UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2003

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ______________________ to ______________________

Commission File Number: 001-31458

NEWCASTLE INVESTMENT CORP.
(Exact name of registrant as specified in its charter)

Maryland	81-0559116
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1251 Avenue of the Americas, New York, NY	10020
(Address of principal executive offices)	(Zip Code)

(212) 798-6100
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act). Yes [ ] No [X]

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

Common stock, $0.01 par value per share: 23,488,517 outstanding as of May 9, 2003.

NEWCASTLE INVESTMENT CORP.
FORM 10-Q

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NEWCASTLE INVESTMENT CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(dollars in thousands, except share data)

<TABLE>
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	MARCH 31, 2003 (UNAUDITED)	DECEMBER 31, 2002
ASSETS		
Real estate securities, available for sale	$ 1,590,122	$ 1,069,892
CBO III deposit	--	37,777
Operating real estate, net	118,931	113,652
Real estate held for sale	2,208	3,471
Mortgage loans, net	303,013	258,198
Other securities, available for sale	20,931	11,209
Cash and cash equivalents	75,765	45,463
Restricted cash	11,797	10,380
Deferred costs, net	7,300	6,489
Receivables and other assets	18,998	16,036
	$ 2,149,065	$ 1,572,567
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
CBO bonds payable	$ 1,336,297	$ 868,497
Other bonds payable	37,584	37,389
Notes payable	65,272	62,952
Repurchase agreements	289,446	248,169
Derivative liabilities	49,522	54,095

Due to affiliates	1,768	9,161
Dividends payable	10,773	1,335
Accrued expenses and other liabilities	8,537	6,728
	1,799,199	1,288,326
STOCKHOLDERS' EQUITY		
Preferred stock, $0.01 par value, 100,000,000 shares authorized, 2,500,000 shares of Series B Cumulative Redeemable Preferred Stock, liquidation preference $25.00 per share, issued and outstanding at March 31, 2003	62,500	--
Common stock, $0.01 par value, 500,000,000 shares authorized, 23,488,517 shares issued and outstanding at March 31, 2003 and December 31, 2002	235	235
Additional paid-in capital	288,499	290,935
Dividends in excess of earnings	(13,636)	(13,966)
Accumulated other comprehensive income	12,268	7,037
	349,866	284,241
	$ 2,149,065	$ 1,572,567

</TABLE>

See notes to consolidated financial statements.

NEWCASTLE INVESTMENT CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(dollars in thousands, except share data)

<TABLE>
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<S>	THREE MONTHS ENDED MARCH 31, 2003 <C>	MARCH 31, 2002 <C>
REVENUES		
Interest income	$ 25,032	$ 13,028
Rental and escalation income	5,797	4,811
Gain on settlement of investments	2,491	3,026
Management fee from affiliate	--	2,235
Incentive income from affiliate	--	(12,810)
	33,320	10,290
EXPENSES		
Interest expense	14,863	8,408
Property operating expense	2,665	2,156
Loan servicing expense	402	88
General and administrative expense	950	591
Management fee to affiliate	1,305	3,598
Preferred incentive compensation to affiliate	1,330	(5,565)
Depreciation and amortization	711	850
	22,226	10,126
Income before equity in earnings (losses) of unconsolidated subsidiaries	11,094	164

Equity in earnings (losses) of unconsolidated subsidiaries	--	(452)
Income (loss) from continuing operations	11,094	(288)
Income from discontinued operations	9	1,159
NET INCOME	11,103	871
Preferred dividends and related accretion	(203)	(638)
INCOME AVAILABLE FOR COMMON STOCKHOLDERS	$ 10,900	$ 233
NET INCOME PER SHARE OF COMMON STOCK, BASIC	$ 0.46	$ 0.01
NET INCOME PER SHARE OF COMMON STOCK, DILUTED	$ 0.46	$ 0.01
Income (loss) from continuing operations per share of common stock, after preferred dividends and related accretion, basic	$ 0.46	$ (0.06)
Income (loss) from continuing operations per share of common stock, after preferred dividends and related accretion, diluted	$ 0.46	$ (0.06)
Income from discontinued operations per share of common stock, basic	$ 0.00	$ 0.07
Income from discontinued operations per share of common stock, diluted	$ 0.00	$ 0.07
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING, BASIC	23,488,517	16,488,517
WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK OUTSTANDING, DILUTED	23,619,909	16,488,517
DIVIDENDS DECLARED PER COMMON SHARE	$ 0.45	$ 0.60

</TABLE>

See notes to consolidated financial statements.

NEWCASTLE INVESTMENT CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)
FOR THE THREE MONTHS ENDED MARCH 31, 2003 AND 2002
(dollars in thousands)

<TABLE>
<CAPTION>

	PREFERRED STOCK		COMMON STOCK		ADDITIONAL PD. IN CAPITAL
	SHARES	AMOUNT	SHARES	AMOUNT	
<S>	<C>	<C>	<C>	<C>	<C>
STOCKHOLDERS' EQUITY - DECEMBER 31, 2002	--	$ --	23,488,517	$ 235	$

					290,935
Dividends declared	--	--	--	--	--
Issuance of preferred stock	2,500,000	62,500	--	--	(2,436)
Comprehensive income:					
Net income	--	--	--	--	--
Unrealized gain on securities	--	--	--	--	--
Realized (gain) on securities: reclassification adjustment	--	--	--	--	--
Foreign currency translation	--	--	--	--	--
Unrealized gain on derivatives designated as cash flow hedges	--	--	--	--	--
Total comprehensive income					
Stockholders' equity - March 31, 2003	2,500,000	$62,500	23,488,517	$ 235	$ 288,499
STOCKHOLDERS' EQUITY - DECEMBER 31, 2001			16,488,517	$ 165	$ 309,356
Dividends declared			--	--	--
Comprehensive income:					
Net income			--	--	--
Unrealized (loss) on securities			--	--	--
Foreign currency translation			--	--	--
Unrealized gain on derivatives designated as cash flow hedges			--	--	--
Total comprehensive income					
Stockholders' equity - March 31, 2002			16,488,517	$ 165	$ 309,356

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<S>	DIVIDENDS IN EXCESS OF EARNINGS <C>	ACCUM. OTHER COMP. INCOME <C>	TOTAL STOCK-HOLDERS' EQUITY <C>
STOCKHOLDERS' EQUITY - DECEMBER 31, 2002	$ (13,966)	$ 7,037	$ 284,241
Dividends declared	(10,773)	--	(10,773)
Issuance of preferred stock	--	--	60,064
Comprehensive income:			
Net income	11,103	--	11,103
Unrealized gain on securities	--	3,401	3,401
Realized (gain) on securities: reclassification adjustment	--	(3,480)	(3,480)
Foreign currency translation	--	1,740	1,740
Unrealized gain on derivatives designated as cash flow hedges	--	3,570	3,570
Total comprehensive income			16,334
Stockholders' equity - March 31, 2003	$ (13,636)	$ 12,268	$ 349,866
STOCKHOLDERS' EQUITY - DECEMBER 31, 2001	$ (7,767)	$ 8,791	$ 310,545
Dividends declared	(10,531)	--	(10,531)
Comprehensive income:			
Net income	871	--	871
Unrealized (loss) on securities	--	(9,071)	(9,071)
Foreign currency translation	--	(486)	(486)
Unrealized gain on derivatives designated as cash flow hedges	--	1,064	1,064
Total comprehensive income			(7,622)
Stockholders' equity - March 31, 2002	$ (17,427)	$ 298	$ 292,392

</TABLE>

See notes to consolidated financial statements.

NEWCASTLE INVESTMENT CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(dollars in thousands)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED	
	MARCH 31, 2003	MARCH 31, 2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 11,103	$ 871
Adjustments to reconcile net income to net cash provided by operating activities (inclusive of amounts related to discontinued operations):		
Depreciation and amortization	711	3,571
Accretion of discount and other amortization	(3,354)	(1,060)
Equity in (earnings) loss of unconsolidated subsidiaries	--	452
Accrued incentive (income) loss from affiliate	--	12,810
Non-cash incentive compensation to affiliate	--	(6,413)
Deferred rent	(151)	(427)
Gain on settlement of investments	(2,291)	(3,105)
Change in:		
Restricted cash	(1,334)	(926)
Receivables and other assets	(3,259)	(1,837)
Due to affiliates	433	3,819
Accrued expenses and other liabilities	2,264	(2,876)
Net cash provided by operating activities	4,122	4,879
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase and improvement of operating real estate	--	(1,002)
Proceeds from sale of operating real estate	2,238	--
Purchase of mortgage loans	(210,281)	--
Repayments of loan and security principal	13,926	7,569
Proceeds from settlement of mortgage loans	162,554	289
Contributions to unconsolidated subsidiaries	--	(5,029)
Distributions from unconsolidated subsidiaries	--	3,450
Purchase of real estate securities	(513,395)	(67,080)
Proceeds from sale of real estate securities	34,879	65,940
Deposit on real estate securities	(4,922)	(19,631)
Payment of deferred transaction costs	--	(491)
Purchase of other securities	(14,127)	(108)
Net cash used in investing activities	(529,128)	(16,093)

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See notes to consolidated financial statements. Continuing on Page 5

NEWCASTLE INVESTMENT CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(dollars in thousands)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED	
	MARCH 31, 2003	MARCH 31, 2002
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under repurchase agreements	199,716	--
Repayments of repurchase agreements	(158,439)	--
Repayments of notes payable	(215)	(1,027)
Issuance of CBO bonds payable	467,094	--

Repayments of other bonds payable	(2,438)	(4,038)
Draws under credit facility	--	20,000
Issuance of preferred stock	62,500	--
Costs related to issuance of preferred stock	(2,436)	--
Dividends paid	(9,161)	(8,882)
Payment of deferred financing costs	(1,313)	(419)
Net cash provided by financing activities	555,308	5,634
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,302	(5,580)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	45,463	31,360
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 75,765	$ 25,780
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period for interest expense	$ 14,684	$ 13,411
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES		
Common stock dividends declared but not paid	$ 10,570	$ 9,893
Preferred stock dividends declared but not paid	$ 203	$ 638
Deposit used in acquisition of real estate securities	$ 44,409	$ --

</TABLE>

See notes to consolidated financial statements.

NEWCASTLE INVESTMENT CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
MARCH 31 2003
(dollars in tables in thousands, except per share data)

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1. GENERAL

Newcastle Investment Corp. (and subsidiaries, "Newcastle") is a Maryland Corporation that was formed in June 2002 as a wholly owned subsidiary of Newcastle Investment Holdings Corp. ("Holdings") for the purpose of separating the real estate securities and certain of its credit leased real estate businesses from Holdings' other investments. Newcastle conducts its business through three primary segments: (i) real estate securities, (ii) operating real estate, primarily credit leased real estate, and (iii) mortgage loans.

In July 2002, Holdings contributed to Newcastle certain assets and liabilities in exchange for 16,488,517 shares of Newcastle's common stock. However, for accounting purposes this transaction is presented as a reverse spin-off. Under a reverse spin-off, Newcastle is treated as the continuing entity and the assets that were retained by Holdings and not contributed to Newcastle are accounted for as if they were distributed at their historical book basis through a spin-off to Holdings. Newcastle's operations commenced on July 12, 2002. At March 31, 2003, Holdings held approximately 70% of Newcastle's outstanding shares of common stock.

In October 2002, Newcastle sold 7 million shares of its common stock in a public offering at a price to the public of $13.00 per share, for net proceeds of approximately $80 million. Subsequent to this offering, Newcastle had 23,488,517 shares of common stock outstanding.

Newcastle is organized and conducts its operations to qualify as a real estate investment trust ("REIT") for federal income tax purposes. As such, Newcastle will generally not be subject to federal income tax on that portion of its income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by prescribed dates and complies with various other requirements.

