTS, AT FAIR VALUE</u>	<u>\$ 41,257,568</u>	<u>\$ 33,319,688</u>
<u>FULLY BENEFIT-RESPONSIVE INVESTMENT</u> <u>CONTRACT, AT CONTRACT VALUE</u>	<u>5,406,493</u>	<u>5,520,730</u>
<u>RECEIVABLES</u>		
Employer Contributions	85,069	88,082
Notes Receivable from Participants	<u>504,276</u>	<u>361,519</u>
<u>TOTAL RECEIVABLES</u>	<u>589,345</u>	<u>449,601</u>
<u>NET ASSETS AVAILABLE FOR BENEFITS</u>	<u>\$ 47,253,406</u>	<u>\$ 39,290,019</u>

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year Ended December 31, 2021

ADDITIONS

ADDITIONS TO NET ASSETS ATTRIBUTED TO:

INVESTMENT INCOME

Net Appreciation in Fair Value of Investments	\$ 5,119,334
Interest and Dividend Income	<u>590,733</u>

<u>NET INVESTMENT INCOME</u>	<u>5,710,067</u>
------------------------------	------------------

INTEREST INCOME ON NOTES RECEIVABLE
FROM PARTICIPANTS

16,864

CONTRIBUTIONS

Participants	3,260,398
Employer	1,176,096
Rollover	<u>735,185</u>

<u>TOTAL CONTRIBUTIONS</u>	<u>5,171,679</u>
----------------------------	------------------

<u>TOTAL ADDITIONS</u>	<u>10,898,610</u>
------------------------	-------------------

DEDUCTIONS

DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:

<u>BENEFITS PAID TO PARTICIPANTS</u>	2,798,849
--------------------------------------	-----------

<u>ADMINISTRATIVE EXPENSES</u>	<u>136,374</u>
--------------------------------	----------------

<u>TOTAL DEDUCTIONS</u>	<u>2,935,223</u>
-------------------------	------------------

<u>NET INCREASE IN NET ASSETS</u>	7,963,387
-----------------------------------	-----------

NET ASSETS AVAILABLE FOR BENEFITS
AT BEGINNING OF YEAR

39,290,019

NET ASSETS AVAILABLE FOR BENEFITS
AT END OF YEAR

\$ 47,253,406

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – DESCRIPTION OF THE PLAN

The following description of the Redwood Trust, Inc. 401(k) Profit Sharing Plan (the “Plan”) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan’s provisions.

General – The Plan was established on January 1, 1995 to provide retirement benefits for employees of Redwood Trust, Inc. (the “Company”), and was subsequently amended to include employees of 5 Arches, LLC (“5 Arch”) and CoreVest American Finance Lender, LLC (“CoreVest”). The Plan is a defined contribution plan available to all full-time United States employees who have reached at least 21 years of age and who are not nonresident aliens, members of a collective bargaining agreement or part-time employees credited with less than 1,000 hours of service. Employees meeting the aforementioned eligibility criteria may participate in the Plan on the first day of the calendar month following thirty consecutive days of employment. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended and certain provisions of the Internal Revenue Code (“IRC”).

The Plan provides for a plan administrator who is responsible for keeping accurate and complete records of the Plan’s operations, informing participants of changes or amendments to the Plan, ensuring that the Plan conforms to the law and to government regulations, and providing participants with any reports and documents required by law.

Effective April 7, 2020, the Plan implemented the distribution and loan provisions of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act that was signed into law on March 27, 2020. The distribution provisions allowed the Plan’s qualified participants to take a coronavirus-related distribution up to \$100,000 from the Plan beginning on or after January 1, 2020 and before December 31, 2020. The loan provisions increased the maximum loan available to a qualified participant to the lesser of his or her account balance or \$100,000 for a loan issued between March 27, 2020, and September 22, 2020. The loan provisions also allowed qualified Plan participants who had outstanding loans on or after March 27, 2020 to defer any repayments until December 31, 2020.

Participant Contributions – Participants in the Plan may elect to contribute, on a pretax, after-tax and post-tax (“Roth”) basis, either a percentage or set dollar amount of annual eligible compensation, as defined by the Plan agreement. Participants may contribute up to 100% of their annual eligible compensation, subject to annual limits specified by the IRC. All newly eligible employees, except for 5 Arch employees, are automatically enrolled to contribute 5% of their eligible compensation, unless they decline participation in the Plan. Thereafter, effective January 1st of each year, the contribution will automatically increase by 1%, up to a maximum of 10%, not to exceed the annual maximum amount permitted by the IRC.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – DESCRIPTION OF THE PLAN (Continued)

Participant Contributions (Continued) – For the year ended December 31, 2021, the annual limitation was \$19,500. Participants who reached at least 50 years of age by the end of the Plan year were permitted to make additional catch-up contributions limited to \$6,500 for the year ended December 31, 2021. Participants are also allowed to roll over contributions from other qualified retirement plans, subject to approval by the Plan administrator.

Employer Contributions – The Company may make discretionary matching contributions determined annually based on a percentage of the participant's pretax contributions. For the year ended December 31, 2021, the Company's matching contribution equaled 50% of the participant's contributions to the Plan, up to a maximum of 4% of the participant's annual eligible compensation, limited to a maximum of \$9,750 per participant. The Plan also allows the Company to make discretionary profit-sharing contributions. For the year ended December 31, 2021, the Company elected to make no profit-sharing contributions to the Plan.

