

January 23, 2008

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

## **Redwood Trust, Inc. Announces Dividend Tax Information for 2007**

MILL VALLEY, Calif.--(BUSINESS WIRE)--

Redwood Trust, Inc. (NYSE:RWT) today announced tax information regarding its dividend distributions for 2007.

Shareholders should check the tax statements they receive from brokerage firms to make sure the Redwood dividend information reported in those statements conforms to the information reported here. Furthermore, shareholders should consult their tax advisors to determine the amount of taxes that should be paid on Redwood's dividend income.

Under the tax rules applicable to real estate investment trusts (REITs) such as Redwood, the \$0.70 per share fourth quarter 2006 regular common stock dividend that had a record date of December 29, 2006 and a payment date of January 22, 2007 was reportable on shareholders' 2006 tax returns.

All of the other common stock dividends paid during 2007 are reportable on shareholders' 2007 tax returns, including three \$0.75 per share quarterly regular dividends and the fourth quarter special dividend of \$2.00 per share. In addition, the \$0.75 per share fourth quarter 2007 common stock dividend with a record date of December 31, 2007 that was paid on January 22, 2008 is also reportable on shareholders' 2007 tax returns.

Thus, for 2007, Redwood shareholders that held stock for this entire period should report a total of \$5.00 per share of common stock dividends for tax purposes.

Under the tax rules applicable to REITs, each of Redwood's 2007 dividend distributions are characterized for tax purposes as 100% ordinary income. None of Redwood's 2007 dividend distributions are characterized for tax purposes as long-term capital gain dividends. The distributions made in 2007 do not include any return of capital.

As defined under the 2003 Tax Act, each of Redwood's 2007 dividends are not qualified dividends and consequently will be taxed at the full ordinary income tax rates.

The table below provides more detailed information for each of Redwood's common stock dividends that are taxable in 2007.

Common Stock (CUSIPs 758075 40 2)

Dividend Type	Declaration Dates	Record Dates	Payable Dates	Total Distribution Per Share	Ordinary Income
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Regular	3/8/2007	3/30/2007	4/23/2007	\$0.75	\$0.75
Regular	5/21/2007	6/29/2007	7/23/2007	\$0.75	\$0.75
Regular	8/22/2007	9/28/2007	10/22/2007	\$0.75	\$0.75
Special	11/5/2007	11/26/2007	12/7/2007	\$2.00	\$2.00
Regular	11/5/2007	12/31/2007	1/22/2008	\$0.75	\$0.75
Total				\$5.00	\$5.00

Dividend Declaration	Record	Return	Long	# of	Total
Type	Dates	Dates	Capital	Term	Paid
			Capital	Capital	
			Gains	Gains	
Regular	3/8/2007	3/30/2007	\$ 0.00	\$ 0.00	27,129,446\$ 20,347,084
Regular	5/21/2007	6/29/2007	\$ 0.00	\$ 0.00	27,816,200\$ 20,862,150
Regular	8/22/2007	9/28/2007	\$ 0.00	\$ 0.00	27,985,954\$ 20,989,465
Special	11/5/2007	11/26/2007	\$ 0.00	\$ 0.00	28,103,678\$ 56,207,356
Regular	11/5/2007	12/31/2007	\$ 0.00	\$ 0.00	32,385,073\$ 24,288,805
			\$ 0.00	\$ 0.00	\$142,694,860

For shareholders that are corporations, Redwood's 2007 dividends are not generally eligible for the corporate dividends-received deduction.

No portion of Redwood's 2007 dividends consisted of unrelated business taxable income (UBTI), which is subject to specialized tax reporting and other rules applicable for certain tax exempt investors.

For more information about Redwood Trust, Inc., please visit our website ([www.redwoodtrust.com](http://www.redwoodtrust.com)).

**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. Forward-looking statements involve numerous risks and uncertainties. Our actual results may differ from our expectations, estimates, and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Forward-looking statements are not historical in nature and can be identified by words such as "anticipate," "estimate," "will," "should," "expect," "believe," "intend," "seek," "plan" and similar expressions or their negative forms, or by references to strategy, plans, or intentions. These forward-looking statements are subject to risks and uncertainties, including, among other things, those described in our Annual Report on Form 10-K for the year ended December 31, 2006 under the caption "Risk Factors." Other risks, uncertainties, and factors that could cause actual results to differ materially from those projected are described below and may be described from time to time in reports we file with the Securities and Exchange Commission (SEC), including reports on Forms 10-K, 10-Q, and 8-K. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Important factors, among others, that may affect our actual results include: changes in interest rates; changes in prepayment rates; general economic conditions, particularly as they affect the price of earning assets and the credit status of borrowers; the availability of

high quality assets for purchase at attractive prices; declines in home prices; increases in mortgage payment delinquencies; changes in the level of liquidity in the capital markets which may adversely affect our ability to finance our real estate asset portfolio; changes in liquidity in the market for real estate securities, the re-pricing of credit risk in the capital markets, rating agency downgrades of securities and increases in the supply of real estate securities available for sale, each of which may adversely affect the values of securities we own; the extent of changes in the values of securities we own and the impact of adjustments reflecting those changes on our income statement and balance sheet, including our stockholders' equity; our ability to maintain the positive stockholders' equity necessary to enable us to pay the dividends required to maintain our status as a real estate investment trust for tax purposes; and other factors not presently identified. This press release may contain statistics and other data that in some cases have been obtained from or compiled from information made available by servicers and other third-party service providers.

Source: Redwood Trust, Inc.