

February 28, 2013

R E D W O O D
T R U S T

Redwood Trust, Inc. Announces Pricing of 4.625% Convertible Senior Notes Due 2018

MILL VALLEY, Calif., Feb. 28, 2013 /PRNewswire/ -- Redwood Trust, Inc. ("Redwood") (NYSE: RWT) today announced that it priced \$250.0 million aggregate principal amount of its 4.625% convertible senior notes due 2018 (the "Notes") in an underwritten public offering. Redwood granted the underwriters a 30-day option to purchase up to an additional \$37.5 million aggregate principal amount of the Notes in connection with the offering, to the extent the underwriters sell more than \$250.0 million aggregate principal amount of the Notes. The Notes will be senior unsecured obligations of Redwood. The offering is expected to close on March 6, 2013, subject to the satisfaction of certain closing conditions.

Interest on the Notes will be payable semiannually on April 15 and October 15, beginning on October 15, 2013; the Notes will mature on April 15, 2018. Upon conversion, holders of the Notes will receive shares of Redwood's common stock. If Redwood undergoes a "fundamental change" (as defined in the prospectus supplement relating to the Notes), subject to certain conditions, holders of the Notes may require Redwood to repurchase for cash all or part of such holders Notes at 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, up to, but excluding, the repurchase date.

Holders may convert any of their Notes into shares of Redwood's common stock at the applicable conversion rate at any time prior to the close of business on the second scheduled trading day prior to the maturity date, unless the Notes have been previously repurchased by Redwood. Any conversions of Notes into shares of Redwood common stock will be subject to certain ownership limitations (as more fully described in the prospectus supplement relating to the Notes). The initial conversion rate for each \$1,000 aggregate principal amount of the Notes is 41.1320 shares of common stock, equivalent to a conversion price of approximately \$24.31 per share, which is a 20.0% premium to the closing price of Redwood's common stock on February 28, 2013.

Redwood will not be permitted to redeem the Notes at its option. Redwood may at any time and from time to time repurchase Notes by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws.

Redwood intends to use the net proceeds from this offering to fund its business and investment activity, which may include funding purchases of residential mortgage loans, funding the origination of commercial loans and acquiring mortgage-backed securities for its investment portfolio, as well as for other general corporate purposes.

J.P. Morgan Securities LLC and Barclays Capital Inc. are acting as joint book-running

managers for the offering. Goldman, Sachs & Co. and JMP Securities LLC are acting as co-lead managers. A copy of the prospectus supplement and prospectus relating to these securities may be obtained, when available, by contacting: J.P. Morgan Securities LLC c/o Broadridge Financial Solutions, 1155 Long Island Avenue, Edgewood, New York 11717 or by calling 1-866-803-9204; or Barclays Capital Inc. c/o Broadridge Financial Solutions, 1155 Long Island Avenue, Edgewood, New York 11717 or by calling 888-603-5847.

This announcement shall not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction. This announcement is being issued pursuant to and in accordance with Rule 134 under the Securities Act of 1933, as amended. The offering was made only by means of a prospectus supplement and the accompanying prospectus, forming a part of the effective registration statement.

Redwood Trust, Inc. (NYSE:RWT) is a publicly traded company structured as a real estate investment trust.

CAUTIONARY STATEMENT: This press release contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, such as statements related to the offering and the expected use of the net proceeds. Forward-looking statements involve numerous risks and uncertainties. Redwood's actual results may differ materially from those projected, and Redwood cautions investors not to place undue reliance on the forward-looking statements contained in this release. Forward-looking statements are not historical in nature and can be identified by words such as "anticipate," "estimate," "will," "should," "expect," "believe," "intend," "seek," "plan," and similar expressions or their negative forms, or by references to strategy, plans, or intentions. No assurance can be given that the offering will be completed on the terms described, or at all, or that the net proceeds of the offering will be used as indicated. Completion of the offering on the terms described, and the application of net proceeds, are subject to numerous conditions, risks, and uncertainties, many of which are beyond the control of Redwood, including, among other things, those described in Redwood's preliminary prospectus supplement dated February 28, 2013, the accompanying prospectus dated August 6, 2010, and the documents incorporated in the prospectus supplement and the prospectus by reference. Redwood undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

SOURCE Redwood Trust, Inc.