Participant Accounts – The Plan maintains an account for each participant that is credited with the participant's contributions and the Company's matching contributions and allocations of (a) the Company's profit-sharing contributions, if any, and (b) the Plan's investment earnings or losses. Participant accounts are charged with an allocation of administrative expenses that are paid for by the Plan, offset by an allocation of revenue sharing credits, if any. Allocations are based on the participant earnings, account balances, or specific participant transactions, as defined by the Plan agreement. The benefit to which a participant is entitled is equivalent to the participant's vested account balance.

Vesting – Participants are immediately vested in their voluntary and rollover contributions plus actual earnings thereon. Vesting in employer contributions and earnings thereon is based on years of continuous service. Participants become 33% vested on their first anniversary of employment with the Company and vest an additional 33% annually thereafter. Participants become 100% vested after three years of credited service. Upon disability or death while employed by the Company, the participant becomes 100% vested in their account balance.

Investment Options – Upon enrollment in the Plan, participants may direct the investment of their account balances into various funds offered through the Plan.

Notes Receivable from Participants – Eligible participants may borrow from their vested account balance and are permitted a maximum of two loans. The minimum loan amount is \$1,000 and the maximum is equal to the lesser of \$50,000 or 50% of their vested account balance. Permitted loan terms are 12 to 60 months for general loans and 61 to 180 months for loans made to finance the purchase of a primary residence. Interest rates are based on the prime rate published in the Wall Street Journal and the rate remains fixed for the life of the loan.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – DESCRIPTION OF THE PLAN (Continued)

Notes Receivable from Participants (Continued) – Principal and interest are paid ratably through semi-monthly or bi-weekly payroll deductions. Loans, and any unpaid interest, become due and payable immediately upon termination of employment or death. As discussed above, pursuant to the CARES Act, the maximum loan amounts for qualified participants was increased for loans issued between March 27, 2020, and September 22, 2020. Additionally, qualified participants could request a delay of loan repayments that were scheduled between March 27, 2020 and December 31, 2020. If a delay was granted, the participant's note was re-amortized and included any interest accrued during the period of delay.

Payment of Benefits – Participants are eligible to receive distributions from the Plan upon reaching normal or early retirement age, termination of service, disability, or death. Normal retirement age, as amended is 62 years and early retirement age is 59 ½ years. A participant who has reached 59 1/2 years of age may elect to receive a pre-retirement distribution. A participant may also be eligible for a withdrawal due to financial hardship in certain circumstances. Distributions to the participant or beneficiary are made in the form of a lump-sum payment or in monthly, quarterly or annual installments totaling the value of the participant's vested interest in his or her account. If a terminated participant's account is \$1,000 or less, the balance will be distributed to the participant in a lump sum. Account balances between \$1,000 and \$5,000 will be directly rolled over into an individual retirement account ("IRA").

Benefit payments to the participant generally must begin no later than April 1st following the later of the end of the year after the participant attains age 72 or the year in which the participant terminates employment. In addition, pursuant to the CARES Act, participants who were currently receiving required minimum distributions were offered the option to waive their 2020 distribution and participants who were due to receive the first required distribution in 2020 had their distribution automatically waived. As discussed above, the Plan also permitted qualified participants to request a coronavirus-related distribution up to \$100,000 during 2020, with repayment terms up to three years, in accordance with the CARES Act.

Forfeited Accounts – A participant's non-vested account balance is forfeited upon separation of employment with the Company. Forfeited balances are used to reduce future Company matching contributions. As of December 31, 2021 and 2020, forfeited non-vested accounts amounted to \$13,435 and \$13,103, respectively. Forfeitures of \$58,810 were used to partially fund employer contributions during the year ended December 31, 2021.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The Plan's financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results may differ from those estimates.

Investment Valuation and Income Recognition – Investments are reported at fair value, except for the fully benefit-responsive investment contract, the Guaranteed Income Fund, which is reported at contract value. The Plan's Investment Committee determines the Plan's valuation policies utilizing information provided by the investment adviser and trustee. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements. Contract value represents deposits made to the contract, plus earnings at guaranteed crediting rates, less withdrawals and fees.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Notes Receivable from Participants – Notes receivable from participants represent loans that are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses when they are incurred. No allowance for credit losses has been recorded as of December 31, 2021 or 2020. Delinquent participant loans are reported as distributions of benefit payments based upon the terms of the plan document. During the year ending December 31, 2021 there were no delinquent participant loans.

Payment of Benefits – Benefits are recorded when paid.

Administrative Expenses – Certain administrative expenses of maintaining the Plan are paid directly by the Company and are excluded from these financial statements. Fees related to the administration of notes receivable from participants and investment related expenses are charged directly to participants' accounts and are included in administrative expenses. Investment related expenses are included in net appreciation of the fair value of investments.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 3 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

Plan assets measured at fair value consist of investments in mutual funds. The fair value of mutual funds is determined using the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded. There have been no changes in the methodology used to determine fair value as of December 31, 2021 and 2020.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

The preceding valuation method may produce a fair value determination that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2021 and 2020:

	2021			
	Level 1	Level 2	Level 3	Total
Total Investments in the Fair Value Hierarchy: Mutual Funds	<u>\$ 41,257,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,257,568</u>

	2020			
	Level 1	Level 2	Level 3	Total
Total Investments in the Fair Value Hierarchy: Mutual Funds	<u>\$ 33,319,688</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,319,688</u>

NOTE 4 – INFORMATION CERTIFIED BY THE TRUSTEE OF THE PLAN

The Plan administrator has elected the method of compliance as permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, Prudential Bank & Trust, F.S.B. ("Prudential"), the trustee of the Plan, has certified the completeness and accuracy of all investments and the notes receivable from participants information presented on the accompanying Statements of Net Assets Available for Benefits, and the investment information in Notes 3 and 5 as of December 31, 2021 and 2020, the supplemental Schedule H, line 4i: Schedule of Assets (Held at End of Year) as of December 31, 2021, and the related investment income and income on notes receivable from participants presented in the Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2021.