Newcastle has entered into a management agreement (the "Management Agreement") with Fortress Investment Group LLC (the "Manager"), an affiliate, under which the Manager advises Newcastle on various aspects of its business and manages its day-to-day operations, subject to the supervision of Newcastle's board of directors. For its services, the Manager receives an annual management fee and preferred incentive compensation, both as defined in the Management Agreement. The Manager also manages Holdings and Fortress Investment Fund LLC ("Fund I").

The consolidated financial statements include the accounts of Newcastle and its controlled subsidiaries, subsequent to the date of commencement of its operations, and also include the accounts of its predecessor, Holdings, prior to such date.

Holdings is a Maryland corporation that invests in real estate-related assets on a global basis. Its primary businesses were (1) investing in real estate securities, (2) investing in operating real estate, primarily credit leased real estate, (3) investing in Fund I and (4) investing in distressed, sub-performing and performing residential and commercial mortgage loans, or portfolios thereof, and related properties acquired in foreclosure or by deed-in-lieu of foreclosure.

Holdings' investments in real estate securities and a portion of its investments in operating real estate were transferred to Newcastle. The operating real estate and real estate loan operations treated as being distributed to Holdings have been accounted for as discontinued operations, because they constituted a component of an entity, while the other operations treated as being distributed to Holdings, including the investment in Fund I, have not been accounted for as such, because they did not constitute a component of an entity as defined in SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets."

The accompanying consolidated financial statements and related notes of Newcastle have been prepared in accordance with accounting principals generally accepted in the United States for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in financial statements prepared under accounting principals generally accepted in the United States have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of Newcastle's financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These financial statements should be read in conjunction with Newcastle's December 31, 2002 consolidated financial statements and notes thereto included in Newcastle's annual report on Form 10-K filed with the Securities and Exchange Commission. Capitalized terms used herein, and not otherwise defined, are defined in Newcastle's December 31, 2002 consolidated financial statements.

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2. INFORMATION REGARDING BUSINESS SEGMENTS

Newcastle conducts its business through three primary segments: real estate securities, operating real estate and mortgage loans.

Holdings conducted its business in four primary segments: real estate securities, operating real estate, mortgage loans, and its investment in Fund I.

The real estate securities segment was retained by Newcastle. The operating real estate segment, which comprised three portfolios of properties, was split as follows: the Bell Canada (Canadian) and LIV (Belgian) portfolios were retained by Newcastle while the GSA (U.S.) portfolio was distributed to Holdings. The existing mortgage loans and Fund I segments were distributed to Holdings.

Summary financial data on Newcastle's segments is given below, together with a reconciliation to the same data for Newcastle as a whole (including its predecessor, through the date of the commencement of our operations, as described in Note 1):

<TABLE>
<CAPTION>

	Real Estate Securities	Operating Real Estate	Mortgage Loans	Fund I	Unallocated	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
March 31, 2003 and the Three Months then Ended						
Gross revenues	$ 24,543	$ 5,816	$ 2,961	$ --	$ --	$ 33,320
Operating expenses	(158)	(2,993)	(259)	--	(3,242)	(6,652)
Operating income (loss)	24,385	2,823	2,702	--	(3,242)	26,668
Interest expense	(12,141)	(1,589)	(1,133)	--	--	(14,863)
Depreciation and amortization	--	(711)	--	--	--	(711)
Income (loss) from continuing operations	12,244	523	1,569	--	(3,242)	

						11,094
Income from discontinued operations	--	9	--	--	--	9
Net Income (Loss)	$ 12,244	$ 532	$ 1,569	$ --	$ (3,242)	$ 11,103
Revenue derived from non-US sources:						
Canada	$ --	$ 4,223	$ --	$ --	$ --	$ 4,223
Belgium	$ --	$ 1,922	$ --	$ --	$ --	$ 1,922
Total assets	$ 1,635,607	$ 134,454	$ 304,080	$ --	$ 74,924	$ 2,149,065
Long-lived assets outside the US:						
Canada	$ --	$ 59,505	$ --	$ --	$ --	$ 59,505
Belgium	$ --	$ 74,949	$ --	$ --	$ --	$ 74,949
December 31, 2002						
Total assets	$ 1,138,767	$ 128,831	$ 259,381	$ --	$ 45,588	$ 1,572,567
Long-lived assets outside the US:						
Canada	$ --	$ 56,939	$ --	$ --	$ --	$ 56,939
Belgium	$ --	$ 71,892	$ --	$ --	$ --	$ 71,892
Three Months Ended March 31, 2002						
Gross revenues	$ 15,946	$ 4,843	$ --	$ (10,597)	$ 98	$ 10,290
Operating expenses	(110)	(2,243)	--	4,170	(2,685)	(868)
Operating income (loss)	15,836	2,600	--	(6,427)	(2,587)	9,422
Interest expense	(6,032)	(1,241)	--	--	(1,135)	(8,408)
Depreciation and amortization	--	(634)	--	(164)	(52)	(850)
Equity in earnings (loss) of unconsolidated subsidiaries	--	--	--	(479)	27	(452)
Income (loss) from continuing operations	9,804	725	--	(7,070)	(3,747)	(288)
Income (loss) from discontinued operations	--	1,178	(19)	--	--	1,159
Net Income (Loss)	$ 9,804	$ 1,903	$ (19)	$ (7,070)	$ (3,747)	$ 871
Revenue derived from non-US sources:						
Canada	$ --	$ 3,918	$ --	$ --	$ --	$ 3,918
Belgium	$ --	$ 1,680	$ --	$ --	$ --	$ 1,680
Italy	$ --	$ --	$ 88	$ --	$ --	$ 88

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</TABLE>

3. REAL ESTATE SECURITIES

The following is a summary of Newcastle's real estate securities at March 31, 2003, all of which are classified as available for sale and are therefore marked to market through other comprehensive income pursuant to SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities." Unrealized losses that are considered other than temporary are recognized currently in income. There were no such losses incurred during the three months ended March 31, 2003.

<TABLE>
<CAPTION>

			Gross Unrealized			Weighted Average			
Portfolio I	Current Face Amount	Amortized Cost Basis	Gains	Losses	Carrying Value	S&P Rating	Coupon	Yield	Term to Maturity (Years)
CMBS	$ 312,050	$ 276,345	$24,776	$ (3,553)	$ 297,568	BB+	6.77%	9.42%	6.90
Unsecured REIT debt	223,227	221,678	23,887	(35)	245,530	BBB	7.37%	7.60%	5.57
Subtotal - Portfolio I	535,277	498,023	48,663	(3,588)	543,098	BB+	7.02%	8.61%	6.35
Portfolio II									
CMBS	301,964	288,706	17,648	(300)	306,054	BBB-	6.18%	7.15%	6.95
Unsecured REIT debt	113,292	112,430	11,749	--	124,179	BBB-	7.81%	7.85%	7.61
Asset-backed securities	60,845	58,661	1,540	(1,627)	58,574	AA	7.22%	8.30%	7.45
Subtotal - Portfolio II	476,101	459,797	30,937	(1,927)	488,807	BBB	6.70%	7.47%	7.17
Portfolio III									
CMBS	281,103	296,318	277	(4,106)	292,489	BBB	6.04%	5.27%	7.61
Unsecured REIT debt	105,110	110,049	1,145	(1,333)	109,861	BBB-	7.04%	6.32%	8.87
Asset-backed securities	35,836	34,037	128	(397)	33,768	AA-	4.99%	6.06%	6.05
Subtotal - Portfolio III	422,049	440,404	1,550	(5,836)	436,118	BBB	6.20%	5.59%	7.79
Total Real Estate Securities*	$1,433,427	$1,398,224	$81,150	$(11,351)	$1,468,023	BBB-	6.67%	7.28%	7.05

</TABLE>

* Carrying value excludes restricted cash of $122.1 million included in Real Estate Securities pending its reinvestment. At March 31, 2003, the total current face amount of fixed rate securities was $1,291.5 million, and of floating rate securities was $141.9 million.

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4. RECENT ACTIVITIES

In February 2003, Newcastle sold its entire position in conforming residential mortgage loans (a portion of its mortgage loan portfolio) for gross proceeds of approximately $162.6 million resulting in a gain of approximately $0.7 million. As a result of the sale, the existing repurchase agreement allocated to the conforming loans was satisfied for approximately $153.9 million. Simultaneously, Newcastle purchased additional non-conforming residential mortgage loans at a cost of approximately $210.2 million. In connection with this purchase, the outstanding balance of the existing repurchase agreement was increased by a net of $45.9 million, after the repayment described above.

In March 2003, Newcastle completed its third CBO financing ("CBO III") whereby a portfolio of real estate securities was contributed to a consolidated subsidiary which issued $472.0 million face amount of investment grade senior bonds and $28.0 million face amount of non-investment grade subordinated bonds in a private placement. At March 31, 2003, the subordinated bonds were retained by Newcastle and the $466.9 million carrying amount of senior bonds, which bore interest at a weighted average effective rate, including discount and cost amortization, of 2.51%, had an expected weighted average life of approximately 8.95 years. One class of the senior bonds bears a floating interest rate. Newcastle has obtained an interest rate swap and cap in order to hedge its exposure to the risk of changes in market interest rates with respect to these bonds, at an initial cost of approximately $1.3 million. CBO III's weighted average effective interest rate, including the effect of such hedges, was 4.04% at March 31, 2003.

In March 2003, Newcastle issued 2.5 million shares of its 9.75% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred") in a public, registered offering for net proceeds of approximately $60.1 million. The Series B Preferred has a $25 per share liquidation preference, no maturity date, no required redemption, and may not be redeemed prior to March 2008.

In March 2003, an affiliate of the Manager purchased an additional 50,000 shares of Holdings' common stock from a third party. In April 2003, Holdings repurchased 2,178 shares of Newcastle's common stock from an affiliate of the Manager.

Options to purchase 2,000 shares of its common stock were automatically granted by Newcastle to each of its two independent directors who were appointed subsequent to Newcastle's initial public offering, in accordance with the terms of the Newcastle Stock Option and Incentive Award Plan.

In April 2003, Newcastle purchased additional non-conforming residential floating rate mortgage loans at a cost of approximately $148.3 million. The purchase is 95% financed subject to a floating rate repurchase agreement, which bears interest at LIBOR + 0.425% for a term commitment of six months.

At March 31, 2003, Due To Affiliates was comprised of $1.3 million of preferred incentive compensation and $0.5 million of management fees and expense reimbursements payable to the Manager.

One of Newcastle's Other Securities represents a $3.3 million residual interest in a securitization of real estate securities. Newcastle has no funding or other obligations with respect to this securitization, which contained approximately $250 million of assets at March 31, 2003. Newcastle has not yet determined whether this interest represents a "variable interest entity" pursuant to FASB Interpretation No. 46 "Consolidation of Variable Interest Entities." Should such a determination be made, Newcastle would consolidate the gross assets and liabilities of the securitization beginning in the third quarter of 2003. This would increase both the assets and liabilities of Newcastle, but would not effect equity or net income.

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5. DERIVATIVE INSTRUMENTS

The following table summarizes the notional amounts and fair (carrying) values of Newcastle's derivative financial instruments as of March 31, 2003.

	Notional Amount	Fair Value	Longest Maturity
Interest rate caps treated as hedges (A)	$235,925	$ 5,525	October 2015
Interest rate swaps, treated as hedges (B)	$699,254	($45,912)	March 2013
Non-hedge derivative obligations (B)	(C)	($ 820)	July 2038

(A) Included in Deferred Costs, Net.

(B) Included in Derivative Liabilities.

(C) Represents two essentially offsetting interest rate caps and two essentially offsetting interest rate swaps, each with notional amounts of $32.5 million, an interest rate cap with a notional amount of $17.5 million, and an interest rate cap with a notional amount of approximately $63.2 million.

