REDWOOD TRUST INC
Form 424B2
June 21, 2018
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Filed Pursuant to Rule 424(b)(2)

Registration Statement No. 333-211267

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	**Amount to be registered(1)**	**Proposed maximum offering price per unit(2)**	**Proposed maximum aggregate offering price(2)**	**Amount of registration fee**
5.625% Convertible Senior Notes due 2024	$230,000,000(1)(2)	99.50% of principal amount	$228,850,000(2)	$28,491.83(3)
Common stock, $0.01 par value per share	(4)	(4)	(4)	(5)

(1) Represents the aggregate principal amount of 5.625% Convertible Senior Notes due 2024 (the Notes) whose offer and sale are registered hereby.

(2) Includes $30,000,000 aggregate principal amount of Notes that may be offered and sold pursuant to the exercise in full of the underwriters over-allotment option to purchase additional Notes.

(3) Calculated pursuant to Rule 457(o) and Rule 457(r) under the Securities Act of 1933, as amended (the Securities Act). The fee payable in connection with the offering pursuant to this prospectus supplement has been paid in accordance with Rule 456(b) under the Securities Act.

(4) Includes an indeterminate number of shares of common stock of Redwood Trust, Inc. issuable upon conversion of the Notes. The maximum conversion rate of the Notes is 60.2409 shares of common stock per $1,000 principal amount of Notes, subject to adjustments in the same manner as the conversion rate as described in the prospectus supplement under Description of Notes Conversion Rights Conversion Rate Adjustments. Pursuant to Rule 416 under the Securities Act, the amount of shares of common stock whose offer and sale is registered hereby includes an indeterminate number of shares of common stock that may be issued in connection with stock splits, stock dividends, or similar transactions. No additional consideration is to be received in connection with the exercise of the conversion privilege of the Notes.

(5)

Pursuant to Rule 457(i) under the Securities Act, no separate registration fee is required for the shares of common stock issuable upon conversion of the Notes because no additional consideration is to be received in connection with the exercise of the conversion privilege of the Notes.

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Prospectus Supplement to Prospectus dated May 10, 2016.

$200,000,000

5.625% Convertible Senior Notes due 2024

Interest payable January 15 and July 15

Issue Price: 99.5%

We are offering $200,000,000 aggregate principal amount of our 5.625% convertible senior notes due 2024 (the notes). The notes will bear interest at a rate of 5.625% per year, payable semi-annually in arrears on January 15 and July 15 of each year, beginning on January 15, 2019. The notes will mature on July 15, 2024, unless earlier repurchased, redeemed or converted.

Holders may convert their notes into shares of our common stock 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 us. The initial conversion rate for the notes will be 54.7645 shares of our common stock per $1,000 principal amount of notes, equivalent to an initial conversion price of approximately $18.26 per share of our common stock. The conversion rate will be subject to adjustment in some events, but will not be adjusted for accrued interest. In addition, if a make-whole fundamental change (as defined herein) occurs prior to the maturity date, we will in some cases increase the conversion rate for a holder that elects to convert its notes in connection with such make-whole fundamental change.

If we undergo a fundamental change (as defined herein), holders may require us to repurchase the notes in whole or in part for cash at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date.

We may not redeem the notes prior to their maturity, except to the extent necessary to preserve our status as a real estate investment trust, or REIT, for U.S. federal income tax purposes, as further described in this prospectus supplement. No sinking fund will be provided for the notes.

The notes will be our general unsecured obligations and will rank equal in right of payment with our other existing and future senior unsecured indebtedness and senior in right of payment to any indebtedness that is contractually subordinated to the notes. The notes, however, will be effectively subordinated in right of payment to our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness, and structurally subordinated to the claims of our subsidiaries creditors, including trade creditors.

We do not intend to apply for listing of the notes on any securities exchange. Our common stock is listed on The New York Stock Exchange, or NYSE, under the symbol RWT. On June 20, 2018, the last reported sale price of our common stock on the NYSE was $16.60 per share.