The Plan's independent public accountants did not perform auditing procedures with respect to this information, except for comparing such information to the related information included in the financial statements and supplemental schedule.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 5 – GUARANTEED INCOME FUND

The Plan entered into a general account backed evergreen (no maturity date) group annuity contract with Prudential Retirement Insurance and Annuity Company. Prudential Retirement Insurance and Annuity Company maintains contributions to this fund in a general account. The account is credited with earnings at guaranteed crediting rates and charged for Plan withdrawals and administrative expenses. The issuer is contractually obligated to repay the principal and a specified interest rate that was guaranteed to the Plan. Generally, there are no circumstances that could limit the ability of the Plan to transact at contract value or which would result in benefits to be paid out over an extended period of time. This contract is considered to be benefit responsive.

The Plan has determined that the contract value of this fund represents its fair value because, there are not any specific securities in the general account that back the liabilities of this annuity contract and it would be inappropriate to look to the market value of the securities within the insurer's general account to determine a fair value. Also, because the Plan has the right to receive interest at crediting rates which are announced in advance and guaranteed for a specified period of time as outlined in the group annuity contract, there are not any known cash flows that could be discounted. As a result, the contract value represents the fair value.

Interest is credited on contract balances using a single "portfolio rate" approach. Under this methodology, a single interest crediting rate is applied to all contributions made to the product regardless of the timing of those contributions. Interest crediting rates are reviewed on a semi-annual basis for resetting. When establishing interest crediting rates for this product, the issuer considers many factors, including current economic and market conditions, the general interest rate environment and both the expected and actual experience of a reference portfolio within the issuer's general account. These rates are established without the use of a specific formula.

The following table summarizes information regarding the Guaranteed Income Fund as of December 31, 2021 and 2020:

<u>Year</u>	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Significant Input Values</u>	<u>Weighted Average</u>
2021	\$5,406,493	Contract Value	Composite Guaranteed Rate	Minimum Rate of 1.50%	1.50%
2020	\$5,520,730	Contract Value	Composite Guaranteed Rate	Minimum Rate of 1.50%	1.50%

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 6 – RELATED PARTY TRANSACTIONS

Certain Plan investments are managed by Prudential, who also serves as the trustee of the Plan and therefore, these transactions qualify as related party-in-interest transactions; however, they are exempt from the prohibited transaction rules under ERISA.

Prudential provides certain administrative services to the Plan pursuant to a trust agreement between the Company and Prudential. Prudential receives revenue from investment fund service providers for services Prudential provides to the funds. This revenue sharing is used to offset certain amounts owed to Prudential for its administrative services to the Plan and excess revenue, if any, may also be credited to participants.

Fees incurred and paid by the Plan to Prudential for the recordkeeping and investment management services are recorded as part of administrative expenses. The Plan also pays directly any other fees related to the Plan's operations if not paid by the Company or through revenue sharing.

NOTE 7 – PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their account balances.

On April 20, 2020, the Company experienced a 20% reduction in workforce. This level of reduction of participating employees triggered a partial plan termination. Accordingly, all affected participating employees became 100% vested in their account balances, if not already fully vested.

NOTE 8 – TAX STATUS

The Plan is a defined contribution plan designed to qualify as a tax-exempt plan under the IRC. A favorable determination letter from the IRS was received on April 29, 2014, regarding the qualified status of the prototype plan on which the terms of the Plan are based. The Plan has not filed for a separate determination letter; however, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. Accordingly, no provision for income taxes is reported in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the federal and state taxing authorities. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 – RISKS AND UNCERTAINTIES

The Plan provides for various investment options in any combination among the funds offered through Prudential. Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risks. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in investment value in the near term would materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits and the Statement of Changes in Net Assets Available for Benefits.

As of December 31, 2021, and 2020, investments in 3 funds represented 46% and 48% of total assets, respectively.

NOTE 10 – RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of amounts presented in the financial statements to Form 5500 as of December 31, 2021 and 2020, and for the year ended December 31, 2021:

	<u>2021</u>	<u>2020</u>
a. Net Assets Available for Benefits per the Financial Statements	\$ 47,253,406	\$ 39,290,019
Reconciling Item:		
Employer Contributions Receivable	<u>(85,069)</u>	<u>(88,082)</u>
Net Assets Available for Benefits per Form 5500	<u>\$ 47,168,337</u>	<u>\$ 39,201,937</u>
 b. Net Increase in Net Assets per the Financial Statements	 \$ 7,963,387	
Reconciling Item:		
Change in Employer Contributions Receivable	<u>3,013</u>	
Net Increase in Net Assets Per Form 5500	<u>\$ 7,966,400</u>	

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 11 – SUBSEQUENT EVENTS

Effective April 1, 2022, the Plan sponsor appointed Fidelity Management Trust Company as the plan's trustee, thereby replacing Prudential as the plan's trustee. This change had no significant impact on the Plan's provisions.