6. EARNINGS PER SHARE

Newcastle is required to present both basic and diluted earnings per share ("EPS"). Basic EPS is calculated by dividing net income available for common stockholders by the weighted average number of shares of common stock outstanding during each period. Diluted EPS is calculated by dividing net income available for common stockholders by the weighted average number of shares of common stock outstanding plus the additional dilutive effect of common stock equivalents during each period. Newcastle's common stock equivalents are its stock options. Net income available for common stockholders is equal to net income less preferred dividends, and also less accretion of the discount on Holdings' Series A Preferred, which was fully redeemed in June 2002.

The following is a reconciliation of the weighted average number of shares of common stock outstanding on a diluted basis.

	THREE MONTHS ENDED	
	MARCH 31, 2003	MARCH 31, 2002
Weighted average number of shares of common stock outstanding, basic	23,488,517	16,488,517
Dilutive effect of stock options, based on the treasury stock method	131,392	--
Weighted average number of shares of common stock outstanding, diluted	23,619,909	16,488,517

Newcastle accounts for its stock options using the intrinsic value method pursuant to Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees," whereby no compensation cost is recorded for options issued to employees (including directors) when the strike price is at market. If Newcastle had accounted for such options using the fair value method pursuant to SFAS No. 123 "Accounting for Stock-Based Compensation, as amended by SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure," the options issued in the first quarter to its directors would have been recorded as compensation expense at their fair value, which was immaterial (less than $5,000) on the date of grant.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following should be read in conjunction with the unaudited consolidated financial statements and notes included herein.

GENERAL

We were formed in June 2002 as a wholly owned subsidiary of Newcastle Investment Holdings Corp. (referred to as Holdings) for the purpose of separating the real estate securities and certain of the credit leased real estate businesses from Holdings' other investments. In July 2002, Holdings contributed to us certain assets and liabilities in exchange for 16,488,517 shares of our common stock (as adjusted for an October stock dividend).

Although we were formed as a wholly owned subsidiary of Holdings, for accounting purposes this transaction is presented as a reverse spin-off. Under a reverse spin-off, Newcastle Investment Corp. is treated as the continuing entity and the assets that were retained by Holdings and not contributed to us are accounted for as if they were distributed at their historical book basis through a spin-off to Holdings. Our operations commenced on July 12, 2002.

The analysis in this section treats us as the successor to Holdings and therefore includes historical information, through the date of the commencement of our operations, regarding operations of Holdings which were distributed to them and therefore are unrelated to our ongoing operations. Transactions completed by Holdings related to investments retained by Holdings (not contributed to us) are referred to as being completed by our predecessor.

In October 2002, we sold 7 million shares of our common stock in a public offering at a price to the public of $13.00 per share, for net proceeds of approximately $80 million. Subsequent to this offering, we had 23,488,517 shares of common stock outstanding.

At March 31, 2003, Holdings held approximately 16.5 million or 70% of our outstanding shares of common stock. On April 30, 2003, Holdings announced a distribution of all such Newcastle stock to Holdings' stockholders, to be made on or about May 19, 2003. Approximately 2.8 million of such shares will be distributed by Holdings to an affiliate of the Manager; these shares are subject to a lock up agreement with the underwriters of our initial public offering until October 2003, after such time these shares may be sold subject to Rule 144 of the Securities Act, including the limitations thereunder.

We are organized and conduct our operations to qualify as a REIT for federal income tax purposes. As such, we will generally not be subject to federal income tax on that portion of our income that is distributed to stockholders if we distribute at least 90% of our REIT taxable income to our stockholders by prescribed dates and comply with various other requirements.

We conduct our business through three primary segments: (i) real estate securities, (ii) operating real estate, primarily credit leased real estate, including a portfolio of properties located in Canada, which we refer to as our Bell Canada portfolio, and a portfolio of properties located in Belgium, which we refer to as our LIV portfolio, and (iii) mortgage loans.

Our predecessor, Holdings, conducted its business through four primary segments: (1) real estate securities, (2) operating real estate, primarily credit leased real estate, (3) its investment in Fortress Investment Fund LLC ("Fund I") and (4) mortgage loans. Holdings' investments in real estate securities and a portion of its investments in operating real estate were contributed to us. The operating real estate and mortgage loans operations distributed to Holdings have been treated as discontinued operations, because they constituted a component of an entity, while the other operations distributed to Holdings, including the investment in Fund I, have not been treated as such, because they did not constitute a component of an entity as defined in SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets." Revenues attributable to each segment are disclosed below (unaudited) (in thousands).

	Real Estate Securities	Operating Real Estate	Mortgage Loans	Fund I	Unallocated	Total
For the three months ended March 31, 2003:	$ 24,543	$ 5,816	$ 2,961	$ --	$ --	$ 33,320
For the three months ended March 31, 2002:	$ 15,946	$ 4,843	$ --	$(10,597)	$ 98	$ 10,290

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Management's discussion and analysis of financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Actual results could differ from these estimates. The following is a summary of our accounting policies that are most effected by judgements, estimates and assumptions.

We have classified our real estate securities as available for sale. As such, they are carried at fair value with net unrealized gains or losses reported as a component of accumulated other comprehensive income. Fair value is based primarily upon multiple broker quotations, which provide valuation estimates based upon reasonable market order indications or a good faith estimate thereof. These quotations are subject to significant variability based on market conditions, such as interest rates and spreads. Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could result in a significant increase or decrease in our book equity. We must also assess whether unrealized losses on securities, if any, reflect a decline in value which is other than temporary and, accordingly, write the impaired security down to its value through earnings. Significant judgement is required in this analysis. To date, no such write-downs have been made.

Income on these securities is recognized using a level yield methodology based upon a number of assumptions that are subject to uncertainties and contingencies. Such assumptions include the expected disposal date of such security and the rate and timing of principal and interest receipts (which may be subject to prepayments, delinquencies and defaults). These uncertainties and contingencies are difficult to predict and are subject to future events, and economic and market conditions, which may alter the assumptions.

Similarly, our derivative instruments, held for hedging purposes, are carried at fair value pursuant to Statement of Financial Accounting Standards ("SFAS") No. 133 "Accounting for Derivative Instruments and Hedging Activities," as amended. Fair value is based on counterparty quotations. To the extent they qualify as hedges under SFAS No. 133, net unrealized gains or losses are reported as a component of accumulated other comprehensive income; otherwise, they are reported as a component of current income. Fair values of such derivatives are subject to significant variability based on many of the same factors as the securities discussed above. The results of such variability could be a significant increase or decrease in our book equity and/or earnings.

We purchase mortgage loans to be held for investment. We must periodically evaluate each of these loans for possible impairment. Impairment is indicated when it is deemed probable that we will be unable to collect all amounts due according to the contractual terms of the loan. Upon determination of impairment, we would establish a specific valuation allowance with a corresponding charge to earnings. Significant judgment is required both in determining impairment and in estimating the resulting loss allowance. To date, we have determined that no loss allowances have been necessary on the loans in our portfolio.

RESULTS OF OPERATIONS

COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 2003 TO THE THREE MONTHS ENDED MARCH 31, 2002

Interest income increased by $12.0 million or 92%, from $13.0 million to $25.0 million. This increase is primarily the result of the acquisition of real estate securities used as collateral for the CBO II and CBO III financings.

Rental and escalation income increased by $1.0 million or 20%, from $4.8 million to $5.8 million. This increase is primarily the result of foreign currency fluctuations related to our Bell Canada and LIV portfolios. Escalation income represents contractual increases in rental income to offset increases in expenses or general price increases over a base amount.

Gain on settlement of investments decreased by $0.5 million, from $3.0 million to $2.5 million, primarily as a result of a decrease in the volume of sales of certain real estate securities. Sales of real estate securities are based on a number of factors including credit, asset type and industry and can be expected to increase or decrease from time to time. Periodic fluctuations in the volume of sales of securities is dependent upon, among other things, management's assessment of credit risk, asset concentration, portfolio balance and other factors. The decreased volume of sales of securities during this period reflects management's determination that the portfolio required less adjustment than in prior periods.

Management fee and incentive income from affiliate related solely to our predecessor's investment in Fund I.

Interest expense increased by $6.5 million or 77%, from $8.4 million to $14.9 million. This increase is primarily the result of interest on the CBO II financing.

Property operating expense increased by $0.5 million or 24%, from $2.2 million to $2.7 million, primarily as the result of foreign currency fluctuations related to our Bell Canada and LIV portfolios.

Loan servicing expense increased by $0.3 million, from $0.1 million to $0.4 million, primarily as a result of the acquisition of the collateral for CBO II and the acquisition of the mortgage loan portfolio.

General and administrative expense increased by $0.4 million, from $0.6 million to $1.0 million, primarily as a result of increased costs related to being a public company.

Management fee expense, excluding $2.2 million of management fee expense in 2002 relating to our predecessor's investment in Fund I, decreased by $0.1 million, from $1.4 million to $1.3 million, primarily as a result of the distribution of assets to Holdings which reduced our equity.

Preferred incentive compensation to affiliate, excluding an expense reversal of $6.4 million in 2002 related to our predecessor's investment in Fund I, increased by $0.5 million, from $0.8 million to $1.3 million, primarily as a result of increased earnings.

Depreciation and amortization decreased by $0.2 million or 16%, from $0.9 million to $0.7 million, primarily as the result of the distribution to Holdings of depreciable assets.

Equity in earnings of unconsolidated subsidiaries related solely to our predecessor's activities.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, and other general business needs. Additionally, to maintain our status as a REIT under the Internal Revenue Code, we must distribute annually at least 90% of our taxable income. Our primary sources of funds for liquidity, in addition to our initial public offering, consist of net cash provided by operating activities, borrowings under loans and the issuance of debt securities. Our loans and debt securities are generally secured directly by our investment assets. As of March 31, 2003, our real estate securities purchased in connection with our three CBO financings as well as our Bell Canada portfolio were securitized, while our LIV portfolio, mortgage loan portfolio, and one of our other securities served as collateral for loans.

Our ability to execute our business strategy, particularly the growth of our investment portfolio, depends to a significant degree on our ability to obtain additional capital. Our core business strategy is dependent upon our ability to issue the match funded debt we use to finance our real estate securities at spreads that provide a positive arbitrage. If spreads for CBO liabilities widen or if demand for such liabilities ceases to exist, then our ability to execute future CBO financings will be severely restricted.

We expect to meet our short-term liquidity requirements generally through our cash flow provided by operations, as well as investment specific borrowings. In addition, at March 31, 2003 we had an unrestricted cash balance of $75.8 million. Our cash flow provided by operations differs from our net income due to four primary factors: (i) depreciation of our operating real estate, (ii) accretion of discount on our real estate securities, discount on our debt obligations, and deferred hedge gains and losses, (iii) straight-lined rental income, and (iv) gains and losses. Proceeds from the sale of real estate securities which serve as collateral for our CBO financings, including gains thereon, are required to be retained in the CBO structure until the related bonds are retired and are therefore not available to fund current cash needs.

Our operating real estate is financed long-term and primarily leased to credit tenants with long-term leases and is therefore expected to generate generally stable current cash flows. Our real estate securities are also financed long-term and their credit status is continuously monitored; therefore, these investments are also expected to generate a generally stable current return, subject to interest rate fluctuations. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk -- Interest Rate Exposure" below. We consider our ability to generate cash to be adequate and expect it to continue to be adequate to meet operating requirements both in the short- and long-term.

We expect to meet our long-term liquidity requirements, specifically the repayment of our debt obligations and our investment funding needs, through additional borrowings, the issuance of debt and equity securities and the liquidation or refinancing of our assets at maturity. We believe that the value of these assets is, and will continue to be, sufficient to repay our debt obligations at maturity under either scenario. Our ability to meet our long-term liquidity requirements is subject to obtaining

additional equity and debt financing. Decisions by investors and lenders to enter into such transactions with us will depend upon a number of factors, such as our historical and projected financial performance, compliance with the terms of our current credit arrangements, industry and market trends, the availability of capital and our investors' and lenders' policies and rates applicable thereto, and the relative attractiveness of alternative investment or lending opportunities.