We have elected to be taxed as a REIT for U.S. federal income tax purposes. In order to protect us against the risk of losing our qualification as a REIT due to concentration of ownership of our outstanding stock, our charter generally prohibits any single stockholder, or any group of affiliated stockholders, from beneficially owning more than 9.8% of the outstanding shares of any class of our stock, unless our board of directors waives or modifies this ownership limit. See Description of Notes Ownership Limit; Limitation on Stock Issuable Upon Conversion. In addition, our charter contains various other restrictions on the ownership and transfer of shares of our common stock. See Restrictions on Ownership and Transfer and Repurchase of Shares beginning on page 29 of the accompanying prospectus.

See Risk Factors beginning on page S-10 of this prospectus supplement and on page 6 of our Annual Report on Form 10-K for the year ended December 31, 2017 to read about important factors that you should consider before investing in the notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	**Total**
Public offering price	99.50%	$ 199,000,000
Underwriting discount	2.25%	$ 4,500,000
Proceeds, before expenses, to Redwood Trust, Inc.	97.25%	$ 194,500,000

The offering price set forth above does not include accrued interest, if any. Interest on the notes will accrue from the date of original issuance, expected to be June 25, 2018.

To the extent the underwriters sell more than $200,000,000 principal amount of notes, the underwriters will have the option to purchase within 30 days from the date of this prospectus supplement up to an additional $30,000,000 principal amount of notes from us at the public offering price set forth above, less the underwriting discount, solely to cover over-allotments.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company on or about June 25, 2018.

Joint-Book Running Managers

Credit Suisse **J.P. Morgan** **Wells Fargo Securities**

June 20, 2018.

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Prospectus Supplement

Prospectus

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ABOUT THIS PROSPECTUS SUPPLEMENT

You should read this prospectus supplement, the accompanying prospectus, the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, and any free writing prospectus that we have authorized for use in connection with this offering when making your investment decision. You should also read and consider the information in the documents we have referred you to in the section of this prospectus supplement entitled Where You Can Find More Information. This prospectus supplement and the accompanying prospectus are part of a registration statement on Form S-3 we have filed with the Securities and Exchange Commission, which we refer to as the SEC, under the Securities Act of 1933, as amended. This prospectus supplement and the accompanying prospectus do not contain all of the information in the registration statement. We have omitted certain parts of the registration statement, as permitted by the rules and regulations of the SEC. You may inspect and copy the registration statement, including exhibits, on the SEC s website at www.sec.gov or at the SEC s public reference room. See Where You Can Find More Information in the accompanying prospectus. In addition, any statement in a filing we make with the SEC that adds to, updates or changes information contained in an earlier filing we made with the SEC shall be deemed to modify and supersede such information in the earlier filing.

Unless otherwise mentioned or unless the context requires otherwise, all references in this prospectus supplement to Redwood, we, us, our or similar references mean Redwood Trust, Inc. and its subsidiaries.

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained or incorporated by reference herein or therein. If anyone provides you with different or inconsistent information, you should not rely on it.

We are not, and the underwriters are not, making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus, the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, and any free writing prospectus that we have authorized for use in connection with this offering is accurate only as of the date of those respective documents. Our business, financial condition, results of operations, and prospects may have changed since that date. Neither this prospectus supplement nor the accompanying prospectus constitutes an offer, or an invitation on our behalf or on behalf of the underwriters, to subscribe for and purchase any of the securities, and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus, the documents incorporated by reference and any free writing prospectus that we have authorized for use in connection with this offering contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You can identify these statements by forward-looking words such as may, will, expect, intend, anticipate, believe, estimate, plan, could, should, continue or the negative of such ter words or expressions. These forward-looking statements may also use different phrases.

We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include, among other things, statements that address our strategy and operating performance and events or developments that we expect or anticipate will occur in the future, including, but not limited to, our statements in Summary The Offering on page S-3 and Use of Proceeds on page S-19 regarding our intended use of the proceeds of this offering.

