

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE TO

Tender Offer Statement Under Section 14(d)(1) or 13(e)(1)
of the Securities Exchange Act of 1934

Newcastle Investment Corp.

(Name of Subject Company (Issuer))

Newcastle Investment Corp.

(Issuer and Filing Person)

(Name of Filing Person (Identifying Status as Offeror, Issuer or Other Person))

9.75% Series B Cumulative Redeemable Preferred Stock, \$.01 Par Value Per Share	65105M 20 7
8.05% Series C Cumulative Redeemable Preferred Stock, \$.01 Par Value Per Share	65105M 30 6
8.375% Series D Cumulative Redeemable Preferred Stock, \$.01 Par Value Per Share (Title of Class of Securities)	65105M 40 5 (CUSIP Number of Class of Securities)

Randal A. Nardone

Secretary

Newcastle Investment Corp.

1345 Avenue of the Americas

New York, NY 10105

(212) 798-6100

(Name, Address and Telephone Number of Person Authorized
to Receive Notices and Communications on Behalf of Filing Persons)

Copy to:

Joseph A. Coco, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
4 Times Square
New York, New York 10036
(212) 735-3000

Jonathan L. Friedman, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
300 South Grand Avenue, Suite 3400
Los Angeles, California 90071
(213) 687-5000

Calculation of Filing Fee

Transaction Valuation ⁽¹⁾	Amount of Filing Fee ⁽²⁾
\$21,850,000	\$1,219.23

- (1) Estimated solely for the purpose of calculating the filing fee based on the sum of (i) the product of (A) the offered purchase price of \$4.75 per share of Newcastle Investment Corp.'s 9.75% Series B Cumulative Redeemable Preferred Stock ("Series B Preferred Stock") and (B) 2,000,000 shares of Series B Preferred Stock, (ii) the product of (A) the offered purchase price of \$4.75 per share of Newcastle Investment Corp.'s 8.05% Series C Cumulative Redeemable Preferred Stock ("Series C Preferred Stock") and (B) 1,100,000 shares of Series B Preferred Stock and (iii) the product of (A) the offered purchase price of \$4.75 per share of Newcastle Investment Corp.'s 8.375% Series D Cumulative Redeemable Preferred Stock ("Series D Preferred Stock") and (B) 1,500,000 shares of Series B Preferred Stock. The number of shares of each series of preferred stock represents the maximum number of shares of such series of preferred stock that are subject to the tender offer.
- (2) The amount of the filing fee, calculated in accordance with Rule 0-11(b) of the Securities Exchange Act of 1934, as amended, and Fee Rate Advisory #3 for Fiscal Year 2010 issued by the Securities and Exchange Commission, equals \$55.80 per \$1,000,000 of the aggregate value of the transaction. The value of the transaction set forth above was calculated for the sole purpose of determining the filing fee and should not be used for any other purpose.
- Check the box if any part of the fee is offset as provided by Rule 0-11(a)(2) and identify the filing with which the offsetting fee was previously paid. Identify the previous filing by registration statement number, or the Form or Schedule and date of its filing.

Amount Previously Paid: N/A

Filing Party: N/A

Form or Registration No.: N/A

Date Filed: N/A

- Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

Check the appropriate boxes below to designate any transactions to which the statement relates:

- third-party tender offer subject to Rule 14d-1.
- issuer tender offer subject to Rule 13e-4.
- going-private transaction subject to Rule 13e-3.
- amendment to Schedule 13D under Rule 13d-2.

Check the following box if the filing is a final amendment reporting the results of the tender offer:

If applicable, check the appropriate box(es) below to designate the appropriate rule provision(s) relied upon:

Rule 13e-4(i) (Cross-Border Issuer Tender Offer).

Rule 14d-1(d) (Cross-Border Third-Party Tender Offer).