We expect that our cash on hand and our cash flow provided by operations will satisfy our liquidity needs for our business plan with respect to our current investment portfolio over the next twelve months. However, we currently expect to seek additional capital in order to grow our investment portfolio.

With respect to our operating real estate, we expect to incur approximately $1.7 million of tenant improvements in connection with the inception of leases and capital expenditures during the nine months ending December 31, 2003.

The following table presents certain information regarding Newcastle's debt obligations as of March 31, 2003 (unaudited) (dollars in thousands):

	Carrying Amount	Face Amount	Interest Rate	Stated Maturity	Weighted Average Effective Interest Rate (B)	Weighted Average Expected Life
CBO I Bonds	$ 429,954	$ 437,500	See Below	July 2038	5.42%	5.01 Years
CBO II Bonds	439,399	444,000	See Below	April 2037	6.07%	7.11 Years
CBO III Bonds	466,944	472,000	See Below	March 2038	4.04%	8.95 Years
Total CBO bonds	1,336,297	1,353,500			5.16%	7.07 Years
Bell Canada Securitization	37,584	38,385	See Below	April 2012	7.01%	2.86 Years
LIV Mortgage	65,272	65,272	5.32%	Nov. 2006	6.17%	3.50 Years
CMBS Repo	1,457	1,457	LIBOR+1.35%	One Month	2.65%	1 Month
Mortgage Loan Repo (A)	287,989	287,989	LIBOR+0.40%	May 2003	1.71%	2 Months
Total repurchase agreements	289,446	289,446				
Total debt obligations	$ 1,728,599	$ 1,746,603				

(A) The counterparty on this repo is Bear Stearns Mortgage Capital Corporation.

(B) Including the effect of applicable hedges.

Our long-term debt obligations existing at March 31, 2003 (gross of $18.0 million of discounts) are expected to mature as follows (unaudited) (in millions):

Period from April 1, 2003 through December 31, 2003	$ 290.1
2004	2.1
2005	1.7
2006	60.8
2007	0.0
2008	0.0
Thereafter	1,391.9
Total	$ 1,746.6

In July 1999, we completed our first CBO financing, CBO I, whereby a portfolio of real estate securities was contributed to a consolidated subsidiary which issued $437.5 million face amount of investment grade senior bonds and $62.5 million face amount of non-investment grade subordinated bonds in a private placement. At March 31, 2003, the subordinated bonds were retained by us, and the $430.0 million carrying amount of senior bonds, which bore interest at a weighted average effective rate, including discount and cost amortization, of approximately 3.91%, had an expected weighted average life of approximately 5.01 years. Two classes of the senior bonds bear floating interest rates. We have obtained an interest rate swap and cap in order to hedge our exposure to the risk of changes in market interest rates with respect to these bonds, at an initial cost of approximately $14.3 million. CBO I's weighted average effective interest rate, including the effect of such hedges, was 5.42% at March 31, 2003. In addition, in connection with the sale of two classes of bonds, we entered into two interest rate swaps and three interest rate cap agreements that do not qualify for hedge accounting.

In April 2002, we completed our second CBO financing, CBO II, whereby a portfolio of real estate securities was contributed to a consolidated subsidiary which issued $444.0 million face amount of investment grade senior bonds and $56.0 million face amount of non-investment grade subordinated bonds, in a private placement. The subordinated bonds have been retained by us. At March 31, 2003, the $439.4 million carrying amount of senior bonds, which bore interest at a weighted average effective rate, including discount and cost amortization, of approximately 3.07%, had an expected weighted average life of approximately 7.11 years. One class of the senior bonds bears a floating interest rate. We obtained an interest rate swap and cap in order to hedge our exposure to the changes in market interest rates with respect to this bond, at an initial cost of $1.2 million. CBO II's weighted average effective interest rate, including the effect of such hedges, was 6.07% at March 31, 2003.

In November 2001, we sold the retained subordinated $17.5 million Class E Note from CBO I to a third party for approximately $18.5 million. The Class E Note bore interest at a fixed rate of 8.0% and had a stated maturity of June 2038. The sale of the Class E Note represented an issuance of debt and was recorded as additional CBO bonds payable. In April 2002, a wholly owned subsidiary repurchased the Class E Note. The repurchase of the Class E Note represented a repayment of debt and was recorded as a reduction of CBO bonds payable. The Class E Note is included in the collateral for CBO II. The Class E Note is eliminated in consolidation.

In March 2003, we completed our third CBO financing, CBO III, whereby a portfolio of real estate securities was contributed to a consolidated subsidiary which issued $472.0 million face amount of investment grade senior bonds and $28.0 million face amount on non-investment grade subordinated bonds in a private placement. At March 31, 2003, the subordinated bonds were retained by us and the $466.9 million carrying amount of senior bonds, which bore interest at a weighted average effective rate, including discount and cost amortization, of 2.51%, had an expected weighted average life of approximately 8.95 years. One class of the senior bonds bears a floating interest rate. We have obtained an interest rate swap and cap in order to hedge our exposure to the risk of changes in market interest rates with respect to this bond, at an initial cost of approximately $1.3 million. CBO III's weighted average effective interest rate, including the effect of such hedges, was 4.04% at March 31, 2003.

In April 2002, we refinanced the Bell Canada portfolio through a securitization transaction. At March 31, 2003, the CAD 55.1 million, or approximately $37.6 million, carrying amount of outstanding bonds, which bore interest at a weighted average effective rate, including discount and cost amortization, of approximately 7.01%, had an expected weighted average life of approximately 2.86 years. We have retained one class of the issued bonds. In connection with this securitization, we guaranteed certain payments under an interest rate swap to be entered into in 2007 if the bonds are not fully repaid by such date. We believe the fair value of this guarantee is negligible at March 31, 2003.

In November 2002, we refinanced the LIV portfolio. At March 31, 2003, the EUR 59.8 million or approximately $65.3 million carrying amount of debt bore interest at a weighted average effective rate, including cost amortization, of 6.17% and matures in November 2006.

We utilize repurchase agreements for short-term financing of investments. As of March 31, 2003 we had a $1.5 million repurchase agreement outstanding, secured by a CMBS investment, bearing interest at approximately 2.65% with a short-term maturity.

In November 2002, we purchased a $260.2 million portfolio of floating rate mortgage loans subject to $246.7 million of floating rate financing. In February 2003, we sold our entire position in conforming residential mortgage loans (a portion of our mortgage loan portfolio) for gross proceeds of approximately $162.6 million at a gain of approximately $0.7 million. As a result of the sale, the existing repurchase agreement allocated to the conforming loans was satisfied for approximately $153.9 million. Simultaneously, we purchased additional non-conforming residential mortgage loans at a cost of approximately $210.2 million. In connection with this purchase, the outstanding balance of the existing repurchase agreement was increased by a net of $45.9 million, after the repayment described above. At March 31, 2003, the $303.0 million carrying amount of mortgage loans bore interest at a net weighted average effective rate of approximately 3.24%, and the $289.4 million carrying amount of financing bore interest at a weighted average effective rate of approximately 1.71%.

In April 2003, we purchased additional non-conforming residential floating rate mortgage loans at a cost of approximately $148.3 million. The purchase was 95% financed subject to a floating rate repurchase agreement, which bears interest at LIBOR + 0.425% for a term commitment of six months.

In October 2002, we sold 7 million shares of our common stock in a public offering at a price to the public of $13.00 per share, for net proceeds of approximately $80 million. Subsequent to this offering, we have 23,488,517 shares of common stock outstanding.

In March 2003, we issued 2.5 million shares of our 9.75% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred") in a public, registered offering for net proceeds of approximately $60.1 million. The Series B Preferred has a $25 per share liquidation preference, no maturity date, no required redemption, and may not be redeemed prior to March 2008.

We declared a distribution of $0.45 per share of common stock to our stockholders of record at the close of business on April 7, 2003, including Holdings and an affiliate of the Manager, for the quarter ending March 31, 2003. These dividends were paid in April 2003.

Net cash flow provided by operating activities decreased from $9.2 million for the three months ended March 31, 2002 to $4.1 million for the three months ended March 31, 2003. This change resulted from the acquisition and settlement of Newcastle's investments as described above, including the distribution of investments to Holdings.

Investing activities (used) ($529.1 million) and ($16.1 million) during the three months ended March 31, 2003 and 2002, respectively. Investing activities consisted primarily of investments made in certain real estate securities and mortgage loans, net of proceeds from the settlement of investments as well as the sale of properties.

Financing activities provided $555.3 million and $1.3 million during the three months ended March 31, 2003 and 2002, respectively. The borrowings, debt and equity issuances described above served as the primary sources of cash flow from financing activities. Offsetting uses included the payment of related deferred financing costs (including the purchase of hedging instruments), the payment of dividends and the repayment of debt obligations as described above.

See the consolidated statements of cash flows included in our consolidated financial statements included herein for a reconciliation of our cash position (including our predecessor's cash position prior to the commencement of our operations) for the periods described herein.

CREDIT AND INTEREST RATE RISK

We are subject to credit and interest rate risk with respect to our investments in real estate securities.

The commercial mortgage-backed securities (CMBS) we invest in are generally junior in right of payment of interest and principal to one or more senior classes, but benefit from the support of one or more subordinate classes of securities or other form of credit support within a securitization transaction. The unsecured REIT debt securities we invest in reflect comparable credit risk. We believe, based on our due diligence process, that these securities offer attractive risk-adjusted returns with long-term principal protection under a variety of default and loss scenarios. While the expected yield on these securities is sensitive to the performance of the underlying assets, the more subordinated securities or other features of the securitization transaction, in the case of mortgage backed securities, and the issuer's underlying equity and subordinated debt, in the case of REIT securities, are designed to bear the first risk of default and loss. We further minimize credit risk by actively monitoring our real estate securities portfolio and the underlying credit quality of our holdings and, where appropriate, repositioning our investments to upgrade the credit quality and yield on our investments.

Our real estate securities portfolio is diversified by asset type, industry, location and issuer. We expect that diversification will minimize the risk of capital loss.

At March 31, 2003, our real estate securities which serve as collateral for our CBO financings had an overall weighted average credit rating of approximately BBB-, and approximately 76% of these securities had an investment grade rating (BBB- or higher).

Our real estate securities are also subject to spread risk. The majority of such securities are fixed rate securities valued based on a market credit spread to U.S. Treasuries. In other words, their value is dependent on the yield demanded on such securities by the market based on their credit relative to U.S. Treasuries. Excessive supply of such securities combined with reduced demand will generally cause the market to require a higher yield on such securities, resulting in the use of a higher (or "wider") spread over the benchmark rate (usually the applicable U.S. Treasury security yield) to value such securities. Under such conditions, the value of our real estate securities portfolio would tend to decline. Conversely, if the spread used to value such securities were to decrease (or "tighten"), the value of our real estate securities would tend to increase. Such changes in the market value of our real estate securities portfolio may effect our net equity, net income or cash flow directly through their impact on unrealized gains or losses on available-for-sale securities, and therefore our ability to realize gains on such securities, or indirectly through their impact on our ability to borrow and access capital. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk - Credit Spread Curve Exposure" below.

Furthermore, shifts in the U.S. Treasury yield curve, which represents the market's expectations of future interest rates, would also affect the yield required on our securities and therefore their value. This would have similar effects on our real estate securities portfolio and our financial position and operations to a change in spreads.

Returns on our real estate securities are sensitive to interest rate volatility. We minimize exposure to interest rate fluctuation through the use of match-funded financing structures and hedges. In particular, we finance our real estate securities through the issuance of debt securities in the form of CBOs to take advantage of the structural flexibility offered by CBO financings to buy and sell certain investment positions to manage risk and, subject to certain limitations, to optimize returns. We also utilize interest rate swaps and caps to minimize this risk. As of March 31, 2003, a 100 basis point change in short term interest rates would affect our earnings by no more than $2.9 million per annum. See "Item 3. Quantitative and Qualitative Disclosures About Market Risk - Interest Rate Exposure" below.