These forward-looking statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that are difficult to predict; therefore, actual results may differ materially from those expressed or forecasted in any forward-looking statements. The risks and uncertainties include those described in our Annual Report on Form 10-K for the year ended December 31, 2017 and in our subsequent filings under the Securities Exchange Act of 1934, as amended, as well as those referenced in Risk Factors below. These are factors that we think could cause our actual results to differ materially from expected results. Other factors besides those listed could also adversely affect us. Any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Important factors, among others, that may affect our actual results include: the pace at which we redeploy our available capital into new investments; interest rate volatility, changes in credit spreads, and changes in liquidity in the market for real estate securities and loans; changes in the demand from investors for residential mortgages and investments, and our ability to distribute residential mortgages through our whole-loan distribution channel; our ability to finance our investments in securities and our acquisition of residential mortgages with short-term debt; changes in the values of assets we own; general economic trends, the performance of the housing, real estate, mortgage, credit, and broader financial markets, and their effects on the prices of earning assets and the credit status of borrowers; federal and state legislative and regulatory developments, and the actions of governmental authorities, including the new U.S. presidential administration, and in particular those affecting the mortgage industry or our business (including, but not limited to, the Federal Housing Finance Agency s rules relating to FHLB membership requirements and the implications for our captive insurance subsidiary s membership in the FHLB); strategic business and capital deployment decisions we make; developments related to the fixed income and mortgage finance markets and the Federal Reserve s statements regarding its future open market activity and monetary policy; our exposure to credit risk and the timing of credit losses within our portfolio; the concentration of the credit risks we are exposed to, including due to the structure of assets we hold and the geographical concentration of real estate underlying assets we own; our exposure to adjustable-rate mortgage loans; the efficacy and expense of our efforts to manage or hedge credit risk, interest rate risk, and other financial and operational risks; changes in credit ratings on assets we own and changes in the rating agencies credit rating methodologies; changes in interest rates; changes in mortgage prepayment rates; changes in liquidity in the market for real estate securities and loans; our ability to finance the acquisition of real estate-related assets with short-term debt; the ability of counterparties to satisfy their obligations to us; our involvement in securitization transactions, the profitability of those transactions, and the risks we are exposed to in engaging

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in securitization transactions; exposure to claims and litigation, including litigation arising from our involvement in securitization transactions; ongoing litigation against various trustees of RMBS transactions; whether we have sufficient liquid assets to meet short-term needs; our ability to successfully compete and retain or attract key personnel; our ability to adapt our business model and strategies to changing circumstances; changes in our investment, financing, and hedging strategies and new risks we may be exposed to if we expand our business activities; our exposure to a disruption or breach of the security of our technology infrastructure and systems; exposure to environmental liabilities; our failure to comply with applicable laws and regulations; our failure to maintain appropriate internal controls over financial reporting and disclosure controls and procedures; the impact on our reputation that could result from our actions or omissions or from those of others; changes in accounting principles and tax rules; our ability to maintain our status as a REIT for tax purposes; limitations imposed on our business due to our REIT status and our status as exempt from registration under the Investment Company Act of 1940; decisions about raising, managing, and distributing capital; our expectations regarding the use of the net proceeds from this offering; and other factors not presently identified.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information appearing elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering may not contain all of the information that is important to you. This prospectus supplement and the accompanying prospectus include information about the notes we are offering as well as information regarding our business and financial data. You should read this prospectus supplement and the accompanying prospectus, including information incorporated by reference, and any free writing prospectus that we have authorized for use in connection with this offering, in their entirety. Investors should carefully consider the information set forth under Risk Factors in this prospectus supplement and in our Annual Report on Form 10-K for the year ended December 31, 2017, which is incorporated by reference into this prospectus supplement and the accompanying prospectus. Unless otherwise stated, all information contained in this prospectus supplement assumes no exercise of the underwriters over-allotment option to purchase additional notes in this offering.

About Redwood Trust, Inc.