SCHEDULE TO

This Tender Offer Statement on Schedule TO (this “Tender Offer Statement”) relates to an offer (the “Tender Offer”) by Newcastle Investment Corp., a Maryland corporation (“Newcastle” or the “Company”), to purchase (i) up to 2,000,000 shares of the Company’s outstanding 9.75% Series B Cumulative Redeemable Preferred Stock, par value \$0.01 per share (“Series B Preferred Stock”), (ii) up to 1,100,000 shares of the Company’s outstanding 8.05% Series C Cumulative Redeemable Preferred Stock, par value \$0.01 per share (“Series C Preferred Stock”), and (iii) up to 1,500,000 shares of the Company’s outstanding 8.375% Series D Cumulative Redeemable Preferred Stock, par value \$0.01 per share (“Series D Preferred Stock,” and, together with Series B Preferred Stock and Series C Preferred Stock, the “Preferred Stock”), pursuant to the terms and subject to the conditions described in the offer to purchase, dated November 18, 2009 (the “Offer to Purchase”), filed as Exhibit (a)(1)(A) hereto and the related letter of transmittal for each series of Preferred Stock (collectively, the “Letters of Transmittal”), filed as Exhibits (a)(1)(B)(i), (a)(1)(B)(ii) and (a)(1)(B)(iii) hereto.

This Tender Offer Statement is intended to satisfy the reporting requirements of Section 13(e) of the Securities Exchange Act of 1934, as amended. The information contained in the Offer to Purchase and the related Letters of Transmittal is incorporated herein by reference in response to all of the items of this Schedule TO, as more particularly described below.

Item 1. Summary Term Sheet.

The information set forth under the heading “Summary Term Sheet” in the Offer to Purchase is incorporated by reference herein.

Item 2. Subject Company Information.

(a) *Name and Address.* The name of the issuer is Newcastle Investment Corp., a Maryland corporation. The address of its principal executive office is 1345 Avenue of the Americas, 46th Floor, New York, New York 10105, and its telephone number is (212) 798-6100.

(b) *Securities.* This Tender Offer Statement relates to an offer by the Company to purchase for cash up to 2,000,000 shares of Series B Preferred Stock, 1,100,000 shares of Series C Preferred Stock, and 1,500,000 shares of Series D Preferred Stock.

As of November 17, 2009, 2,500,000 shares of Series B Preferred Stock, 1,600,000 shares of Series C Preferred Stock and 2,000,000 shares of Series D Preferred Stock were issued and outstanding.

(c) *Trading Market and Price.* The information with respect to the Preferred Stock set forth in the Offer to Purchase under the heading “Market Price of and Dividends on the Preferred Stock” is incorporated by reference herein.

Item 3. Identity and Background of Filing Person.

The filing person is the Company. The information set forth under Item 2(a) above is incorporated by reference herein.

Pursuant to Instruction C to Schedule TO, the following persons are the directors and/or executive officers of the Company:

Name	Position
Wesley R. Edens	Chairman of the Board of Directors
Kevin J. Finnerty	Director
Stuart A. McFarland	Director
David K. McKown	Director
Peter M. Miller	Director
Kenneth M. Riis	Director, Chief Executive Officer and President
Brian C. Sigman	Chief Financial Officer and Treasurer
Phillip J. Evanski	Chief Investment Officer
Jonathan Ashley	Chief Operating Officer
Randal A. Nardone	Secretary

The business address and telephone number of each of the above directors and executive officers is c/o Fortress Investment Group LLC, 1345 Avenue of the Americas, 46th Floor, New York, New York 10105, telephone: (212) 798-6100.

Item 4. Terms of the Transaction.

(a) *Material Terms.* The information set forth in the Offer to Purchase under the headings “Summary Term Sheet,” “Questions and Answers About the Tender Offer,” “The Tender Offer,” and “Certain Federal Income Tax Considerations” is incorporated by reference herein.

(b) *Purchases.* The Company’s officers and directors do not own any shares of Preferred Stock and therefore are not eligible to participate in the Tender Offer. An affiliate of the Company owns shares of Preferred Stock and may chose to participate in the Tender Offer. The information set forth in the Offer to Purchase under the heading “The Tender Offer—Security Ownership” is incorporated by reference herein.

Item 5. Past Contacts, Transactions, Negotiations and Agreements.

(e) *Agreements Involving the Subject Company’s Securities.* The information set forth in the Offer to Purchase under the heading “The Tender Offer—Security Ownership” is incorporated by reference herein.

Item 6. Purposes of the Transaction and Plans or Proposals.

(a) *Purposes.* The information set forth in the Offer to Purchase under the heading “Questions and Answers about the Tender Offer—What is the purpose of the Tender Offer?” is incorporated by reference herein.