Plan management has evaluated the impact of subsequent events on these financial statements, including disclosures, through October 13, 2022, which is the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULE

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

SCHEDULE H – LINE 4i: SCHEDULE OF ASSETS (HELD AT END OF YEAR)

EIN: 68-0329422

Plan Number: 001

December 31, 2021

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost	(e) Current Value
		<u>Mutual Funds:</u>		
	Vanguard	Vanguard Small Cap Index	35,885 Shares ^	\$ 3,888,857
	Vanguard	Vanguard 500 IDX Admiral	26,336 Shares ^	11,583,369
	Vanguard	Vanguard International Growth Fund	39,550 Shares ^	5,509,331
	Vanguard	Vanguard Mid Cap Index	13,569 Shares ^	4,280,351
	Vanguard	Vanguard Intermediate Term	155,537 Shares ^	1,849,338
	Dimensional Fund	DFA World US Govt Fixed Income	145,179 Shares ^	1,456,145
	PIMCO	PIMCO INC Fund Inst	156,483 Shares ^	1,868,401
	Cohen & Steer	Cohen & Steer Inst Realty	31,584 Shares ^	1,869,125
	JP Morgan	JPM Large Cap Growth	52,533 Shares ^	3,364,760
	JP Morgan	JPM Small Cap Growth	29,364 Shares ^	755,542
	INVESCO	Invesco Developing Markets	8,492 Shares ^	399,310
	PGIM	PGIM High Yield	25,363 Shares ^	139,494
	American Funds	American Funds Wash MUT	23,886 Shares ^	1,443,926
	TIAA-CREF	TIAA Lifecy Index 2040	11,217 Shares ^	313,291
	TIAA-CREF	TIAA Lifecy Index 2030	3,040 Shares ^	74,337
	TIAA-CREF	TIAA Cref Interneq Ind	15,940 Shares ^	364,712
	TIAA-CREF	TIAA Lifecy Index 2045	2,658 Shares ^	77,090
	TIAA-CREF	TIAA Lifecy Index 2025	4,031 Shares ^	90,473
	TIAA-CREF	TIAA Lifecy Index 2050	46 Shares ^	1,348
	TIAA-CREF	TIAA Lifecy IDX Retirement	708 Shares ^	12,115
	TIAA-CREF	TIAA Lifecy Index 2055	203 Shares ^	4,812
	TIAA-CREF	TIAA Lifecy Index 2060	1,227 Shares ^	22,484
	Delaware Funds	Delaware Small cap value	6,737 Shares ^	548,597
	Brown Advisory	Brown Advy Sust Growth	8,789 Shares ^	439,969
	Virtus	Virtus Kar Mid Cap Growth	3,401 Shares ^	241,758
	MFS	MFS Mid Cap Value	3,806 Shares ^	123,420
	Western Asset	West Asset Core Bond	40,845 Shares ^	535,215
				41,257,568
		<u>Fully Benefit-Responsive Investment Contract:</u>		
*	Prudential Retirement Insurance and Annuity Company	Guaranteed Income Fund 1.50%	187,597 Units ^	5,406,493
*	Notes Receivable from Participants	36 notes receivable bearing interest ranging from 3.25% to 5.50% with maturity dates from Aug 2021 to March 2036	-	
				504,276
				\$ 47,168,337

* Denotes Party-In-Interest as defined by ERISA.

^ Column (d) Cost is omitted for participant directed investments.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULE

Year Ended December 31, 2021

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

Year Ended December 31, 2021

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-4
Statements of Net Assets Available for Benefits as of December 31, 2021 and 2020	5
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2021	6
Notes to Financial Statements	7-16
Supplemental Schedule:	
Schedule H – Line 4i: Schedule of Assets (Held at End of Year) as of December 31, 2021	17



Mayer Hoffman McCann P.C.

44 Montgomery Street, Suite 3200 ■ San Francisco, CA 94104

415.397.4444 ■ www.mhmcpa.com

INDEPENDENT AUDITORS' REPORT

TO THE PLAN ADMINISTRATOR AND PARTICIPANTS **OF REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN**

Scope and Nature of the ERISA Section 103(a)(3)(C) Audit for the 2021 Financial Statements

We have performed the audit of the financial statements of REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN ("the Plan"), an employee benefit plan subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), as permitted by ERISA Section 103(a)(3)(C) ("ERISA Section 103(a)(3)(C) audit"). The financial statements comprise the statement of net assets available for benefits as of December 31, 2021, and the related statement of changes in net assets available for benefits for the year then ended, and the related notes to the financial statements.

Management, having determined it is permissible in the circumstances, has elected to have the audit of the 2021 financial statements performed in accordance with ERISA Section 103(a)(3)(C) pursuant to 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. As permitted by ERISA Section 103(a)(3)(C), our audit need not extend to any statements or information related to assets held for investment of the Plan ("investment information") by a bank or similar institution or insurance carrier that is regulated, supervised, and subject to periodic examination by a state or federal agency, provided that the statements or information regarding assets so held are prepared and certified to by the bank or similar institution or insurance carrier in accordance with 29 CFR 2520.103-5 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA ("qualified institution").

Management has obtained a certification from a qualified institution as of and for the year ended December 31, 2021, stating that the certified investment information, as described in Note 4 to the financial statements, is complete and accurate.

Opinion on the 2021 Financial Statements

In our opinion, based on our audit and on the procedures performed as described in the Auditors' Responsibilities for the Audit of the 2021 Financial Statements section:

- The amounts and disclosures in the accompanying 2021 financial statements, other than those agreed to or derived from the certified investment information, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
- The information in the accompanying 2021 financial statements related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).



Member of Kreston International — a global network of independent accounting firms

Basis for Opinion on the 2021 Financial Statements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 2021 Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our ERISA Section 103(a)(3)(C) audit opinion.

Responsibilities of Management for the 2021 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management's election of the ERISA Section 103(a)(3)(C) audit does not affect management's responsibility for the financial statements.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern within one year after the date that the 2021 financial statements are issued or available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments, administering the Plan, and determining that the Plan's transactions that are presented and disclosed in the financial statements are in conformity with the Plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditors' Responsibilities for the Audit of the 2021 Financial Statements

Except as described in the Scope and Nature of the ERISA Section 103(a)(3)(C) Audit for the 2021 Financial Statements section of our report, our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

Our audit did not extend to the certified investment information, except for obtaining and reading the certification, comparing the certified investment information with the related information presented and disclosed in the 2021 financial statements, and reading the disclosures relating to the certified investment information to assess whether they are in accordance with the presentation and disclosure requirements of accounting principles generally accepted in the United States of America.