Redwood Trust, Inc., together with its subsidiaries, is a specialty finance company focused on making credit-sensitive investments in residential mortgages and other related assets and engaging in mortgage banking activities. Our goal is to provide attractive returns to stockholders through a stable and growing stream of earnings and dividends, as well as through capital appreciation. We operate our business in two segments: Investment Portfolio and Residential Mortgage Banking. Our primary sources of income are net interest income from our investment portfolio and non-interest income from our mortgage banking activities. Net interest income consists of the interest income we earn on investments less the interest expense we incur on borrowed funds and other liabilities. Income from mortgage banking activities consists of the profit we seek to generate through the acquisition of loans and their subsequent sale or securitization.

Redwood Trust, Inc. has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), beginning with its taxable year ended December 31, 1994. We generally refer, collectively, to Redwood Trust, Inc. and those of its subsidiaries that are not subject to subsidiary-level corporate income tax as the REIT or our REIT. We generally refer to subsidiaries of Redwood Trust, Inc. that are subject to subsidiary-level corporate income tax as our operating subsidiaries or our taxable REIT subsidiaries or TRS. Our mortgage banking activities and investments in mortgage servicing rights (MSRs) are generally carried out through our taxable REIT subsidiaries, while our portfolio of mortgage- and other real estate-related investments is primarily held at our REIT. We generally intend to retain profits generated and taxed at our taxable REIT subsidiaries, and to distribute as dividends at least 90% of the taxable income we generate at our REIT.

During the first quarter of 2017, we reorganized our segments to align with changes in how we view our segments for making operating decisions and assessing performance. Specifically, we eliminated our Commercial segment and renamed our Residential Investments segment as the Investment Portfolio segment. This Investment Portfolio segment now includes both residential investments and our commercial investments, which are primarily comprised of investments in multifamily securities. Our Commercial segment previously included our commercial mortgage banking operations and our commercial loan investments, which were wound-down and sold, respectively, during 2016. We conformed the presentation of prior periods, whereby commercial loan investments are included in the Investment Portfolio segment and commercial mortgage banking activities are included in Corporate/Other. Our Residential Mortgage Banking segment was not changed. Following is a full description of our two current segments.

Our Investment Portfolio segment includes a portfolio of investments in residential mortgage-backed securities (RMBS) retained from our Sequoia securitizations, as well as RMBS issued by third parties and other credit

risk-related investments. In addition, this segment includes a subsidiary of Redwood Trust that is a member of the Federal Home Loan Bank of Chicago (FHLBC) that utilizes attractive long-term financing from the FHLBC to make long-term investments directly in residential mortgage loans. This segment also invests in MSRs associated with residential loans we have sold or securitized, as well as MSRs that we have purchased from third parties. The Investment Portfolio segment s main sources of revenue are interest income from investment portfolio securities and residential loans held-for-investment, as well as MSR income. Additionally, this segment may realize gains and losses upon the sale of securities, which is offset by interest income we pay on our financings and funding expenses, hedging expenses, direct operating expenses, and tax provisions associated with these activities.

Our Residential Mortgage Banking segment primarily consists of operating a mortgage loan conduit that acquires residential loans from third-party originators for subsequent sale, securitization, or transfer to our Investment Portfolio. We typically acquire prime, jumbo mortgages and the related MSRs on a flow basis from our network of loan sellers and distribute those loans through our Sequoia private-label securitization program or to institutions that acquire pools of whole loans or hold these loans in our Investment Portfolio. We occasionally supplement our flow purchases with bulk loan acquisitions. This segment also includes various derivative financial instruments that we utilize to manage certain risks associated with residential mortgage loans we acquire. Our Residential Mortgage Banking segment s main source of revenue is income from mortgage banking activities, which includes valuation increases (or gains) on the sale or securitization of loans, and from hedges used to manage risks associated with these activities. Additionally, this segment may generate interest income on loans held pending securitization or sale. Funding expenses, direct operating expenses, and tax expenses associated with these activities are also included in this segment.