(b) *Use of Securities Acquired.* The shares of Preferred Stock acquired in the Tender Offer will become authorized but unissued shares. The information set forth in the Offer to Purchase under the heading “The Tender Offer—Tender of Preferred Stock; Acceptance for Payment and Payment for Shares” is incorporated by reference herein.

(c) *Plans.* Not applicable.

Item 7. Source and Amount of Funds or Other Consideration.

(a) *Source of Funds.* The information set forth in the Offer to Purchase under the heading “The Tender Offer—Source and Amount of Funds” is incorporated by reference herein.

(b) *Conditions.* The Tender Offer is not conditioned upon the Company’s receipt of financing.

(d) *Borrowed Funds.* Not applicable.

Item 8. Interest in Securities of the Subject Company.

(a) *Securities Ownership.* The information set forth in the Offer to Purchase under the heading “The Tender Offer—Security Ownership” is incorporated by reference herein.

(b) *Securities Transactions.* The information set forth in the Offer to Purchase under the heading “The Tender Offer—Security Ownership” is incorporated by reference herein.

Item 9. Persons/Assets, Retained, Employed, Compensated or Used.

(a) The information set forth in the Offer to Purchase under the heading “The Tender Offer—Terms of the Tender Offer” is incorporated by reference herein.

Item 10. Financial Statements.

(a) *Financial Information.* Not applicable.

(b) *Pro Forma Information.* Not applicable.

Item 11. Additional Information.

(a) *Agreements, Regulatory Requirements and Legal Proceedings.*

(1) The information set forth in the Offer to Purchase under the heading “The Tender Offer—Security Ownership” is incorporated by reference herein.

(2) The information set forth in the Offer to Purchase under the heading “The Tender Offer—Certain Legal and Regulatory Matters” is incorporated by reference herein.

(3) Not applicable.

(4) Not applicable.

(5) Not applicable.

(b) *Other Material Information.* Not applicable.

Item 12. Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
(a)(1)(A)	Offer to Purchase, dated November 18, 2009.
(a)(1)(B)(i)	Letter of Transmittal to the holders of Series B Preferred Stock, dated November 18, 2009.
(a)(1)(B)(ii)	Letter of Transmittal to the holders of Series C Preferred Stock, dated November 18, 2009.
(a)(1)(B)(iii)	Letter of Transmittal to the holders of Series D Preferred Stock, dated November 18, 2009.
(a)(1)(C)	Form of Letter to Brokers, Dealers and Other Nominees.
(a)(1)(D)	Form of Letter to Clients for use by Brokers, Dealers and Other Nominees.
(a)(1)(E)	Guidelines for Certification of Taxpayer Identification Number (TIN) on Substitute Form W-9.
(a)(2)	Not applicable.
(a)(3)	Not applicable.
(a)(4)	Not applicable.
(a)(5)	Press release.
(b)	Not applicable.
(d)(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).

<u>Exhibit No.</u>	<u>Description</u>
(d)(2)	Junior Subordinated Indenture between Newcastle Investment Corp. and The Bank of New York Mellon Trust Company, National Association, dated April 30, 2009 (incorporated by reference to the Registrant's Report on Form 8-K, Exhibit 4.1, filed on May 4, 2009).
(d)(3)	Pledge and Security Agreement between Newcastle Investment Corp. and The Bank of New York Mellon Trust Company, National Association, as trustee, dated April 30, 2009 (incorporated by reference to the Registrant's Report on Form 8-K, Exhibit 4.2, filed on May 4, 2009).
(d)(4)	Pledge, Security Agreement and Account Control Agreement among Newcastle Investment Corp., NIC TP LLC, as pledgor, and The Bank of New York Mellon Trust Company, National Association, as bank and trustee, dated April 30, 2009 (incorporated by reference to the Registrant's Report on Form 8-K, Exhibit 4.3, filed on May 4, 2009).
(d)(5)	Newcastle Investment Corp. Nonqualified Stock Option and Incentive Award Plan Amended and Restated Effective as of February 11, 2004 (incorporated by reference to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2005, Exhibit 10.2)
(d)(6)	Exchange Agreement between Newcastle Investment Corp. and Taberna Preferred Funding IV, Ltd., Taberna Preferred Funding V, Ltd., Taberna Preferred Funding VI, Ltd. and Taberna Preferred Funding VII, Ltd., dated April 30, 2009 (incorporated by reference to the Registrant's Report on Form 8-K, Exhibit 10.1, filed on May 4, 2009).
(g)	Not applicable.
(h)	Not applicable.