Interest rate changes may also impact our net book value as our real estate securities and related hedge derivatives are marked-to-market each quarter. Generally, as interest rates increase, the value of our fixed rate securities, such as CMBS, decreases and as interest rates decrease, the value of such securities will increase. We seek to hedge changes in value attributable to changes in interest rates by entering into interest rate swaps and other derivative instruments. In general, we would expect that over time, decreases in the value of our real estate securities portfolio attributable to interest rate changes will be offset to some degree by increases in the value of our swaps, and vice versa. However, the relationship between spreads on securities and spreads on swaps may vary from time to time, resulting in a net aggregate book value increase or decline. Our real estate securities portfolio is largely financed to maturity through long-term CBO financings that are not redeemable as a result of book value changes. Accordingly, unless there is a material impairment in value that would result in a payment not being received on a security, changes in the book value of our real estate securities portfolio will not directly affect our recurring earnings or our ability to pay a dividend.

Furthermore, our core business strategy is dependent upon our ability to issue the match-funded debt we use to finance our real estate securities at spreads that provide a positive arbitrage. If spreads for CBO liabilities widen or if demand for such liabilities ceases to exist, then our ability to execute future CBO financings will be severely restricted.

Similar to our real estate securities portfolio, we are subject to credit and spread risk with respect to our mortgage loan portfolio.

Credit risk refers to each individual borrower's ability to make required interest and principal payments on the scheduled due dates. Unlike our real estate securities portfolio, our mortgage loan portfolio does not benefit from the support of junior classes of securities, but rather bears the first risk of default and loss. We believe that this credit risk is mitigated through our extensive due diligence process, periodic reviews of the borrower's payment history, delinquency status, and the relationship of the loan balance to the underlying property value.

Our mortgage loan portfolio is diversified by geographic location and by borrower. We believe that this diversification also helps to minimize the risk of capital loss.

Our mortgage loan portfolio is also subject to spread risk. The majority of such loans are floating rate securities valued based on a market credit spread to LIBOR. The value of the loans is dependent upon the yield demanded by the market based on their credit. The value of our portfolio would tend to decline should the market require a higher yield on such loans, resulting in the use of a higher spread over the benchmark rate (usually the applicable LIBOR yield). If the value of our mortgage loan portfolio were to decline, it could affect our ability to refinance such portfolio upon the maturity of the related repurchase agreement.

Any credit or spread losses incurred with respect to our mortgage loan portfolio would effect us in the same way as similar losses on our real estate securities portfolio as described above.

OFF-BALANCE SHEET ARRANGEMENTS

As of March 31, 2003, we had the following material off-balance sheet arrangements:

- - A $3.3 million equity interest in a securitization, described in Note 7 to our consolidated financial statements included in our December 31, 2002 annual report on Form 10-K filed with the Securities and Exchange Commission ("SEC").

- - A guarantee of certain payments under an interest rate swap which may be entered into in 2007 in connection with the securitization of the Bell Canada portfolio, if the bonds are not fully repaid by such date. We believe the fair value of this guarantee is negligible at March 31, 2003.

In the first case, our potential loss is limited to the amount shown above which is included in our consolidated balance sheet. At this time, we do not anticipate a substantial risk of incurring a loss with respect to any of the arrangements.

INFLATION

Substantially all of our office leases provide for separate escalations of real estate taxes and operating expenses over a base amount, and/or increases in the base rent based on changes in the Belgian Sante Index. We believe that inflationary increases in expenses will generally be offset by the expense reimbursements and contractual rent increases described above.

We believe that our risk of increases in the market interest rates on our floating rate debt as a result of inflation is largely offset by our use of match funding and hedging instruments as described above. See "Item 3. Quantitative and Qualitative Disclosure About Market Risk -- Interest Rate Exposure" below.

FUNDS FROM OPERATIONS

We believe Funds from Operations (FFO) is one appropriate measure of the performance of real estate companies because it provides investors with an understanding of our ability to incur and service debt and make capital expenditures. We also believe that FFO is an appropriate supplemental disclosure of operating performance for a REIT due to its widespread acceptance and use within the REIT and analyst communities. FFO, for our purposes, represents net income available for common shareholders (computed in accordance with GAAP), excluding extraordinary items, plus real estate depreciation and amortization, and after adjustments for unconsolidated subsidiaries, if any. We consider gains and losses on resolution of our investments to be a normal part of our recurring operations and therefore do not exclude such gains and losses when arriving at FFO. Adjustments for unconsolidated subsidiaries, if any, are calculated to reflect FFO on the same basis. FFO prior to the commencement of our operations includes certain adjustments related to our predecessor's investment in Fund I, as described in our December 31, 2002 annual report on Form 10-K filed with the SEC. FFO does not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative to net income as an indicator of our operating performance or as an alternative to cash flow as a measure of liquidity and is not necessarily indicative of cash available to fund cash needs. Our calculation of FFO may be different from the calculation used by other companies and, therefore, comparability may be limited.

Funds from Operations (FFO), is calculated as follows (unaudited) (in thousands):

<TABLE>
<CAPTION>

<S>	For the Three Months Ended March 31, 2003 <C>
Income available for common stockholders	$10,900
Operating real estate depreciation	704
Funds from Operations (FFO)	$11,604

</TABLE>

Funds from operations was derived from the Company's segments as follows (unaudited) (in thousands):

<TABLE>
<CAPTION>

	Book Equity at March 31, 2003	Average Invested Equity for the Three Months Ended March 31, 2003 (1)	FFO	Return on Equity (ROE) (2)
Real estate and other securities	$ 230,792	$ 217,047	$ 12,244	22.6%
Operating real estate	40,488	39,871	1,236	12.4%
Mortgage loans	15,866	14,511	1,569	43.2%
Unallocated	61,138	26,828	(3,445)	N/A
Total (1)	348,284	$ 298,257	$ 11,604	15.6%
Accumulated depreciation	(10,686)			
Accumulated other comprehensive income	12,268			
Net book equity	$ 349,866			

</TABLE>

(1) Book equity gross of accumulated depreciation and accumulated other comprehensive income.

(2) FFO divided by average invested equity, annualized.

CAUTIONARY STATEMENTS

The information contained in this Quarterly Report on Form 10-Q is not a complete description of our business or the risks associated with an investment in our Company. We urge you to carefully review and consider the various disclosures made by us in this report and in our other filings with the SEC, including our December 31, 2002 annual report on Form 10-K filed with the SEC, that discuss our business in greater detail.

This report contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to, among other things, the operating performance of our investments and financing needs. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "endeavor," "seek," "anticipate," "estimate," "overestimate," "underestimate," "believe," "could," "project," "predict," "continue" or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecasted results. Factors which could have a material adverse effect on our operations and future prospects include, but are not limited to, changes in economic conditions generally and the real estate and bond markets specifically; changes in interest rates and/or credit spreads, as well as the success of our hedging strategy in relation to such changes; impairments in the value of the collateral underlying our real estate securities; legislative/regulatory changes; completion of pending investments; continued ability to source new investments; the availability and cost of capital for future investments; competition within the finance and real estate industries; and other risks detailed from time to time in our SEC reports. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our management's views as of the date of this report. The factors noted above could cause our actual results to differ significantly from those contained in any forward-looking statement. For a discussion of our critical accounting policies see "Item 3. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies."

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this report to conform these statements to actual results.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the exposure to loss resulting from changes in interest rates, credit spreads, foreign currency exchange rates, commodity prices and equity prices. The primary market risks that we are exposed to are interest rate risk, credit spread risk and foreign currency exchange rate risk. These risks are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. All of our market risk sensitive assets, liabilities and related derivative positions are for non-trading purposes only.

INTEREST RATE EXPOSURE

Our primary interest rate exposures relate to our mortgage loans, real estate securities and floating-rate debt obligations, as well as our interest rate swaps and caps. Changes in the general level of interest rates can effect our net interest income, which is the difference between the interest income earned on interest-earning assets and the interest expense incurred in connection with our interest-bearing liabilities. Changes in the level of interest rates also can effect, among other things, our ability to acquire mortgage loans and securities, the value of our mortgage loans and real estate securities, and our ability to realize gains from the settlement of such assets.

While we have not experienced any significant credit losses, in the event of a significant rising interest rate environment and/or economic downturn, loan and collateral defaults may increase and result in credit losses that would adversely affect our liquidity and operating results.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political conditions, and other factors beyond our control. Our general financing strategy focuses on the use of match-funded structures. This means that we seek to match the maturities of our debt obligations with the maturities of our investments to minimize the risk that we have to refinance our liabilities prior to the maturities of our assets, and to reduce the impact of changing interest rates on earnings. In addition, we generally match-fund interest rates with like-kind debt (i.e., fixed rate assets are financed with fixed rate debt and floating rate assets are financed with floating rate debt), directly or through the use of interest rate swaps, caps, or other financial instruments, or through a combination of these strategies.

Interest rate swaps are agreements in which a series of interest rate flows are exchanged with a third party (counterparty) over a prescribed period. The notional amount on which swaps are based is not exchanged. In general, our swaps are "pay fixed" swaps involving the exchange of floating rate interest payments from the counterparty for fixed rate payments from us. This can effectively convert a floating rate debt obligation into a fixed rate debt obligation.

Similarly, an interest rate cap or floor agreement is a contract in which we purchase a cap or floor contract on a notional face amount. We will make an up-front payment to the counterparty for which the counterparty agrees to make future payments to us should the reference rate (typically one- or three-month LIBOR) rise above (cap agreements) or fall below (floor agreements) the "strike" rate specified in the contract. Should the reference rate rise above the contractual strike rate in a cap, we will earn cap income; should the reference rate fall below the contractual strike rate in a floor, we will earn floor income. Payments on an annualized basis will equal the contractual notional face amount multiplied by the difference between the actual reference rate and the contracted strike rate.

While a REIT may utilize these types of derivative instruments to hedge interest rate risk on its liabilities or for other purposes, such derivative instruments could generate income that is not qualified income for purposes of maintaining REIT status. As a consequence, we may only engage in such instruments to hedge such risks within the constraints of maintaining our standing as a REIT. We do not enter into derivative contracts for speculative purposes nor as a hedge against changes in credit risk.

The above strategies are specifically designed to reduce our exposure, on specific transactions or on a portfolio basis, to changes in cash flows as a result of interest rate movements in the market. In this regard, we utilize securitization structures, particularly CBOs, as well as other match-funded financing structures. Our financing strategy is dependent on our ability to place the match-funded debt we use to finance our real estate securities at spreads that provide a positive arbitrage. If spreads for CBO liabilities widen or if demand for such liabilities ceases to exist, then our ability to execute future CBO financings will be severely restricted.

While our strategy is to utilize interest rate swaps, caps and match-funded financing in order to limit the effects of changes in interest rates on our operations, there can be no assurance that our profitability will not be adversely affected during any period as a result of changing interest rates. As of March 31, 2003, a 100 basis point change in short term interest rates would effect our earnings by no more than $2.9 million per annum.

Our hedging transactions using derivative instruments also involve certain additional risks such as counterparty credit risk, the enforceability of hedging contracts and the risk that unanticipated and significant changes in interest rates will cause a significant loss of basis in the contract. The counterparties to our derivative arrangements are major financial institutions with high credit ratings with which we and our affiliates may also have other financial relationships. As a result, we do not anticipate that any of these counterparties will fail to meet their obligations. There can be no assurance that we will be able to adequately protect against the foregoing risks and will ultimately realize an economic benefit that exceeds the related amounts incurred in connection with engaging in such hedging strategies.