Accordingly, the objective of an ERISA Section 103(a)(3)(C) audit is not to express an opinion about whether the financial statements as a whole are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter - Supplemental Schedule Required by ERISA

The supplemental schedule of Schedule H – Line 4i: Schedule of Assets (Held at End of Year) as of December 31, 2021, is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information included in the supplemental schedule, other than that agreed to or derived from the certified investment information, has been subjected to auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. For information included in the supplemental schedule that agreed to or is derived from the certified investment information, we compared such information to the related certified investment information.

In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, other than the information agreed to or derived from the certified investment information, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

In our opinion:

- The form and content of the supplemental schedule, other than the information in the supplemental schedule that agreed to or is derived from the certified investment information, are presented, in all material respects, in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.
- The information in the supplemental schedule related to assets held by and certified to by a qualified institution agrees to, or is derived from, in all material respects, the information prepared and certified by an institution that management determined meets the requirements of ERISA Section 103(a)(3)(C).

Other Matter - Auditors' Report on the 2020 Financial Statements

The 2020 financial statements of the Plan were audited by predecessor auditors. As permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA, the plan administrator instructed the predecessor auditors not to perform, and they did not perform, any auditing procedures with respect to the information certified by the qualified institution. Their report dated October 14, 2021 indicated that (a) because of the significance of the information that they did not audit, they were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and accordingly, they did not express an opinion on the 2020 financial statements and supplemental schedule, and (b) the form and content of the information included in the 2020 financial statements and supplemental schedule other than that derived from the certified information were presented in compliance with the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA.

Mayer Hoffman McCann P.C.

San Francisco, California
October 13, 2022

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

	December 31,	
	2021	2020
<u>ASSETS</u>		
<u>INVESTMENTS, AT FAIR VALUE</u>	<u>\$ 41,257,568</u>	<u>\$ 33,319,688</u>
<u>FULLY BENEFIT-RESPONSIVE INVESTMENT</u> <u>CONTRACT, AT CONTRACT VALUE</u>	<u>5,406,493</u>	<u>5,520,730</u>
<u>RECEIVABLES</u>		
Employer Contributions	85,069	88,082
Notes Receivable from Participants	<u>504,276</u>	<u>361,519</u>
<u>TOTAL RECEIVABLES</u>	<u>589,345</u>	<u>449,601</u>
<u>NET ASSETS AVAILABLE FOR BENEFITS</u>	<u>\$ 47,253,406</u>	<u>\$ 39,290,019</u>

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year Ended December 31, 2021

ADDITIONS

ADDITIONS TO NET ASSETS ATTRIBUTED TO:

INVESTMENT INCOME

Net Appreciation in Fair Value of Investments	\$ 5,119,334
Interest and Dividend Income	<u>590,733</u>

<u>NET INVESTMENT INCOME</u>	<u>5,710,067</u>
------------------------------	------------------

INTEREST INCOME ON NOTES RECEIVABLE
FROM PARTICIPANTS

16,864

CONTRIBUTIONS

Participants	3,260,398
Employer	1,176,096
Rollover	<u>735,185</u>

<u>TOTAL CONTRIBUTIONS</u>	<u>5,171,679</u>
----------------------------	------------------

<u>TOTAL ADDITIONS</u>	<u>10,898,610</u>
------------------------	-------------------

DEDUCTIONS

DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:

<u>BENEFITS PAID TO PARTICIPANTS</u>	2,798,849
--------------------------------------	-----------

<u>ADMINISTRATIVE EXPENSES</u>	<u>136,374</u>
--------------------------------	----------------

<u>TOTAL DEDUCTIONS</u>	<u>2,935,223</u>
-------------------------	------------------

<u>NET INCREASE IN NET ASSETS</u>	7,963,387
-----------------------------------	-----------

<u>NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR</u>	<u>39,290,019</u>
---	-------------------

<u>NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR</u>	<u>\$ 47,253,406</u>
---	----------------------

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – DESCRIPTION OF THE PLAN

The following description of the Redwood Trust, Inc. 401(k) Profit Sharing Plan (the “Plan”) provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan’s provisions.

General – The Plan was established on January 1, 1995 to provide retirement benefits for employees of Redwood Trust, Inc. (the “Company”), and was subsequently amended to include employees of 5 Arches, LLC (“5 Arch”) and CoreVest American Finance Lender, LLC (“CoreVest”). The Plan is a defined contribution plan available to all full-time United States employees who have reached at least 21 years of age and who are not nonresident aliens, members of a collective bargaining agreement or part-time employees credited with less than 1,000 hours of service. Employees meeting the aforementioned eligibility criteria may participate in the Plan on the first day of the calendar month following thirty consecutive days of employment. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (“ERISA”), as amended and certain provisions of the Internal Revenue Code (“IRC”).

The Plan provides for a plan administrator who is responsible for keeping accurate and complete records of the Plan’s operations, informing participants of changes or amendments to the Plan, ensuring that the Plan conforms to the law and to government regulations, and providing participants with any reports and documents required by law.

Effective April 7, 2020, the Plan implemented the distribution and loan provisions of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act that was signed into law on March 27, 2020. The distribution provisions allowed the Plan’s qualified participants to take a coronavirus-related distribution up to \$100,000 from the Plan beginning on or after January 1, 2020 and before December 31, 2020. The loan provisions increased the maximum loan available to a qualified participant to the lesser of his or her account balance or \$100,000 for a loan issued between March 27, 2020, and September 22, 2020. The loan provisions also allowed qualified Plan participants who had outstanding loans on or after March 27, 2020 to defer any repayments until December 31, 2020.