Item 13. Information Required by Schedule 13E-3

Not applicable.

SIGNATURE

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

NEWCASTLE INVESTMENT CORP.

November 18, 2009

By: /s/ KENNETH M. RIIS

Kenneth M. Riis

Chief Executive Officer and President

NEWCASTLE INVESTMENT CORP.

OFFER TO PURCHASE FOR CASH

SHARES OF

9.75% SERIES B CUMULATIVE REDEEMABLE PREFERRED STOCK

8.05% SERIES C CUMULATIVE REDEEMABLE PREFERRED STOCK

AND

8.375% SERIES D CUMULATIVE REDEEMABLE PREFERRED STOCK

	CUSIP No.	Maximum Shares	Purchase Price	Accumulated and Unpaid Dividends ⁽¹⁾	Total Payment
Series B Preferred Stock (NCT.PRB)	65105M 20 7	2,000,000	\$ 4.75	\$ 2.78	\$ 7.53
Series C Preferred Stock (NCT.PRC)	65105M 30 6	1,100,000	\$ 4.75	\$ 2.30	\$ 7.05
Series D Preferred Stock (NCT.PRD)	65105M 40 5	1,500,000	\$ 4.75	\$ 2.39	\$ 7.14

⁽¹⁾ The amount of accumulated and unpaid dividends assume a Tender Offer payment date of December 22, 2009. If the expiration date, and therefore the Tender Offer payment date, is extended, the amount of accumulated and unpaid dividends for each series of Preferred Stock will be increased accordingly.

THE OFFER AND WITHDRAWAL RIGHTS EXPIRE

AT MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 17, 2009

WE MAY EXTEND THE OFFER PERIOD AND WITHDRAWAL PERIOD AT ANY TIME

Newcastle Investment Corp. (the "Company," "our," "we" or "us") is offering to purchase for cash, upon the terms and subject to the conditions set forth in this Offer to Purchase and in the related letters of transmittal (the "Tender Offer"), (i) up to 2,000,000 shares of our outstanding 9.75% Series B Cumulative Redeemable Preferred Stock, par value \$0.01 per share ("Series B Preferred Stock"), (ii) up to 1,100,000 shares of our outstanding 8.05% Series C Cumulative Redeemable Preferred Stock, par value \$0.01 per share ("Series C Preferred Stock"), and (iii) up to 1,500,000 shares of our outstanding 8.375% Series D Cumulative Redeemable Preferred Stock, par value \$0.01 per share ("Series D Preferred Stock," and, together with Series B Preferred Stock and Series C Preferred Stock, the "Preferred Stock").

If, at the expiration of the Tender Offer, more than 2,000,000 shares of Series B Preferred Stock, 1,100,000 shares of Series C Preferred Stock or 1,500,000 shares of Series D Preferred Stock, respectively, have been validly tendered and not withdrawn, and all other conditions are satisfied or waived, the Company will purchase 2,000,000 shares of Series B Preferred Stock, 1,100,000 shares of Series C Preferred Stock or 1,500,000 shares of Series D Preferred Stock, as the case may be, on a pro rata basis from all tendering holders of such series, disregarding fractions, according to the number of shares of such series tendered by each holder.

If the Tender Offer is successfully completed, accumulated and unpaid dividends through the Tender Offer payment date will be paid with respect to all shares of Preferred Stock. Our Board of Directors (the "Board") has established December 11, 2009 as the record date for holders entitled to receive such dividend.

We currently anticipate the Tender Offer payment date will occur on December 22, 2009, although the date is subject to change as described below. The accumulated and unpaid dividends as of December 22, 2009 will be \$2.78 per share of Series B Preferred Stock, \$2.30 per share of Series C Preferred Stock and \$2.39 per share of Series D Preferred Stock. In addition, contemporaneously with our acceptance of shares for purchase in the Tender Offer, we will set aside a sum sufficient for payment of accumulated and unpaid dividends on the Preferred Stock for the period from the Tender Offer payment date through January 31, 2010. We intend to authorize payment of the dividends described in the preceding sentence at a future date with respect to shares of Preferred Stock that remain outstanding after completion of the Tender Offer and as of a record date after the date on which the Tender Offer is completed.