Interest rate changes may also impact our net book value as our real estate securities and related hedge derivatives are marked-to-market each quarter. Generally, as interest rates increase, the value of our fixed rate securities, such as CMBS, decreases and as interest rates decrease, the value of such securities will increase. We seek to hedge changes in value attributable to changes in interest rates by entering into interest rate swaps and other derivative instruments. In general, we would expect that over time, decreases in the value of our real estate securities portfolio attributable to interest rate changes will be offset to some degree by increases in the value of our swaps, and vice versa. However, the relationship between spreads on securities and spreads on swaps may vary from time to time, resulting in a net aggregate book value increase or decline. Our real estate securities portfolio is largely financed to maturity through long-term CBO financings that are not redeemable as a result of book value changes. Accordingly, unless there is a material impairment in value that would result in a payment not being received on a security, changes in the book value of our real estate securities portfolio will not directly affect our recurring earnings or our ability to pay a dividend.

CREDIT SPREAD CURVE EXPOSURE

Our real estate securities are also subject to spread risk. The majority of such securities are fixed rate securities valued based on a market credit spread to U.S. Treasuries. In other words, their value is dependent on the yield demanded on such securities by the market based on their credit relative to U.S. Treasuries. Excessive supply of such securities combined with reduced demand will generally cause the market to require a higher yield on such securities, resulting in the use of higher (or "wider") spread over the benchmark rate (usually the applicable U.S. Treasury security yield) to value such securities. Under such conditions, the value of our real estate securities portfolio would tend to decline. Conversely, if the spread used to value such securities were to decrease (or "tighten"), the value of our real estate securities portfolio would tend to increase. Such changes in the market value of our real estate securities portfolio may effect our net equity, net income or cash flow directly through their impact on unrealized gains or losses on available-for-sale securities, and therefore our ability to realize gains on such securities, or indirectly through their impact on our ability to borrow and access capital.

Furthermore, shifts in the U.S. Treasury yield curve, which represents the market's expectations of future interest rates, would also effect the yield required on our securities and therefore their value. This would have similar effects on our real estate securities portfolio and our financial position and operations to a change in spreads.

As of March 31, 2003, a 25 basis point movement in credit spreads would impact our net book value by approximately $19 million.

CURRENCY RATE EXPOSURE

Our primary foreign currency exchange rate exposures relate to our operating real estate and related leases. Our principal direct currency exposures are to the Euro and the Canadian Dollar. Changes in the currency rates can adversely impact the fair values and earnings streams of our international holdings. We have attempted to mitigate this impact in part by utilizing local currency-denominated financing on our foreign investments to partially hedge, in effect, these assets.

We have material investments in a portfolio of Belgian properties, the LIV portfolio, and a portfolio of Canadian properties, the Bell Canada portfolio. These properties are financed utilizing debt denominated in their respective local currencies (the Euro and the Canadian Dollar). The net equity invested in these portfolios, approximately $8.2 million and $20.0 million, respectively, at March 31, 2003, is exposed to foreign currency exchange risk.

FAIR VALUES

For certain of our financial instruments, fair values are not readily available since there are no active trading markets as characterized by current exchanges between willing parties. Accordingly, fair values can only be derived or estimated for these investments using various valuation techniques, such as computing the present value of estimated future cash flows using discount rates commensurate with the risks involved. However, the determination of estimated future cash flows is inherently subjective and imprecise. We note that minor changes in assumptions or estimation methodologies can have a material effect on these derived or estimated fair values, and that the fair values reflected below are indicative of the interest rate and currency rate environments as of March 31, 2003 and do not take into consideration the effects of subsequent interest rate, credit spread or currency rate fluctuations.

We note that the values of our investments in real estate securities and in derivative instruments, primarily interest rate hedges on our debt obligations, are sensitive to changes in market interest rates, interest rate spreads, credit spreads and other market factors. The value of these investments can vary, and has varied, materially from period to period. Historically, the values of our real estate securities have tended to vary inversely with those of our derivative instruments.

We held the following interest rate risk sensitive instruments at March 31, 2003 (unaudited) (dollars in thousands):
<TABLE>
<CAPTION>

	Carrying Amount	Principal Balance or Notional Amount	Weighted Average Effective Interest Rate	Maturity Date	Fair Value
ASSETS:					
<S>	<C>	<C>	<C>	<C>	<C>
Real estate securities, available for sale (A)	$1,590,122	$1,555,527	7.28%	Various	$1,590,122
Other securities, available for sale (B)	20,931	32,700	N/A	(B)	20,931
Mortgage loans (C)	303,013	299,244	3.24%	Various	303,013
Interest rate caps, treated as hedges (D)	5,525	235,925	N/A	(D)	5,525
LIABILITIES:					
CBO bonds payable (E)	1,336,297	1,353,500	5.16%	(E)	1,360,103
Other bonds payable (F)	37,584	38,385	7.01%	April 2012	36,678
Notes payable (F)	65,272	65,272	6.17%	Nov 2006	64,952
Repurchase agreements (G)	289,446	289,446	1.71%	Short-term	289,446
Interest rate swaps, treated as hedges (H)	45,912	699,254	N/A	(H)	45,912
Non-hedge derivative obligations (I)	820	(I)	N/A	(I)	820

</TABLE>

(A) These securities serve as collateral for our CBO financings and contain various terms, including floating and fixed rates, self-amortizing and interest only. The fair value of these securities is estimated by obtaining third party broker quotations, if available and practicable, or counterparty quotations.

(B) These four securities with carrying amounts of $3.9 million, $3.3 million, $6.0 million and $7.7 million, respectively, mature in November 2007, August 2030, July 2021 and January 2024, respectively. The former two represent subordinate and residual interests in securitizations; the latter two represent asset-backed securities. The fair values of the former two securities, for which quoted market prices are not readily available, are estimated by means of a price/yield analysis based on our expected disposition strategies for such assets. The fair value of the latter two securities were obtained from third party broker quotations.

(C) This portfolio of mortgage loans bears a floating rate of interest. We believe that for similar financial investments with comparable credit risks, the effective rate on this portfolio approximates the market rate. Accordingly, the carrying amount of this portfolio is believed to approximate fair value.

(D) These three agreements have notional balances of $209.3 million, $18.0 million and $8.6 million, respectively, mature in March 2009, October 2015 and June 2015, respectively, and cap 1-month LIBOR at 6.50%, 3-month LIBOR at 8.00% and 3-month LIBOR at 7.00%, respectively. The fair value of these agreements is estimated by obtaining counterparty quotations.

(E) For those bonds bearing floating rates at spreads over market indices, representing approximately $1,134.7 million of the carrying amount of the CBO bonds payable, we believe that for similar financial instruments with comparable credit risks, the effective rates approximate market rates. Accordingly, the carrying amount outstanding on these bonds is believed to approximate fair value. For those bonds bearing fixed interest rates, values were obtained by discounting expected future payments by a rate calculated by imputing a spread over a market index on the date of borrowing. The weighted average stated maturity of the CBO bonds payable is August 2036. The CBO bonds payable amortize principal prior to maturity based on collateral receipts, subject to reinvestment requirements.

(F) The Bell Canada Securitization and LIV Mortgage were valued by discounting expected future payments by a rate calculated by imputing a spread over a market index on the date of borrowing. They both amortize principal periodically with a balloon payment at maturity.

(G) These agreements bear floating rates of interest and we believe that for similar financial instruments with comparable credit risks, the effective rates approximate market rates. Accordingly, the carrying amounts outstanding are believed to approximate fair value. These agreements pay interest only prior to maturity.

(H) These three agreements have notional balances of $133.2 million, $290.0 million and $276.1 million, respectively, mature in July 2005, April 2011 and March 2013, respectively, and swap 1-month LIBOR for 6.1755%, 3-month LIBOR for 5.9325% and 3-month LIBOR for 3.865%, respectively. The fair value of these agreements is estimated by obtaining counterparty quotations.

(I) These are two essentially offsetting interest rate caps and two essentially offsetting interest rate swaps, each with notional amounts of $32.5 million, an interest rate cap with a notional balance of $17.5 million, and an interest rate cap with a notional balance of approximately $63.2 million. The maturity date of the purchased swap is July 2009; the maturity date of the sold swap is July 2014, the maturity date of the $32.5 million caps is July 2038, the maturity date of the $17.5 million cap is July 2009, and the maturity date of the $63.2 million cap is August 2004. They have been valued by reference to counterparty quotations.

We held the following currency rate risk sensitive balances at March 31, 2003 (unaudited) (dollars in thousands, except exchange rates):
<TABLE>
<CAPTION>

	Carrying Amount	Local Currency	Current Exchange Rate to USD	Effect of a 5% Negative Change in Euro Rate	Effect of a 5% Negative Change in CAD Rate
<S>	<C>	<C>	<C>	<C>	<C>
Assets:					
LIV portfolio	$ 70,158	Euro	0.91617	(3,508)	N/A

Bell Canada portfolio	50,981	CAD	1.46720	N/A	$(2,549)
LIV other, net	3,287	Euro	0.91617	(164)	N/A
Bell Canada other, net	6,641	CAD	1.46720	N/A	(332)
Liabilities:					
LIV mortgage	65,272	Euro	0.91617	3,264	N/A
Bell Canada bonds	37,584	CAD	1.46720	N/A	1,879
				--------	-------
Total				$ (408)	$(1,002)
				========	=======

</TABLE>

USD refers to U.S. dollars; CAD refers to Canadian dollars.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's reports filed or submitted under the Exchange Act.

(b) Changes in Internal Controls. Since the Evaluation Date, there have not been any significant changes in the Company's internal controls or in other factors that could significantly affect such controls.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is not party to any material legal proceedings.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Pursuant to a registration statement declared effective by the Securities and Exchange Commission on October 9, 2002 (File No. 333-90578), the Company issued and sold 7 million shares of its common stock, par value $0.01 per share, in a public offering underwritten by Bear Stearns & Co. Inc., Lehman Brothers, Banc of America Securities LLC and Friedman, Billings Ramsey & Co., Inc. The aggregate offering price for these shares was $91 million. The aggregate underwriting discounts and commissions were approximately $6 million.

The Company also incurred a total of approximately $5 million of other expenses in connection with the offering. None of these expenses were direct or indirect payments to any directors, officers or partners of the Company or their associates or to persons owning 10 percent or more of any class of the Company's securities. Of the approximately $80 million of net proceeds to the Company (after deducting the underwriters' discount and commission and other offering expenses) approximately $14 million was used to pay a portion of the purchase price for a portfolio of mortgage loans from an affiliate of Bear Stearns & Co. Inc., approximately $52 million was used to purchase a portfolio of real estate securities from an affiliate of Bear Stearns & Co. Inc. for the Company's third CBO financing, and approximately $14 million was used to purchase additional securities.

On March 20, 2003, Newcastle CDO II, Limited and Newcastle CDO II Corp. issued $472 million face amount of collateralized bond obligations in a transaction exempt from the registration requirements of the Securities Act pursuant to Rule 144A and Regulation S thereunder to qualified institutional buyers and persons outside the United States.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

On April 22, 2003, the Company announced the appointment of Debra A. Hess as Chief Financial Officer of the Company, replacing Michael I. Wirth. Mr. Wirth was appointed director of finance for Fortress Investment Group LLC.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits filed with this Form 10-Q:

3.1 Articles of Amendment and Restatement (incorporated by reference to the Registrant's Registration Statement on Form S-11 (File No. 333-90578), Exhibit 3.1).

3.2 By-laws (incorporated by reference to the Registrant's Registration Statement on Form S-11 (File No. 333-90578), Exhibit 3.2).

3.3 Articles Supplementary Relating to the Series B Preferred Stock (filed herewith).

4.1 Rights Agreement between the Registrant and American Stock Transfer and Trust Company, as Rights Agent, dated October 16, 2002 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2002, Exhibit 4.1).

10.1 Amended and Restated Management and Advisory Agreement by and among the Registrant and Fortress Investment Group LLC, dated March 4, 2003 (incorporated by reference to the Registrant's Registration Statement on Form S-11 (File No. 333-103598), Exhibit 10.1).

