



April 14, 2009

**IMPORTANT TAX INFORMATION REGARDING 2008
DIVIDENDS FROM DYNEX CAPITAL, INC.**

Below is information to assist you in your tax reporting requirements relating to dividends of taxable income made by Dynex Capital, Inc (“Dynex”, or the “Company”). As detailed below, 100% of the dividends paid by Dynex during 2008 for both the common stock and the Series D preferred and in January 2009 for the common stock only represent distributions of ordinary taxable income. These distributions of ordinary taxable income are not eligible for the tax rate reductions enacted for qualified dividend income under the Jobs and Growth Tax Relief Reconciliation Act of 2003 and are accordingly being reported as non-qualifying dividends. The Company had no distributions of capital gains.

Shareholders should review the 2008 Tax Statements that they receive from the brokerage firms in order to ensure that the dividend distribution information reported on such statements conforms to the information set forth in this notice.

The table below provides a summary of the tax information relating to the quarterly dividend distributions paid by the Company during 2008 and January 2009:

Dynex Capital Common Stock (CUSIP 26817Q506)

Payment Date	Dividends per share	Ordinary income	Return of Capital
February 29, 2008	\$0.10	\$0.10	\$0.00
May 30, 2008	\$0.15	\$0.15	\$0.00
September 30, 2008	\$0.23	\$0.23	\$0.00
January 30, 2009	\$0.23	\$0.23	\$0.00
Totals	\$0.71	\$0.71	\$0.00

Dynex Capital Series D Preferred Stock (CUSIP 26817Q605)

Payment Date	Dividends per share	Ordinary income	Return of Capital
January 31, 2008	\$0.2375	\$0.2375	\$0.00
April 30, 2008	\$0.2375	\$0.2375	\$0.00
July 31, 2008	\$0.2375	\$0.2375	\$0.00
October 31, 2008	\$0.2375	\$0.2375	\$0.00
Totals	\$0.95	\$0.95	\$0.00

Excess Inclusion Income

Approximately 38.9% of our taxable ordinary income reported in the table above is related to excess inclusion income. We have excess inclusion income with respect to our ownership of certain residual interests in securities. The Internal Revenue Service requires us to report excess inclusion income to assist tax-exempt and non-U.S. corporations or residents in the preparation of their tax returns. In addition, for U.S. shareholders, excess inclusion income represents income that cannot be eliminated or reduced through the use of deductions from other sources or exemptions. We have not received all of the required information on our residual interests as of the date of this notice and such amounts may change. We estimate that we will have this information in final form no later than the date when we file our tax return for 2008, and we will update the tax information on our website when we have our final excess inclusion income amounts.

Tax Disclaimer

The tax and excess inclusion income information above should not be construed as tax advice and is not a substitute for careful tax planning and analysis. You should consult your own tax advisor regarding the specific federal, state, local, foreign and other tax consequences to you regarding your ownership of shares of the Company's common stock and Series D Preferred Stock.