Participant Contributions – Participants in the Plan may elect to contribute, on a pretax, after-tax and post-tax (“Roth”) basis, either a percentage or set dollar amount of annual eligible compensation, as defined by the Plan agreement. Participants may contribute up to 100% of their annual eligible compensation, subject to annual limits specified by the IRC. All newly eligible employees, except for 5 Arch employees, are automatically enrolled to contribute 5% of their eligible compensation, unless they decline participation in the Plan. Thereafter, effective January 1st of each year, the contribution will automatically increase by 1%, up to a maximum of 10%, not to exceed the annual maximum amount permitted by the IRC.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – DESCRIPTION OF THE PLAN (Continued)

Participant Contributions (Continued) – For the year ended December 31, 2021, the annual limitation was \$19,500. Participants who reached at least 50 years of age by the end of the Plan year were permitted to make additional catch-up contributions limited to \$6,500 for the year ended December 31, 2021. Participants are also allowed to roll over contributions from other qualified retirement plans, subject to approval by the Plan administrator.

Employer Contributions – The Company may make discretionary matching contributions determined annually based on a percentage of the participant's pretax contributions. For the year ended December 31, 2021, the Company's matching contribution equaled 50% of the participant's contributions to the Plan, up to a maximum of 4% of the participant's annual eligible compensation, limited to a maximum of \$9,750 per participant. The Plan also allows the Company to make discretionary profit-sharing contributions. For the year ended December 31, 2021, the Company elected to make no profit-sharing contributions to the Plan.

Participant Accounts – The Plan maintains an account for each participant that is credited with the participant's contributions and the Company's matching contributions and allocations of (a) the Company's profit-sharing contributions, if any, and (b) the Plan's investment earnings or losses. Participant accounts are charged with an allocation of administrative expenses that are paid for by the Plan, offset by an allocation of revenue sharing credits, if any. Allocations are based on the participant earnings, account balances, or specific participant transactions, as defined by the Plan agreement. The benefit to which a participant is entitled is equivalent to the participant's vested account balance.

Vesting – Participants are immediately vested in their voluntary and rollover contributions plus actual earnings thereon. Vesting in employer contributions and earnings thereon is based on years of continuous service. Participants become 33% vested on their first anniversary of employment with the Company and vest an additional 33% annually thereafter. Participants become 100% vested after three years of credited service. Upon disability or death while employed by the Company, the participant becomes 100% vested in their account balance.

Investment Options – Upon enrollment in the Plan, participants may direct the investment of their account balances into various funds offered through the Plan.

Notes Receivable from Participants – Eligible participants may borrow from their vested account balance and are permitted a maximum of two loans. The minimum loan amount is \$1,000 and the maximum is equal to the lesser of \$50,000 or 50% of their vested account balance. Permitted loan terms are 12 to 60 months for general loans and 61 to 180 months for loans made to finance the purchase of a primary residence. Interest rates are based on the prime rate published in the Wall Street Journal and the rate remains fixed for the life of the loan.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 1 – DESCRIPTION OF THE PLAN (Continued)

Notes Receivable from Participants (Continued) – Principal and interest are paid ratably through semi-monthly or bi-weekly payroll deductions. Loans, and any unpaid interest, become due and payable immediately upon termination of employment or death. As discussed above, pursuant to the CARES Act, the maximum loan amounts for qualified participants was increased for loans issued between March 27, 2020, and September 22, 2020. Additionally, qualified participants could request a delay of loan repayments that were scheduled between March 27, 2020 and December 31, 2020. If a delay was granted, the participant's note was re-amortized and included any interest accrued during the period of delay.

Payment of Benefits – Participants are eligible to receive distributions from the Plan upon reaching normal or early retirement age, termination of service, disability, or death. Normal retirement age, as amended is 62 years and early retirement age is 59 ½ years. A participant who has reached 59 1/2 years of age may elect to receive a pre-retirement distribution. A participant may also be eligible for a withdrawal due to financial hardship in certain circumstances. Distributions to the participant or beneficiary are made in the form of a lump-sum payment or in monthly, quarterly or annual installments totaling the value of the participant's vested interest in his or her account. If a terminated participant's account is \$1,000 or less, the balance will be distributed to the participant in a lump sum. Account balances between \$1,000 and \$5,000 will be directly rolled over into an individual retirement account ("IRA").

Benefit payments to the participant generally must begin no later than April 1st following the later of the end of the year after the participant attains age 72 or the year in which the participant terminates employment. In addition, pursuant to the CARES Act, participants who were currently receiving required minimum distributions were offered the option to waive their 2020 distribution and participants who were due to receive the first required distribution in 2020 had their distribution automatically waived. As discussed above, the Plan also permitted qualified participants to request a coronavirus-related distribution up to \$100,000 during 2020, with repayment terms up to three years, in accordance with the CARES Act.

Forfeited Accounts – A participant's non-vested account balance is forfeited upon separation of employment with the Company. Forfeited balances are used to reduce future Company matching contributions. As of December 31, 2021 and 2020, forfeited non-vested accounts amounted to \$13,435 and \$13,103, respectively. Forfeitures of \$58,810 were used to partially fund employer contributions during the year ended December 31, 2021.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The Plan's financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Use of Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results may differ from those estimates.