99.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

99.2 Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K filed by the registrant during its fiscal quarter ended March 31, 2003:

Form 8-K filed with the Securities and Exchange Commission on April 30, 2003, regarding the Registrant's results of operations for the quarter ended March 31, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized:

NEWCASTLE INVESTMENT CORP.

By: /s/ Wesley R. Edens

Wesley R. Edens

Chairman of the Board

May 12, 2003

By: /s/ Debra A. Hess

Debra A. Hess

Chief Financial Officer

May 12, 2003

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Wesley R. Edens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Newcastle Investment Corp.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d - 14) for the registrant and we have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

    c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 12, 2003	/s/ Wesley R. Edens
------------	-------------------
(Date)	Wesley R. Edens Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Debra A. Hess, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Newcastle Investment Corp.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d - 14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 12, 2003	/s/ Debra A. Hess
(Date)	Debra A. Hess Chief Financial Officer

Exhibit 3.3

NEWCASTLE INVESTMENT CORP.

ARTICLES SUPPLEMENTARY

Newcastle Investment Corp., a Maryland corporation (the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland that:

FIRST: Under a power contained in Section 6.3 of the charter of the Corporation (the "Charter"), the Board of Directors of the Corporation (the "Board of Directors"), by resolution duly adopted at a meeting duly called and held on March 4, 2003 (the "Board Resolutions"), and the Pricing Committee of the Board of Directors established by the Board Resolutions, by resolution duly adopted at a meeting duly called and held on March 13, 2003, classified and designated 2,875,000 shares (the "Shares") of Preferred Stock (as defined in the Charter) as shares of 9.75% Series B Cumulative Redeemable Preferred Stock, with the preferences, conversions and other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications and terms and conditions of redemption of shares of stock as follows and provided for the issuance thereof. Upon any restatement of the Charter, Sections 1 through 12 of this Article FIRST shall become part of Article VI of the Charter, with such changes in enumeration as are necessary to complete such restatement.

(1) Designation and Number. A series of shares of Preferred Stock, designated as the "9.75% Series B Cumulative Redeemable Preferred Stock" (the "Series B Preferred Stock"), is hereby established. The number of shares of Series B Preferred Stock shall be 2,875,000. The par value of Series B Preferred Stock shall be $.01 per share.

(2) Rank. The Series B Preferred Stock will, with respect to distribution rights and rights upon liquidation, dissolution or winding up of the Corporation, rank (a) senior to all classes or series of Common Stock (as defined in the Charter), and to all equity securities the terms of which provide that such equity securities shall rank junior to the Series B Preferred Stock; (b) on a parity with all equity securities issued by the Corporation other than those referred to in clauses (a) and (c); and (c) junior to all equity securities issued by the Corporation the terms of which specifically provide that such equity securities rank senior to the Series B Preferred Stock. The term "equity securities" shall not include convertible debt securities.

(3) Distributions.

(a) Holders of Series B Preferred Stock shall be entitled to receive, when and as authorized by the Board of Directors, out of legally available funds, cumulative preferential cash distributions at the rate of 9.75% of the liquidation preference per annum (which is equivalent to a fixed annual amount of $2.4375 per share of Series B Preferred Stock). Such distributions shall accrue and cumulate from the date of original issuance (March 18, 2003) and shall be payable quarterly in arrears on January 31, April 30, July 31 and October 31 of each year or, if not a business day, the next succeeding business day, commencing April 30, 2003 (each a "Distribution Payment Date"). Any distribution payable on the Series B Preferred Stock for any partial distribution period shall be prorated and computed on the basis of a 360-day year consisting of twelve 30-day months. Distributions shall be payable to holders of record as they appear in the stock records of the Corporation at the close of business on the applicable distribution record date, which shall be the first day of the calendar month in which the applicable Distribution Payment Date falls or such other date designated by the Board of Directors for the payment of distributions that is not more than 30 nor less than 10 calendar days immediately preceding such Distribution Payment Date (each, a "Distribution Record Date").

(b) Notwithstanding anything to the contrary contained herein, distributions on the Series B Preferred Stock shall accrue and cumulate whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such distributions and whether or not such distributions are authorized by the Board of Directors. Accumulated but unpaid distributions on the Series B Preferred Stock shall cumulate as of the Distribution Payment Date on which they first become payable or on the date of redemption, as the case may be. No interest shall be payable in respect of any distribution on the Series B Preferred Stock that may be in arrears.

(c) Except as provided in the following sentence, if any Series B Preferred Stock are outstanding, no distributions, other than distributions in kind of the Corporation's Common Stock or other shares of the Corporation's equity securities ranking junior to the Series B Preferred Stock as to distributions and upon liquidation, may be authorized or paid or set apart for payment, and no other distribution may be authorized or made upon, the Corporation's Common Stock or any other shares of equity securities of the Corporation of any other class or series ranking, as to distributions and upon liquidation, on a parity with or junior to the Series B Preferred Stock unless full cumulative distributions have been or contemporaneously are authorized and paid or authorized and a sum sufficient set apart for such payment on the Series

B Preferred Stock for all past distribution periods and the then current distribution period. When distributions are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series B Preferred Stock and all other equity securities ranking on a parity, as to distributions, with the Series B Preferred Stock, all distributions authorized upon the Series B Preferred Stock and any other equity securities ranking on a parity, as to distributions, with the Series B Preferred Stock shall be authorized pro rata so that the amount of distributions authorized per share of Series B Preferred Stock and each such other equity security shall in all cases bear to each other the same ratio that accumulated distributions per share of Series B Preferred Stock and such other equity security (which shall not include any accumulation in respect of unpaid distributions for prior distribution periods if such other equity securities do not have a cumulative distribution) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any distribution payment or payments on Series B Preferred Stock which may be in arrears.

(d) Except as provided in clause (c), unless full cumulative distributions on the Series B Preferred Stock have been or contemporaneously are authorized and paid or authorized and a sum sufficient is set apart for payment for all past distribution periods and the then current distribution period, no Common Stock or any other shares of equity securities of the Corporation ranking junior to or on a parity with the Series B Preferred Stock as to distributions or upon liquidation shall be redeemed, purchased or otherwise acquired for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any such shares) by the Corporation (except by conversion into or exchange for Common Stock or other shares of equity securities of the Corporation ranking junior to the Series B Preferred Stock as to distributions and amounts upon liquidation).

(e) Holders of Series B Preferred Stock shall not be entitled to any distribution, whether payable in cash, property or shares, in excess of full cumulative distributions on the Series B Preferred Stock as described above. Any distribution payment made on the Series B Preferred Stock shall first be credited against the earliest accumulated but unpaid distribution due with respect to the Series B Preferred Stock which remains payable.

(4) Liquidation Preference.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation (referred to herein sometimes as a "liquidation"), the holders of Series B Preferred Stock then outstanding shall be entitled to receive out of the assets of the Corporation available for distribution to stockholders (after payment or provision for payment of all debts and other liabilities of the Corporation) a liquidation preference of $25.00 per share, plus any accumulated and unpaid distributions to the date of payment, whether or not authorized, before any distribution of assets is made to holders of Common Stock and any other shares of equity securities of the Corporation that rank junior to the Series B Preferred Stock as to liquidation rights.

(b) If, upon any such voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets of the Corporation are insufficient to make full payment to holders of the Series B Preferred Stock and any shares of other classes or series of equity securities of the Corporation ranking on a parity with the Series B Preferred Stock as to liquidation rights, then the holders of the Series B Preferred Stock and all other such classes or series of equity securities ranking on a parity with the Series B Preferred Stock as to liquidation rights shall share ratably in any distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

(c) Written notice of any such liquidation, dissolution or winding up of the Corporation, stating the payment date or dates when, and the place or places where, the amounts distributable in such circumstances shall be payable, shall be given by first class mail, postage pre-paid, not less than 30 nor more than 60 calendar days immediately preceding the payment date stated therein, to each record holder of the Series B Preferred Stock at the respective addresses of such holders as the same shall appear on the share transfer records of the Corporation.

(d) After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Series B Preferred Stock shall have no right or claim to any of the remaining assets of the Corporation.

(e) None of a consolidation or merger of the Corporation with or into another entity, the merger of another entity with or into the Corporation, a statutory share exchange by the Corporation or a sale, lease, transfer or conveyance of all or substantially all of the Corporation's property or business shall be considered a liquidation, dissolution or winding up of the Corporation.

(f) In determining whether a distribution (other than upon voluntary or involuntary dissolution) by dividend, redemption or other acquisition of shares of the

Corporation or otherwise is permitted under Maryland law, amounts that would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of the holders of Series B Preferred Stock will not be added to the Corporation's total liabilities.

(5) Redemption.

(a) Except as set forth in this Section 5(a) and in Section 5(c), the Series B Preferred Stock is not redeemable prior to March 18, 2008.

(i) To ensure that the Corporation remains qualified as a real estate investment trust ("REIT") for United States federal income tax purposes, however, the Series B Preferred Stock shall be subject to the provisions of Article VII of the Charter pursuant to which Series B Preferred Stock owned by a stockholder in excess of the Aggregate Stock Ownership Limit (as defined in Article VII of the Charter) shall automatically be transferred to a Trust for the benefit of a Charitable Beneficiary (as "Trust" and "Charitable Beneficiary" are each defined in Article VII of the Charter) and the Corporation shall have the right to purchase, or to designate the purchaser of, such shares, as provided in Article VII of the Charter.

(ii) In addition, no Person shall Beneficially Own or Constructively Own (as "Person", "Beneficially Own" and "Constructively Own" are all defined in Article VII of the Charter) in excess of 25 percent of the outstanding shares of Series B Preferred Stock (the "Series B Ownership Limit"), except in accordance with an exemption from the Series B Ownership Limit granted by the Board of Directors or otherwise in accordance with Article VII of the Charter, with Article VII of the Charter applied as if references therein to the Aggregate Stock Ownership Limit also include applicable references to the Series B Ownership Limit.

(iii) To the extent that any Person is granted an exemption from the Aggregate Stock Ownership Limit, such Person shall nevertheless remain subject to the Series B Ownership Limit except to the extent that such Person is also expressly granted an exemption from the Series B Ownership Limit by the Board of Directors, in which case such Person shall be a "Series B Excepted Holder", and any higher limit established for such Person shall be a "Series B Excepted Holder Limit", with the terms "Series B Excepted Holder" and "Series B Excepted Holder Limit" interpreted in a manner corresponding to the terms "Excepted Holder", and "Excepted Holder Limit", respectively, in Article VII of the Charter. The preceding sentence shall apply to any Person for whom an exemption from the Aggregate Stock Ownership Limit is granted, without regard to whether it is granted prior or subsequent to the effectiveness of these Articles Supplementary.

(iv) On or after March 18, 2008 the Corporation, at its option, upon giving notice as provided below, may redeem the Series B Preferred Stock, in whole or from time to time in part, for cash, at a redemption price of $25.00 per share, plus all accumulated and unpaid distributions on such Series B Preferred Stock to the date of redemption, whether or not authorized (the "Redemption Right").

(b) If fewer than all of the outstanding shares of Series B Preferred Stock are to be redeemed pursuant to the Redemption Right, the shares to be redeemed shall be selected pro rata (as nearly as practicable without creating fractional shares) or by lot or in such other equitable method prescribed by the Board of Directors. If such redemption is to be by lot and, as a result of such redemption, any holder of Series B Preferred Stock would become a holder of a number of Series B Preferred Stock in excess of the Aggregate Stock Ownership Limit because such holder's shares of Series B Preferred Stock were not redeemed, or were only redeemed in part, then, except as otherwise provided in the Charter, the Corporation shall redeem the requisite number of shares of Series B Preferred Stock of such holder such that no holder will hold in excess of the Aggregate Stock Ownership Limit subsequent to such redemption.