We sponsor our Sequoia securitization program, which we use for the securitization of residential mortgage loans. We are required under Generally Accepted Accounting Principles in the United States (GAAP) to consolidate the assets and liabilities of certain Sequoia securitization entities we have sponsored for financial reporting purposes. However, each of these entities is independent of Redwood and of each other, and the assets and liabilities of these entities are not owned by us or legal obligations of ours, respectively, although we are exposed to certain financial risks associated with our role as the sponsor or depositor of these entities and, to the extent we hold securities issued by, or other investments in, these entities, we are exposed to the performance of these entities and the assets they hold. We refer to certain of these securitization entities issued prior to 2012 as consolidated Legacy Sequoia entities, and the securitization entities formed in connection with the securitization of Redwood Choice expanded-prime loans as the consolidated Sequoia Choice entities. Where applicable, in analyzing our results of operations, we distinguish results from current operations at Redwood and from consolidated Legacy Sequoia or Sequoia Choice entities.

Corporate Information

We were incorporated in the State of Maryland on April 11, 1994, and commenced operations on August 19, 1994. We operate so as to qualify as a REIT for U.S. federal income tax purposes. Our executive offices are located at One Belvedere Place, Suite 300, Mill Valley, California 94941. Our telephone number is (415) 389-7373. Our website is www.redwoodtrust.com. Information contained in or that can be accessed through our website is not part of, and is not incorporated into, this prospectus supplement or the accompanying prospectus.

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THE OFFERING

The following is a brief summary of the terms of this offering and the notes. This summary is not a complete description of this offering or the notes. You should read the full text and more specific details contained elsewhere in this prospectus supplement and the accompanying prospectus. With respect to the discussion of the terms of the notes on the cover page, in this section and in the section entitled Description of Notes, the words Redwood, we, our, us and the company refer only to Redwood Trust, Inc. and not to any of its subsidiaries. For a more detailed description of the notes, see Description of Notes in this prospectus supplement and Description of Debt Securities in the accompanying prospectus.

Issuer	Redwood Trust, Inc., a Maryland corporation.
Notes Offered	$200.0 million principal amount of 5.625% convertible senior notes due 2024 (plus up to an additional $30.0 million principal amount if the underwriters exercise their over-allotment option to purchase additional notes).
Issue Price	99.50%, plus accrued interest, if any, from June 25, 2018.
Maturity Date	July 15, 2024.
Interest Rate	5.625% per year. Interest will accrue from the date of issuance (which is scheduled for June 25, 2018), or from the most recent date to which interest has been paid or duly provided for, and will be payable semi-annually in arrears on January 15 and July 15 of each year, beginning on January 15, 2019.
	We will also be required to pay additional interest on the notes under the circumstances described under Description of Notes Events of Default.
Ranking	The notes will be our general unsecured obligations and will rank equal in right of payment with our other existing and future senior unsecured indebtedness, including $245.0 million outstanding principal amount of our existing 4.75% convertible senior notes due 2023 (the 2023 Notes) and our guarantee of the 5.625% exchangeable senior notes due 2019 issued by one of our taxable subsidiaries (2019 Notes), and senior in right of payment to any existing and future indebtedness that is contractually subordinated to the notes. The notes, however, will be effectively subordinated to our existing and future secured indebtedness to the extent of the value of the collateral securing such indebtedness,

and structurally subordinated to the claims of our subsidiaries creditors, including trade creditors and our subsidiary s obligations under the 2019 Notes.

As of March 31, 2018, on a consolidated basis, Redwood and our subsidiaries had $3.3 billion in outstanding secured indebtedness and $696 million in outstanding senior unsecured indebtedness, in each case exclusive of trade and other payables. As of March 31, 2018, the aggregate amount of secured liabilities of our subsidiaries was $3.3