This Offer to Purchase is first being mailed to holders of the Preferred Stock on or around November 18, 2009.

The Information Agent for the Tender Offer is:

D.F. King & Co., Inc.

The Dealer Manager for the Tender Offer is:

UBS Investment Bank

The date of this Offer to Purchase is November 18, 2009

[Table of Contents](#)

The Tender Offer will expire at midnight, New York City Time, on December 17, 2009, unless extended or terminated by us. The term “expiration date” means midnight, New York City Time, on December 17, 2009, unless we extend the period of time for which the Tender Offer is open, in which case the term “expiration date” means the latest time and date on which the Tender Offer, as so extended, expires.

On November 13, 2009, the last sales price quoted on the New York Stock Exchange was \$8.40 per share for the Series B Preferred Stock, \$7.73 per share for the Series C Preferred Stock and \$8.19 per share for the Series D Preferred Stock.

See “Risk Factors” beginning on page 13 for a discussion of issues that you should consider with respect to the Tender Offer.

The Tender Offer has not been approved or disapproved by the Securities and Exchange Commission (the “SEC”), any state securities commission, or the similar commission or governmental agency of any foreign jurisdiction, nor has the SEC, any state securities commission, or the similar commission or governmental agency of any foreign jurisdiction determined whether the information in this Offer to Purchase is truthful or complete. None of the SEC, any state securities commission or any similar commission or governmental agency of any foreign jurisdiction has passed upon the merits or fairness of the Tender Offer, or passed upon the adequacy or accuracy of the disclosure contained in this Offer to Purchase. Any representation to the contrary is a criminal offense.

OUR OFFER IS SUBJECT TO CERTAIN CONDITIONS, INCLUDING THERE BEING VALIDLY TENDERED AND NOT WITHDRAWN AT LEAST 2,135,000 SHARES OF PREFERRED STOCK IN THE AGGREGATE FOR ALL THREE SERIES. SEE “THE TENDER OFFER—CONDITIONS TO THE TENDER OFFER.”

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY TERM SHEET	1
QUESTIONS AND ANSWERS ABOUT THE TENDER OFFER	5
RISK FACTORS	13
STATEMENT REGARDING FORWARD-LOOKING INFORMATION	16
SUMMARY FINANCIAL INFORMATION	17
THE TENDER OFFER	19
MARKET PRICE OF AND DIVIDENDS ON THE PREFERRED STOCK	30
CERTAIN FEDERAL INCOME TAX CONSIDERATIONS	33
MISCELLANEOUS	39
WHERE YOU CAN FIND MORE INFORMATION	39

SUMMARY TERM SHEET

This Offer to Purchase and the related letters of transmittal included with this Offer to Purchase, and our annual report on Form 10-K for the year ended December 31, 2008 (the "Annual Report"), our Quarterly Reports on Form 10-Q for the periods ended March 31, June 30 and September 30, 2009 (the "Quarterly Reports") and the descriptions of the Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock incorporated by reference in this Offer to Purchase each contain important information that should be read carefully before any decision is made with respect to the Tender Offer. See "Where You Can Find More Information." The following summary is qualified in its entirety by the more detailed information appearing elsewhere in this Offer to Purchase and the related letters of transmittal.

The Company	Newcastle Investment Corp.
The Preferred Stock Subject to the Tender Offer	<p>All outstanding shares of Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock.</p> <p>As of November 1, 2009, there were outstanding 2,500,000 shares of Series B Preferred Stock, 1,600,000 shares of Series C Preferred Stock and 2,000,000 shares of Series D Preferred Stock, each of which has a liquidation preference of \$25.00 per share, plus any accumulated and unpaid dividends on such share.</p>
The Tender Offer	<p>We are offering to purchase up to 2,000,000 shares of Series B Preferred Stock, 1,100,000 shares of Series C Preferred Stock, and 1,500,000 shares of Series D Preferred Stock.</p> <p>If, at the expiration of the Tender Offer, more than 2,000,000 shares of Series B Preferred Stock, 1,100,000 shares of Series C Preferred Stock or 1,500,000 shares of Series D Preferred Stock, respectively, have been validly tendered and not withdrawn, and all other conditions are satisfied or waived, the Company will purchase 2,000,000 shares of Series B Preferred Stock, 1,100,000 shares of Series C Preferred Stock or 1,500,000 shares of Series D Preferred Stock, as the case may be, on a pro rata basis from all tendering holders of such series, disregarding fractions, according to the number of shares of such series tendered by each holder.</p> <p>See "The Tender Offer—Terms of the Tender Offer."</p>
Tender Offer Payment	<p>In the Tender Offer for each tendered share accepted for purchase by us, the holder will receive:</p> <ul style="list-style-type: none">• \$7.53 per share of Series B Preferred Stock (which amount is comprised of (i) a purchase price of \$4.75 and (ii) accumulated and unpaid dividends of \$2.78);• \$7.05 per share of Series C Preferred Stock (which amount is comprised of (i) a purchase price of \$4.75 and (ii) accumulated and unpaid dividends of \$2.30); and• \$7.14 per share of Series D Preferred Stock (which amount is comprised of (i) a purchase price of \$4.75 and (ii) accumulated and unpaid dividends of \$2.39).