(c) Notwithstanding anything to the contrary contained herein, unless full cumulative distributions on all shares of Series B Preferred Stock have been or contemporaneously are authorized and paid or authorized and a sum sufficient set apart for payment for all past distribution periods and the then current distribution period, no shares of Series B Preferred Stock shall be redeemed unless all outstanding shares of Series B Preferred Stock are simultaneously redeemed. In addition, unless full cumulative distributions on all shares of Series B Preferred Stock have been or contemporaneously are authorized and paid or authorized and a sum sufficient set apart for payment for all past distributions periods and the then current distribution period, the Corporation shall not purchase or otherwise acquire directly or indirectly any shares of Series B Preferred Stock or any other shares of equity securities of the Corporation ranking junior to or on a parity with the Series B Preferred Stock as to distributions or upon liquidation (except by conversion into or exchange for shares of equity securities of the Corporation ranking junior to the Series B Preferred Stock as to distributions and upon liquidation). The restrictions in this Section 5 on redemptions, purchases and other acquisitions shall not prevent the redemption, purchase or acquisition by the Corporation of Preferred Stock of any series pursuant to Article VII of the Charter or Section 5(a) hereof, or otherwise in order to ensure that the Corporation remains qualified as a REIT for United States federal income tax purposes, or the purchase or acquisition of Series B Preferred Stock pursuant to a purchase or exchange offer made on the same terms to all holders of the Series B Preferred Stock.

(d) Immediately prior to any redemption of shares of Series B Preferred Stock, the Corporation shall pay, in cash, any accumulated and unpaid distributions to the redemption date, whether or not authorized, unless a redemption date falls after a Distribution Record Date and prior to the corresponding Distribution Payment Date, in which case each holder of Series B Preferred Stock at the close of business on such Distribution Record Date shall be entitled to the distribution payable on such shares on the corresponding Distribution Payment Date notwithstanding the redemption of such shares before the Distribution Payment Date. Except as provided in the previous sentence, the Corporation shall make no payment or allowance for unpaid distributions, whether or not in arrears, on Series B Preferred Stock for which a notice of redemption has been given.

(e) The following provisions set forth the procedures for redemption.

(i) Notice of redemption will be mailed by the Corporation, postage prepaid, no less than 30 nor more than 60 calendar days immediately preceding the redemption date, addressed to the respective

holders of record of the Series B Preferred Stock to be redeemed at their respective addresses as they appear on the stock transfer records of the Corporation. No failure to give such notice or any defect thereto or in the mailing thereof shall affect the validity of the proceedings for the redemption of any Series B Preferred Stock except as to the holder to whom notice was defective or not given.

(ii) In addition to any information required by law or by the applicable rules of any exchange upon which the Series B Preferred Stock may be listed or admitted to trading, each notice shall state: (A) the redemption date; (B) the redemption price; (C) the number of Series B Preferred Stock to be redeemed; (D) the place or places where the holders of Series B Preferred Stock may surrender certificates for payment of the redemption price; and (E) that distributions on the Series B Preferred Stock to be redeemed will cease to accumulate on the redemption date. If less than all of the Series B Preferred Stock held by any holder are to be redeemed, the notice mailed to each holder shall also specify the number of Series B Preferred Stock held by such holder to be redeemed.

(iii) On or after the redemption date, each holder of Series B Preferred Stock to be redeemed shall present and surrender the certificates representing his Series B Preferred Stock to the Corporation at the place designated in the notice of redemption and thereupon the redemption price of such shares (including all accumulated and unpaid distributions up to the redemption date) shall be paid to or on the order of the person whose name appears on such certificate representing Series B Preferred Stock as the owner thereof and each surrendered certificate shall be canceled. If fewer than all the shares represented by any such certificate representing Series B Preferred Stock are to be redeemed, a new certificate shall be issued representing the unredeemed shares.

(iv) From and after the redemption date (unless the Corporation defaults in payment of the redemption price), all distributions on the Series B Preferred Stock designated for redemption and all rights of the holders thereof, except the right to receive the redemption price thereof and all accumulated and unpaid distributions up to the redemption date, shall terminate with respect to such shares and such shares shall not thereafter be transferred (except with the consent of the Corporation) on the Corporation's stock transfer records, and such shares shall not be deemed to be outstanding for any purpose whatsoever. At its election, the Corporation, prior to a redemption date, may irrevocably deposit the redemption price (including accumulated and unpaid distributions to the redemption date) of the Series B Preferred Stock so called for redemption in trust for the holders thereof with a bank or trust company, in which case the redemption notice to holders of the Series B Preferred Stock to be redeemed shall (A) state the date of such deposit, (B) specify the office of such bank or trust company as the place of payment of the redemption

price and (C) require such holders to surrender the certificates representing such shares at such place on or about the date fixed in such redemption notice (which may not be later than the redemption date) against payment of the redemption price (including all accumulated and unpaid distributions to the redemption date). Any monies so deposited which remain unclaimed by the holders of the Series B Preferred Stock at the end of two years after the redemption date shall be returned by such bank or trust company to the Corporation.

(f) Any Series B Preferred Stock that shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors.

(6) Voting Rights.

(a) Holders of the Series B Preferred Stock shall not have any voting rights, except as set forth below.

(b) Whenever distributions on the Series B Preferred Stock are in arrears for six or more quarterly periods (whether or not consecutive) (a "Preferred Distribution Default"), the holders of Series B Preferred Stock (voting together as a single class with all other equity securities of the Corporation upon which like voting rights have been conferred and are exercisable ("Parity Preferred Stock")) shall be entitled to elect a total of two additional directors to the Corporation's Board of Directors (the "Preferred Stock Directors") at a special meeting called by the holders of record of at least 20% of the outstanding shares of Series B Preferred Stock (unless the request is received less than 90 calendar days before the date fixed for the next annual or special meeting of stockholders) or, if the request for a special meeting is received by the Corporation less than 90 calendar days before the date fixed for the next annual or special meeting of stockholders, at the next annual meeting of stockholders, and at each subsequent annual meeting until all distributions accumulated on the Series B Preferred Stock for the past distribution periods and the then current distribution period shall have been fully paid or authorized and a sum sufficient for the payment thereof set aside for payment.

(c) If and when all accumulated distributions and the distribution for the then current distribution period on the Series B Preferred Stock shall have been paid in full or authorized and a sum sufficient for the payment thereof set aside for payment in full, the holders of Series B Preferred Stock shall be divested of the voting rights set forth in clause (b) above (subject to revesting in the event of each and every Preferred Distribution Default) and, if all accumulated distributions and the distribution for the then current distribution period have been paid in full or authorized by the Board of Directors and set aside for payment in full on all other series of Parity Preferred Stock upon which like voting rights have been conferred and are exercisable, the term of office of each Preferred Stock Director so elected shall terminate. Any Preferred Stock Director may be removed at any time with or without cause by the vote of, and shall not be removed otherwise than by the vote of, the holders of a majority of the outstanding Series B Preferred Stock when they have the voting rights set forth in clause (b) above and all other series of Parity Preferred Stock (voting as a single class). So long as a Preferred

Distribution Default shall continue, any vacancy in the office of a Preferred Stock Director may be filled by written consent of the Preferred Stock Director remaining in office, or if none remains in office, by a vote of the holders of a majority of the outstanding Series B Preferred Stock when they have the voting rights set forth in clause (b) above and all other series of Parity Preferred Stock (voting as a single class). The Preferred Stock Directors shall each be entitled to one vote per director on any matter.

(d) So long as any Series B Preferred Stock remain outstanding, the Corporation shall not, without the affirmative vote of the holders of at least two-thirds of the Series B Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (such series voting separately as a class), (i) authorize, create or increase the authorized or issued amount of any class or series of equity securities ranking senior to the outstanding Series B Preferred Stock with respect to the payment of distributions or the distribution of assets upon voluntary or involuntary liquidation, dissolution or winding up of the Corporation or reclassify any authorized equity securities of the Corporation into any such senior equity securities, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such senior equity securities; or (ii) amend, alter or repeal the provisions of the Charter (including these Articles Supplementary), whether by merger or consolidation (in either case, an "Event") or otherwise, so as to materially and adversely affect any right, preference or voting power of the Series B Preferred Stock; provided, however, that with respect to any such amendment, alteration or repeal of the provisions of the Charter (including these Articles Supplementary) upon the occurrence of an Event, so long as shares of the Series B Preferred Stock remain outstanding with the terms thereof materially unchanged in any adverse respect, taking into account that, upon the occurrence of an Event, the Corporation may not be the surviving entity and such surviving entity may thereafter be the issuer of the Series B Preferred Stock, the occurrence of any such Event shall not be deemed to materially and adversely affect the rights, preferences or voting powers of the Series B Preferred Stock; and provided further that any increase in the amount of authorized Series B Preferred Stock or any other class or series of the Corporation's equity securities, in each case ranking on a parity with or junior to the Series B Preferred Stock with respect to the payment of distributions and the distribution of assets upon voluntary or involuntary liquidation, dissolution or winding up of the Corporation, shall not be deemed to materially and adversely affect the rights, preferences or voting powers of the Series B Preferred Stock.

(e) The foregoing voting provisions shall not apply if, at or prior to the time when the action with respect to which such vote would otherwise be required shall be effected, all outstanding Series B Preferred Stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been deposited in trust to effect such redemption.

(7) Conversion. The Series B Preferred Stock is not convertible into or exchangeable for any other property or securities of the Corporation.

(8) Application of Article VII. The shares of Series B Preferred Stock are subject to the provisions of Article VII of the Charter.

(9) Status. Upon any redemption of shares of Series B Preferred Stock, the shares of Series B Preferred Stock which are redeemed will be reclassified as authorized and unissued shares of Preferred Stock, and the number of shares of Series B Preferred Stock which the Corporation has the authority to issue will be decreased by the redemption of shares of Series B Preferred Stock, so that the shares of Series B Preferred Stock which were redeemed may not be reissued.

(10) Exclusion of Other Rights. The shares of Series B Preferred Stock shall not have any preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption other than those specifically set forth in these Articles Supplementary. The shares of Series B Preferred Stock shall have no preemptive or subscription rights.

(11) Headings of Subdivisions. The headings of the various subdivisions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

(12) Severability of Provisions. If any preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of the Series B Preferred Stock set forth in the Charter is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of Series B Preferred Stock set forth in the Charter which can be given effect without the invalid, unlawful or unenforceable provision thereof shall, nevertheless, remain in full force and effect, and no preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of Series B Preferred Stock herein set forth shall be deemed dependent upon any other provision thereof unless so expressed therein.

SECOND: The Shares have been classified and designated by the Board of Directors under the authority contained in the Charter.

THIRD: These Articles Supplementary have been approved by the Board of Directors in the manner and by the vote required by law.

FOURTH: The undersigned President of the Corporation acknowledges these Articles Supplementary to be the corporate act of the Corporation and, as to all matters or facts required to be verified under oath, the undersigned President acknowledges that to the best of his knowledge, information and belief, these matters and facts are true in all material respects and that this statement is made under the penalties for perjury.

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IN WITNESS WHEREOF, the Corporation has caused these Articles Supplementary to be executed under seal in its name and on its behalf by its Chief Executive Officer and attested to by its Secretary on this 13th of March, 2003.

<TABLE>

<S>	<C>	
ATTEST:	NEWCASTLE INVESTMENT CORP.	
/s/ Randal A. Nardone	/s/ Kenneth M. Riis	(SEAL)
- ----------------------------------	----------------------------------	
Randal A. Nardone Secretary	Kenneth M. Riis, President	

</TABLE>

EXHIBIT 99.1

CERTIFICATION OF CEO PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Newcastle Investment Corp. (the "Company") for the quarterly period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Wesley R. Edens, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Wesley R. Edens

Wesley R. Edens
Chief Executive Officer
May 12, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 99.2

CERTIFICATION OF CFO PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Newcastle Investment Corp. (the "Company") for the quarterly period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Debra A. Hess, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Debra A. Hess

Debra A. Hess
Chief Financial Officer
May 12, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.