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	billion and the aggregate amount of unsecured liabilities of our subsidiaries was $273 million, in each case including trade and other payables and excluding intercompany liabilities. The indenture does not limit the amount of debt that may be issued by us or our subsidiaries under the indenture or otherwise.
Conversion Rights	Holders may convert any of their notes into shares of our 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 us. Any conversions of notes into shares of our common stock will be subject to certain ownership limitations more fully described in Description of Notes Ownership Limit; Limitation on Stock Issuable Upon Conversion. The initial conversion rate for the notes will be 54.7645 shares of our common stock per $1,000 principal amount of notes, equivalent to an initial conversion price of approximately $18.26 per share of our common stock. The conversion rate will be subject to adjustment in some events, but will not be adjusted for accrued interest. In addition, if certain corporate events occur prior to the maturity date, we will in some cases increase the conversion rate for a holder who elects to convert its notes in connection with such corporate event as described under Description of Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon Make-Whole Fundamental Change. However, if the price paid (or deemed paid) for our common stock in such a corporate event is greater than $22.00 per share or less than $16.60 per share (in each case, subject to adjustment in accordance with the indenture), then we will not be required to increase the conversion rate if a holder converts its notes in connection with such a corporate event.
Settlement Upon Conversion	Upon conversion of the notes, a holder will receive, on or prior to the second trading day following the conversion date, (1) a number of shares of our common stock equal to (i) (A) the aggregate principal amount of notes to be converted, divided by (B) $1,000, multiplied by (ii) the conversion rate in effect on the conversion date, plus (2) cash in lieu of fractional shares, all calculated as described under Description of Notes Conversion Rights Settlement Upon Conversion ; *provided*, *however*, that with respect to any conversion date that occurs on or after the regular record date for the final payment of interest on the notes (*i.e.*, July 1, 2024), we will deliver such shares and cash on the maturity date.
	You will not receive any additional cash payment or additional shares of our common stock representing accrued and unpaid interest upon conversion of a note, except in limited circumstances. Instead, interest will be deemed paid by the shares of our common stock and cash, if any, delivered to you upon conversion.

Redemption of Notes to Preserve REIT Status	We may not redeem the notes prior to their maturity, except to the extent, and only to the extent, necessary to preserve our status as a

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	REIT. If we determine that redeeming the notes is necessary to preserve our status as a REIT, then we may redeem all or part of the notes at a cash redemption price equal to the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.
Sinking Fund	None.
Fundamental Change	If we undergo a fundamental change (as defined under Description of Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes), subject to certain conditions, you may require us to repurchase for cash all or part of your notes. The fundamental change repurchase price will equal 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date.
Events of Default	Except as described under Description of Notes Events of Default, if an event of default with respect to the notes occurs, holders may, upon satisfaction of certain conditions, accelerate the principal amount of the notes plus accrued and unpaid interest. If the event of default relates to our failure to comply with the reporting obligations in the indenture governing the notes, then, at our option, the sole remedy for the first 365 days following such event of default consists exclusively of the right to receive additional interest on the notes as described under Description of Notes Events of Default. In addition, the principal amount of the notes plus accrued and unpaid interest will automatically become due and payable in the case of certain types of bankruptcy or insolvency events as described under Description of Notes Events of Default.
Book-Entry Form	The notes will initially be issued in book-entry form and will be represented by one or more permanent global certificates deposited with, or on behalf of, The Depository Trust Company, which we refer to as DTC, and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee, and any such interest may not be exchanged for certificated securities, except in limited circumstances.
No Prior Market	The notes are a new issue of securities with no established trading market. We have been advised by the representatives of the underwriters that certain underwriters intend to make a market in the notes but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the

	trading market for the notes.
No Listing	We do not intend to apply for listing of the notes on any securities exchange. Our common stock is listed on The New York Stock Exchange under the symbol RWT.

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Material U.S. Federal Income Tax Considerations	For certain material U.S. federal income tax considerations relating to the purchase, ownership and disposition of the notes and the shares of our common stock into which the notes are convertible, see Supplemental U.S. Federal Income Tax Considerations in this prospectus supplement and Material U.S. Federal Income Tax Considerations in Exhibit 99.1 to our Current Report on Form 8-K filed with the SEC on June 19, 2018 (the June Current Report).
Trustee, Paying Agent and Conversion Agent	Wilmington Trust, National Association.
Use of Proceeds	We estimate that the net proceeds from this offering will be approximately $194.0 million (or approximately $223.2 million if the underwriters exercise their over-allotment option in full), after deducting underwriting discounts and commissions and estimated offering expenses payable by us.
	We intend to use the net proceeds from this offering to fund our business and investment activity, which may include funding purchases of residential mortgage loans and acquiring mortgage-backed securities for our 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, we may use all or a portion of the net proceeds from this offering to temporarily reduce borrowings under our short-term residential loan warehouse facilities and our short-term real estate securities repurchase facilities. We may subsequently re-borrow amounts under our short-term residential loan warehouse facilities and our short-term real estate securities repurchase facilities to fund our business and investment activity, as described above. See Use of Proceeds on page S-19.
Risk Factors	See Risk Factors on page S-10 and beginning on page 6 of our Annual Report on Form 10-K for the year ended December 31, 2017 and any risk factors and other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus for a discussion of factors you should consider carefully before deciding to invest in the notes.
Restrictions on Ownership and Transfer of Common Stock	To assist us in satisfying the requirements for qualification as a REIT, our charter prohibits any person from acquiring or holding beneficial