[Table of Contents](#)

Payment of Accumulated and Unpaid Dividends	<p>The accumulated and unpaid dividend amounts for each series assume a Tender Offer payment date of December 22, 2009. If the expiration date, and therefore the Tender Offer payment date, is extended, the amount of accumulated and unpaid dividends for each series of Preferred Stock will be increased accordingly.</p> <p>If the Tender Offer is successfully completed, we will pay accumulated and unpaid dividends through the Tender Offer payment date to all holders of shares of Preferred Stock (whether the shares are tendered or not). We currently anticipate the Tender Offer payment date will occur on December 22, 2009, although the date is subject to change as described below. The Board has established December 11, 2009 as the record date for determination of holders of the shares of Preferred Stock entitled to receive these dividends. The accumulated and unpaid dividends as of December 22, 2009 will be \$2.78 per share of Series B Preferred Stock, \$2.30 per share of Series C Preferred Stock and \$2.39 per share of Series D Preferred Stock.</p> <p>In addition, contemporaneously with our acceptance of shares for purchase in the Tender Offer, we will set aside a sum sufficient for payment of accumulated and unpaid dividends on the Preferred Stock for the period from the Tender Offer payment date through January 31, 2010. We intend to authorize payment of the dividends described in the preceding sentence at a future date with respect to shares of Preferred Stock that remain outstanding after completion of the Tender Offer and as of a record date after the date on which the Tender Offer is completed.</p>
Minimum Purchase Conditions to the Tender Offer	<p>The Tender Offer is subject to certain conditions, including there being validly tendered and not withdrawn at least 2,135,000 shares of Preferred Stock in the aggregate for all three series.</p> <p>See “The Tender Offer—Conditions of the Tender Offer.”</p>
Additional Conditions to Completion of the Tender Offer	<p>The completion of the Tender Offer is subject to the additional closing conditions described in “The Tender Offer—Conditions of the Tender Offer.”</p>
Aggregate Consideration	<p>Assuming the maximum number of shares of each series of Preferred Stock are validly tendered (and not withdrawn) and accepted by us for purchase, we will pay an aggregate of approximately \$40.4 million for the purchase of the Preferred Stock (including estimated transaction expenses).</p>
Expiration of the Tender Offer	<p>The Tender Offer for each series of Preferred Stock will expire at midnight, New York City Time, on December 17, 2009, unless extended or earlier terminated with respect to any or all series of Preferred Stock.</p>

[Table of Contents](#)

