

June 21, 2018

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

## **Redwood Trust Announces Pricing of 5.625% Convertible Senior Notes Due 2024**

MILL VALLEY, Calif., June 21, 2018 /PRNewswire/ -- Redwood Trust, Inc. ("Redwood") (NYSE: RWT) today announced that it priced \$200.0 million aggregate principal amount of its 5.625% convertible senior notes due 2024 (the "Notes") in an underwritten public offering. Redwood granted the underwriters a 30-day option to purchase up to an additional \$30.0 million aggregate principal amount of the Notes in connection with the offering solely to cover over-allotments, if any. The Notes will be senior unsecured obligations of Redwood. The offering is expected to close on June 25, 2018, subject to the satisfaction of certain closing conditions.

Interest on the Notes will be payable semiannually on January 15 and July 15 of each year, beginning on January 15, 2019; the Notes will mature on July 15, 2024. Upon conversion, holders of the Notes will receive shares of Redwood's common stock, together with cash in lieu of any fractional share. 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 their Notes at 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any.

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 or redeemed 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 is 54.7645 shares of common stock per \$1,000 principal amount of Notes, equivalent to a conversion price of approximately \$18.26 per share, which is an approximately 10% premium to the closing price of Redwood's common stock on June 20, 2018.

Redwood will not be permitted to redeem the Notes at its option, except to the extent necessary to preserve its status as a real estate investment trust for U.S. federal income tax purposes.

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 and acquiring mortgage-backed securities for its investment portfolio, funding new investment initiatives in the single-family rental and multifamily housing sectors, as well as for other general corporate purposes. Pending such uses, Redwood may use all or a portion of the net proceeds from this offering to temporarily reduce borrowings under its short-term


residential loan warehouse facilities and its short-term real estate securities repurchase facilities.

Credit Suisse Securities (USA) LLC, J.P. Morgan Securities LLC and Wells Fargo Securities, LLC are acting as joint book-running managers for the proposed offering. A copy of the prospectus supplement and prospectus relating to these securities may be obtained, when available, by contacting: Credit Suisse Securities (USA) LLC c/o Credit Suisse Prospectus Department, One Madison Avenue, New York, New York 10010 or by calling 1-800-221-1037 or by emailing [newyork.prospectus@credit-suisse.com](mailto:newyork.prospectus@credit-suisse.com); 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 Wells Fargo Securities, LLC c/o Equity Syndicate Department, 375 Park Avenue, 4th Floor, New York, New York 10152 or by calling 1-800-326-5897 or by emailing [cmclientsupport@wellsfargo.com](mailto:cmclientsupport@wellsfargo.com).

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 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 June 19, 2018, the accompanying prospectus dated May 10, 2016, 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.*

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