Investment Valuation and Income Recognition – Investments are reported at fair value, except for the fully benefit-responsive investment contract, the Guaranteed Income Fund, which is reported at contract value. The Plan's Investment Committee determines the Plan's valuation policies utilizing information provided by the investment adviser and trustee. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 3 for discussion of fair value measurements. Contract value represents deposits made to the contract, plus earnings at guaranteed crediting rates, less withdrawals and fees.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Notes Receivable from Participants – Notes receivable from participants represent loans that are measured at their unpaid principal balance plus any accrued but unpaid interest. Interest income is recorded on the accrual basis. Related fees are recorded as administrative expenses when they are incurred. No allowance for credit losses has been recorded as of December 31, 2021 or 2020. Delinquent participant loans are reported as distributions of benefit payments based upon the terms of the plan document. During the year ending December 31, 2021 there were no delinquent participant loans.

Payment of Benefits – Benefits are recorded when paid.

Administrative Expenses – Certain administrative expenses of maintaining the Plan are paid directly by the Company and are excluded from these financial statements. Fees related to the administration of notes receivable from participants and investment related expenses are charged directly to participants' accounts and are included in administrative expenses. Investment related expenses are included in net appreciation of the fair value of investments.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 3 – FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used are required to maximize the use of observable inputs and minimize the use of unobservable inputs.

Plan assets measured at fair value consist of investments in mutual funds. The fair value of mutual funds is determined using the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value ("NAV") and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded. There have been no changes in the methodology used to determine fair value as of December 31, 2021 and 2020.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 3 – FAIR VALUE MEASUREMENTS (Continued)

The preceding valuation method may produce a fair value determination that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Plan's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2021 and 2020:

		2021			
		Level 1	Level 2	Level 3	Total
Total Investments in the Fair Value Hierarchy:					
Mutual Funds		<u>\$ 41,257,568</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,257,568</u>
		2020			
		Level 1	Level 2	Level 3	Total
Total Investments in the Fair Value Hierarchy:					
Mutual Funds		\$ 33,319,688	\$ -	\$ -	\$ 33,319,688

NOTE 4 – INFORMATION CERTIFIED BY THE TRUSTEE OF THE PLAN

The Plan administrator has elected the method of compliance as permitted by 29 CFR 2520.103-8 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under ERISA. Accordingly, Prudential Bank & Trust, F.S.B. ("Prudential"), the trustee of the Plan, has certified the completeness and accuracy of all investments and the notes receivable from participants information presented on the accompanying Statements of Net Assets Available for Benefits, and the investment information in Notes 3 and 5 as of December 31, 2021 and 2020, the supplemental Schedule H, line 4i: Schedule of Assets (Held at End of Year) as of December 31, 2021, and the related investment income and income on notes receivable from participants presented in the Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2021.

The Plan's independent public accountants did not perform auditing procedures with respect to this information, except for comparing such information to the related information included in the financial statements and supplemental schedule.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 5 – GUARANTEED INCOME FUND

The Plan entered into a general account backed evergreen (no maturity date) group annuity contract with Prudential Retirement Insurance and Annuity Company. Prudential Retirement Insurance and Annuity Company maintains contributions to this fund in a general account. The account is credited with earnings at guaranteed crediting rates and charged for Plan withdrawals and administrative expenses. The issuer is contractually obligated to repay the principal and a specified interest rate that was guaranteed to the Plan. Generally, there are no circumstances that could limit the ability of the Plan to transact at contract value or which would result in benefits to be paid out over an extended period of time. This contract is considered to be benefit responsive.

The Plan has determined that the contract value of this fund represents its fair value because, there are not any specific securities in the general account that back the liabilities of this annuity contract and it would be inappropriate to look to the market value of the securities within the insurer's general account to determine a fair value. Also, because the Plan has the right to receive interest at crediting rates which are announced in advance and guaranteed for a specified period of time as outlined in the group annuity contract, there are not any known cash flows that could be discounted. As a result, the contract value represents the fair value.

Interest is credited on contract balances using a single "portfolio rate" approach. Under this methodology, a single interest crediting rate is applied to all contributions made to the product regardless of the timing of those contributions. Interest crediting rates are reviewed on a semi-annual basis for resetting. When establishing interest crediting rates for this product, the issuer considers many factors, including current economic and market conditions, the general interest rate environment and both the expected and actual experience of a reference portfolio within the issuer's general account. These rates are established without the use of a specific formula.

The following table summarizes information regarding the Guaranteed Income Fund as of December 31, 2021 and 2020:

<u>Year</u>	<u>Fair Value</u>	<u>Principal Valuation Technique</u>	<u>Unobservable Inputs</u>	<u>Significant Input Values</u>	<u>Weighted Average</u>
2021	\$5,406,493	Contract Value	Composite Guaranteed Rate	Minimum Rate of 1.50%	1.50%
2020	\$5,520,730	Contract Value	Composite Guaranteed Rate	Minimum Rate of 1.50%	1.50%

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 6 – RELATED PARTY TRANSACTIONS

Certain Plan investments are managed by Prudential, who also serves as the trustee of the Plan and therefore, these transactions qualify as related party-in-interest transactions; however, they are exempt from the prohibited transaction rules under ERISA.

Prudential provides certain administrative services to the Plan pursuant to a trust agreement between the Company and Prudential. Prudential receives revenue from investment fund service providers for services Prudential provides to the funds. This revenue sharing is used to offset certain amounts owed to Prudential for its administrative services to the Plan and excess revenue, if any, may also be credited to participants.

Fees incurred and paid by the Plan to Prudential for the recordkeeping and investment management services are recorded as part of administrative expenses. The Plan also pays directly any other fees related to the Plan's operations if not paid by the Company or through revenue sharing.

NOTE 7 – PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants would become 100% vested in their account balances.