ownership of shares of our common stock representing in excess of 9.8%, in number of shares or value, of the outstanding shares of our common stock (the Charter Limitation), unless our board of directors waives or modifies this ownership limit. We have previously granted limited waivers of this prohibition and, subject to the approval of our board of directors, we may grant additional waivers at any time. The indenture will provide that, notwithstanding any other provision of the indenture, no holder of notes will be entitled to receive shares of our common stock upon conversion to the extent (but only to the extent) that such receipt would cause such converting holder to violate the Charter Limitation. Any purported delivery of shares of common stock upon conversion of notes shall be void and have no effect to the extent (but only to the extent) that such delivery would result in the converting holder violating the Charter Limitation. In addition, our charter contains various other restrictions on the ownership and transfer of our common stock. See Restrictions on Ownership and Transfer and Repurchase of Shares on page 29 of the accompanying prospectus.

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SUMMARY CONSOLIDATED FINANCIAL DATA

We derived the summary consolidated financial data for the three years ended December 31, 2015, 2016 and 2017, and as of December 31, 2017, from our audited consolidated financial statements. We derived the summary unaudited consolidated financial data for the three months ended March 31, 2018 and 2017, and as of March 31, 2018, from our unaudited consolidated interim financial statements. The following information should be read in conjunction with our audited and unaudited consolidated financial statements and related notes incorporated by reference in this prospectus supplement and the accompanying prospectus. Our historical results are not necessarily indicative of the results that may be expected in the future, and our interim results are not necessarily indicative of the results for the full year or any future period. For more details on how you can obtain our SEC reports and other information, you should read the section of the accompanying prospectus entitled Where You Can Find More Information.

	Three Months Ended March 31,		Years Ended December 31,		
	2018	2017	2017	2016	2015
	(unaudited)				
	(In thousands, except share data)				
Interest Income					
Residential loans	$ 50,231	$ 34,362	$ 154,362	$ 137,804	$ 114,715
Commercial loans		82	345	30,496	46,933
Real estate securities	25,695	19,817	90,803	76,873	97,448
Other interest income	693	367	2,547	1,182	336
Total interest income	76,619	54,628	248,057	246,355	259,432
Interest Expense					
Short-term debt	(13,435)	(4,453)	(36,851)	(22,287)	(30,572)
Asset-backed securities issued	(11,401)	(3,530)	(19,108)	(14,735)	(21,469)
Long-term debt	(16,678)	(13,048)	(52,857)	(51,506)	(43,842)
Total interest expense	(41,514)	(21,031)	(108,816)	(88,528)	(95,883)
Net Interest Income	35,105	33,597	139,241	157,827	163,549
Reversal of provision for loan losses				7,102	355
Net Interest Income After Provision	35,105	33,597	139,241	164,929	163,904
Non-interest Income					
Mortgage banking activities, net	26,576	17,604	53,908	38,691	10,972
Mortgage servicing rights income (loss), net	957	1,713	7,860	14,353	(3,922)
Investment fair value changes, net	1,609	1,551	10,374	(28,574)	(21,357)
Other income	1,161	1,184	4,576	6,338	3,192
Realized gains, net	9,363	5,703	13,355	28,009	36,369
Total non-interest income, net	39,666	27,755	90,073	58,817	