

2003 DIVIDEND TAXABILITY

The 2003 dividends paid by Redwood Trust, Inc. are reportable as ordinary taxable income or long-term capital gains to our shareholders as presented below. Four regular common stock dividends, one special common stock dividend, and one preferred stock dividend were paid in 2003. The following is a detail by CUSIP:

Common Stock (CUSIPs 758075 40 2 and 758075 10 5)

Dividend Type	Declaration Dates	Record Dates	Payable Dates	Total Distrib Per Share	Ordinary Income	Return of Capital	Long Term Capital Gains		#Of Shares	Total \$ Paid
							Pre-5/6/2003	Post-5/5/2003		
Regular	3/21/2003	3/31/2003	4/21/2003	\$0.65	\$0.428320	\$0.000000	\$0.015255	\$0.206425	16,604,910	\$10,793,192
Regular	5/9/2003	6/30/2003	7/21/2003	\$0.65	\$0.428320	\$0.000000	\$0.015255	\$0.206425	17,820,856	\$11,583,556
Regular	8/8/2003	9/30/2003	10/21/2003	\$0.65	\$0.428320	\$0.000000	\$0.015255	\$0.206425	18,468,138	\$12,004,289
Special	11/10/2003	11/28/2003	12/5/2003	\$4.75	\$3.130028	\$0.000000	\$0.111482	\$1.508490	18,943,709	\$89,982,616
Regular	11/10/2003	12/31/2003	1/21/2004	\$0.65	\$0.428320	\$0.000000	\$0.015255	\$0.206425	19,062,983	\$12,390,939
Total				\$7.35	\$4.843308	\$0.000000	\$0.172502	\$2.334190		\$136,754,592

Preferred Stock (CUSIP 758075 60 0)

Declaration Dates	Record Dates	Payable Dates	Total Distrib Per Share	Ordinary Income	Return of Capital	Long Term Capital Gains		#Of Shares	Total \$ Paid
						Pre-5/6/2003	Post-5/5/2003		
3/21/2003	3/31/2003	4/21/2003	\$0.755	\$0.497510	\$0.00	\$0.017720	\$0.239770	902,068	\$681,061
Total			\$0.755	\$0.497510	\$0.00	\$0.017720	\$0.239770		\$681,061

Please note that, because we are a Real Estate Investment Trust (REIT), dividends declared in the last month of a calendar year with a record date in that calendar year, but which are payable in January of the following year, are considered paid for Form 1099 reporting purposes on the record date, not on the payable date, to the extent the REIT has any remaining undistributed taxable income on the record date.

Also, note that the long-term capital gains are separated into pre-May 6, 2003 and post-May 5, 2003, in accordance with the new reduced long-term capital gains rates made effective by The Jobs and Growth Relief Reconciliation Tax Act of 2003.