How to Tender Your Shares	<p>If you hold physical share certificates and are the record owner of your shares, you must deliver the certificates representing your shares of Preferred Stock, together with the appropriate completed letter of transmittal and any other documents required by the letter of transmittal, to American Stock Transfer & Trust Company, LLC, the Depository for the Tender Offer, no later than the time the Tender Offer expires.</p> <p>If your shares of Preferred Stock are held in street name (<i>i.e.</i>, through a broker, dealer or other nominee), the shares of Preferred Stock can be tendered by your broker, dealer or other nominee through DTC upon your request.</p> <p>See “The Tender Offer—Procedure for Tendering.”</p>
Withdrawal of Tendered Shares	<p>You may withdraw previously tendered shares of Preferred Stock at any time before the expiration of the Tender Offer. In addition, after the expiration of the Tender Offer, you may withdraw any shares of Preferred Stock that you tendered that are not accepted by us for purchase within 40 business days after the commencement of the Tender Offer.</p> <p>See “The Tender Offer—Withdrawal of Tenders.”</p>
Certain Federal Income Tax Considerations	<p>See “Certain Federal Income Tax Considerations.”</p>
Risk Factors	<p>You should consider carefully all of the information set forth in this Offer to Purchase and, in particular, you should evaluate the specific factors set forth under “Risk Factors” before deciding whether to participate in the Tender Offer.</p>
Appraisal Rights	<p>You do not have appraisal rights in connection with the Tender Offer.</p>
Information Agent	<p>D.F. King & Co., Inc.</p>
Dealer Manager	<p>UBS Securities LLC.</p>
Depository	<p>American Stock Transfer & Trust Company, LLC.</p>
Additional Documentation; Further Information; Assistance	<p>Any requests for assistance concerning the Tender Offer may be directed to the Information Agent or the Dealer Manager at the addresses set forth on the back cover of this Offer to Purchase or by telephone toll free at (800) 488-8075 for the Information Agent and (888) 719-4210 for the Dealer Manager. Beneficial owners may also contact their broker, dealer or other nominee.</p> <p>Any requests for additional copies of this Offer to Purchase and the letters of transmittal may be directed to the Information Agent.</p>

[Table of Contents](#)

You should read this entire Offer to Purchase and the applicable letters of transmittal carefully before deciding whether or not to tender your Preferred Stock. You should consult with your personal financial advisor or other legal, tax or investment professional(s) regarding your individual circumstances.

None of our officers, the employees of our manager, the Board, the Dealer Manager, the Information Agent or the Depositary is making a recommendation to you as to whether you should tender shares in the Tender Offer. You must make your own investment decision regarding the Tender Offer based upon your own assessment of the market value of the Preferred Stock, your liquidity needs, your investment objectives and any other factors you deem relevant.

QUESTIONS AND ANSWERS ABOUT THE TENDER OFFER

The following are some questions regarding the Tender Offer that you may have as a holder of the Preferred Stock and the answers to those questions. We urge you to read carefully this entire Offer to Purchase, including the section entitled "Risk Factors," the related letters of transmittal, our Annual Report and Quarterly Reports and the descriptions of the Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock incorporated by reference in this Offer to Purchase. See "Where You Can Find More Information." Additional important information is contained in the remainder of this Offer to Purchase.

Who is offering to buy my Preferred Stock?

Newcastle is offering to repurchase up to 2,000,000 shares of its Series B Preferred Stock, 1,100,000 shares of its Series C Preferred Stock, and 1,500,000 shares of our Series D Preferred Stock. All shares of Preferred Stock that are validly tendered and accepted for purchase by the Company in the Tender Offer will become authorized but unissued shares of the capital stock of Newcastle.

The address of the Company's principal executive office is 1345 Avenue of the Americas, 4th Floor, New York, New York 10105, and its telephone number is (212) 798-6100.

What will I receive in the Tender Offer if I tender my shares of Preferred Stock and they are accepted?

If the Tender Offer is successfully completed, for each tendered share accepted for purchase by us, you will receive:

- \$7.53 per share of Series B Preferred (which amount is comprised of (i) a purchase price of \$4.75 and (ii) accumulated and unpaid dividends of \$2.78);
- \$7.05 per share of Series C Preferred (which amount is comprised of (i) a purchase price of \$4.75 and (ii) accumulated and unpaid dividends of \$2.30); and
- \$7.14 per share of Series D Preferred (which amount is comprised of (i) a purchase price of \$4.75 and (ii) accumulated and unpaid dividends of \$2.39).

The accumulated and unpaid dividend amounts for each series assume a Tender Offer payment date of December 22, 2009. If the expiration date, and therefore the Tender Offer payment date, is extended, the amount of accumulated and unpaid dividends for each series of Preferred Stock will be increased accordingly.

What will I receive if I do not tender my shares of Preferred Stock?

If the Tender Offer is successfully completed but you do not tender your shares of Preferred Stock, you will receive accumulated and unpaid dividends through the Tender Offer payment date. Our board has established December 11, 2009 as the record date for determination of holders of the shares of Preferred Stock entitled to receive these dividends. The accumulated and unpaid dividends as of December 22, 2009 will be \$2.78 per share of Series B Preferred Stock, \$2.30 per share of Series C Preferred Stock and \$2.39 per share of Series D Preferred Stock.

