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

## **Redwood Trust, Inc. Announces Dividend Tax Information for 2009**

MILL VALLEY, Calif., Jan. 22 /PRNewswire-FirstCall/ -- Redwood Trust, Inc. (NYSE: RWT) today announced tax information regarding its dividend distributions for 2009.

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 distributions.

Under the tax rules applicable to real estate investment trusts (REITs) such as Redwood, the \$0.75 per share fourth quarter 2008 regular common stock dividend that had a record date of December 31, 2008 and a payment date of January 21, 2009 was reportable on shareholders' 2008 tax returns.

All of the other common stock dividends paid during 2009 are reportable on shareholders' 2009 tax returns, including three \$0.25 per share quarterly regular dividends. In addition, the \$0.25 per share fourth quarter 2009 common stock regular dividend with a record date of December 31, 2009 that was paid on January 21, 2010 is also reportable on shareholders' 2009 tax returns.

Thus, for 2009, Redwood shareholders that held stock for this entire period should report a total of \$1.00 per share of common stock dividends for tax purposes.

Under the tax rules applicable to REITs, Redwood's 2009 dividend distributions are characterized for tax purposes as 100% return of capital. None of Redwood's 2009 dividend distributions are characterized for tax purposes as ordinary income or long-term capital gain dividends.

As a REIT, the portion of Redwood's dividends that is characterized as ordinary income is generally taxed at full ordinary income rates. The portion of Redwood's dividends characterized as a return of capital is not taxable, and reduces shareholders' basis for shares held at each quarterly distribution date.

The table below provides more detailed information for each of Redwood's common stock dividends that were paid in 2009.

| Dividend Declaration Record |            |            | Payable    | Total        | Ordinary | Return  | Term<br>Capital<br>Gains | # of       | Total \$     |
|-----------------------------|------------|------------|------------|--------------|----------|---------|--------------------------|------------|--------------|
|                             |            |            |            | Distribution | of       |         |                          |            |              |
| Type                        | Dates      | Dates      | Dates      | Per Share    | Income   | Capital |                          | Shares     | Paid         |
| Regular                     | 3/18/2009  | 3/31/2009  | 4/21/2009  | \$0.25       | \$0.00   | \$0.25  | \$0.00                   | 60,228,058 | \$15,057,014 |
| Regular                     | 5/19/2009  | 6/30/2009  | 7/21/2009  | \$0.25       | \$0.00   | \$0.25  | \$0.00                   | 77,503,470 | \$19,375,867 |
| Regular                     | 9/09/2009  | 9/30/2009  | 10/21/2009 | \$0.25       | \$0.00   | \$0.25  | \$0.00                   | 77,669,067 | \$19,417,267 |
| Regular                     | 11/16/2009 | 12/31/2009 | 1/21/2010  | \$0.25       | \$0.00   | \$0.25  | \$0.00                   | 77,737,130 | \$19,434,282 |
|                             |            |            | Total      | \$1.00       | \$0.00   | \$1.00  | \$0.00                   |            | \$73,284,430 |

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

No portion of Redwood's 2009 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 at:  
[www.redwoodtrust.com](http://www.redwoodtrust.com).

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