On April 20, 2020, the Company experienced a 20% reduction in workforce. This level of reduction of participating employees triggered a partial plan termination. Accordingly, all affected participating employees became 100% vested in their account balances, if not already fully vested.

NOTE 8 – TAX STATUS

The Plan is a defined contribution plan designed to qualify as a tax-exempt plan under the IRC. A favorable determination letter from the IRS was received on April 29, 2014, regarding the qualified status of the prototype plan on which the terms of the Plan are based. The Plan has not filed for a separate determination letter; however, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC. Accordingly, no provision for income taxes is reported in the Plan's financial statements.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the federal and state taxing authorities. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 9 – RISKS AND UNCERTAINTIES

The Plan provides for various investment options in any combination among the funds offered through Prudential. Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risks. Market risks include global events which could impact the value of investment securities, such as a pandemic or international conflict. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in investment value in the near term would materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits and the Statement of Changes in Net Assets Available for Benefits.

As of December 31, 2021, and 2020, investments in 3 funds represented 46% and 48% of total assets, respectively.

NOTE 10 – RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of amounts presented in the financial statements to Form 5500 as of December 31, 2021 and 2020, and for the year ended December 31, 2021:

	<u>2021</u>	<u>2020</u>
a. Net Assets Available for Benefits per the Financial Statements	\$ 47,253,406	\$ 39,290,019
Reconciling Item:		
Employer Contributions Receivable	<u>(85,069)</u>	<u>(88,082)</u>
Net Assets Available for Benefits per Form 5500	<u>\$ 47,168,337</u>	<u>\$ 39,201,937</u>
b. Net Increase in Net Assets per the Financial Statements	\$ 7,963,387	
Reconciling Item:		
Change in Employer Contributions Receivable	<u>3,013</u>	
Net Increase in Net Assets Per Form 5500	<u>\$ 7,966,400</u>	

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE 11 – SUBSEQUENT EVENTS

Effective April 1, 2022, the Plan sponsor appointed Fidelity Management Trust Company as the plan's trustee, thereby replacing Prudential as the plan's trustee. This change had no significant impact on the Plan's provisions.

Plan management has evaluated the impact of subsequent events on these financial statements, including disclosures, through October 13, 2022, which is the date the financial statements were available to be issued.

SUPPLEMENTAL SCHEDULE

REDWOOD TRUST, INC. 401(k) PROFIT SHARING PLAN

SCHEDULE H – LINE 4i: SCHEDULE OF ASSETS (HELD AT END OF YEAR)

EIN: 68-0329422

Plan Number: 001

December 31, 2021

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par, or Maturity Value	(d) Cost	(e) Current Value
		<u>Mutual Funds:</u>		
	Vanguard	Vanguard Small Cap Index	35,885 Shares ^	\$ 3,888,857
	Vanguard	Vanguard 500 IDX Admiral	26,336 Shares ^	11,583,369
	Vanguard	Vanguard International Growth Fund	39,550 Shares ^	5,509,331
	Vanguard	Vanguard Mid Cap Index	13,569 Shares ^	4,280,351
	Vanguard	Vanguard Intermediate Term	155,537 Shares ^	1,849,338
	Dimensional Fund	DFA World US Govt Fixed Income	145,179 Shares ^	1,456,145
	PIMCO	PIMCO INC Fund Inst	156,483 Shares ^	1,868,401
	Cohen & Steer	Cohen & Steer Inst Realty	31,584 Shares ^	1,869,125
	JP Morgan	JPM Large Cap Growth	52,533 Shares ^	3,364,760
	JP Morgan	JPM Small Cap Growth	29,364 Shares ^	755,542
	INVESCO	Invesco Developing Markets	8,492 Shares ^	399,310
	PGIM	PGIM High Yield	25,363 Shares ^	139,494
	American Funds	American Funds Wash MUT	23,886 Shares ^	1,443,926
	TIAA-CREF	TIAA Lifecy Index 2040	11,217 Shares ^	313,291
	TIAA-CREF	TIAA Lifecy Index 2030	3,040 Shares ^	74,337
	TIAA-CREF	TIAA Cref Interneq Ind	15,940 Shares ^	364,712
	TIAA-CREF	TIAA Lifecy Index 2045	2,658 Shares ^	77,090
	TIAA-CREF	TIAA Lifecy Index 2025	4,031 Shares ^	90,473
	TIAA-CREF	TIAA Lifecy Index 2050	46 Shares ^	1,348
	TIAA-CREF	TIAA Lifecy IDX Retirement	708 Shares ^	12,115
	TIAA-CREF	TIAA Lifecy Index 2055	203 Shares ^	4,812
	TIAA-CREF	TIAA Lifecy Index 2060	1,227 Shares ^	22,484
	Delaware Funds	Delaware Small cap value	6,737 Shares ^	548,597
	Brown Advisory	Brown Advy Sust Growth	8,789 Shares ^	439,969
	Virtus	Virtus Kar Mid Cap Growth	3,401 Shares ^	241,758
	MFS	MFS Mid Cap Value	3,806 Shares ^	123,420
	Western Asset	West Asset Core Bond	40,845 Shares ^	535,215
				<u>41,257,568</u>
		<u>Fully Benefit-Responsive Investment Contract:</u>		
*	Prudential Retirement Insurance and Annuity Company	Guaranteed Income Fund 1.50%	187,597 Units ^	5,406,493
*	Notes Receivable from Participants	36 notes receivable bearing interest ranging from 3.25% to 5.50% with maturity dates from Aug 2021 to March 2036	-	<u>504,276</u>
				<u>\$ 47,168,337</u>

* Denotes Party-In-Interest as defined by ERISA.

^ Column (d) Cost is omitted for participant directed investments.