In addition, contemporaneously with our acceptance of shares for purchase in the Tender Offer, we will set aside a sum sufficient for payment of accumulated and unpaid dividends on the Preferred Stock for the period from the Tender Offer payment date through January 31, 2010. We intend to authorize payment of the dividends described in the preceding sentence at a future date with respect to shares of Preferred Stock that remain outstanding after completion of the Tender Offer and as of a record date after the date on which the Tender Offer is completed.

Will I receive accumulated and unpaid dividends if the Tender Offer is NOT successfully completed?

We have no present intention to pay the accumulated and unpaid dividends on the Preferred Stock if the Tender Offer is not successfully completed.

[Table of Contents](#)

What is the purpose of the Tender Offer?

The ongoing global credit and liquidity crisis has demonstrated that the Company must maintain sufficient liquidity to grow our business. The Company is conducting the Tender Offer because it believes a significant reduction of the outstanding Preferred Stock will improve the Company's ability to manage the current challenging market conditions by reducing the Company's future cash requirements.

Since mid-2007, the ongoing global credit and liquidity crisis has adversely affected—and continues to adversely affect—both the Company and the market in which we operate.

As we have noted previously in our public filings, market conditions during the last two years have been tremendously challenging. Beginning in 2007, increased default rates in the subprime mortgage market played a role in causing credit spreads to widen, reducing availability of credit on favorable terms, increasing the frequency and amount of margin calls, reducing liquidity and price transparency of real estate related assets, making it difficult to obtain accurate mark-to-market valuations, and creating a negative perception of the state of the real estate markets and of real estate investment trusts, or REITs, generally. These conditions worsened during 2008 and intensified meaningfully in the fourth quarter of 2008, resulting in extraordinarily challenging market conditions. Despite signs of moderate improvement, market conditions during 2009 have remained significantly challenging, and we do not know if or when market conditions will be fully restored to the conditions we experienced prior to the onset of this crisis.

These extraordinarily difficult market conditions have adversely affected the Company's business, liquidity, financial condition and results of operations in a number of ways, including, but not limited to:

- the amount, type and attractiveness of financing available to us have decreased significantly;
- we experienced increased margin calls and other financing costs and were required to repay debt at its maturity at a time of depressed collateral value, which greatly reduced our liquidity;
- reduced cash flows from our collateralized debt obligations ("CDOs") and other assets have further reduced our liquidity;
- liquidity needs and a lack of attractive available financing have prompted us to sell assets below what we believed to be their value;
- the current market value of our existing portfolio has decreased, which has further limited our ability to access capital; and
- expectations regarding future cash flows have decreased, both as a result of expected asset performance and as a result of actual or potential ratings downgrades.

These factors greatly reduced our earnings, cash flow and liquidity. While our liquidity has improved during 2009, and we continue to try to maximize the amount of cash flows that we generate from our CDOs and other assets, we expect that our future cash flows from operations will be significantly reduced relative to previous years.

As a result of the challenging market conditions and their impact on the Company, we have been keenly focused on maintaining liquidity. This focus contributed to our decision not to pay dividends on the Preferred Stock for the January 31, April 30, July 31 and October 31, 2009 dividend payment dates. As of October 31, 2009, the accumulated and unpaid dividends on the Preferred Stock were approximately \$13.5 million in aggregate. Moreover, we have not declared a dividend on the common stock, par value \$0.01, of the Company (the "Common Stock") since September of 2008.

We believe that we must align the costs of our operations with our cash flows in order to maintain sufficient liquidity to grow our business. Because we expect the Company's cash flows in the near-to-medium term to be lower than in previous years (and could decrease significantly in the future as a result of decreased cash flows from our CDOs or other factors), it is important for us to reduce the Company's future cash requirements.

Table of Contents

Successful completion of the Tender Offer will reduce the amount of dividends payable in the future. While the successful completion of the Tender Offer will initially reduce the amount of our available unrestricted cash, we believe a significant reduction of the outstanding Preferred Stock will benefit the Company over time by reducing the amount of cash dividend payments that the Company will be obligated to make in the future.

In addition, we are party to a management agreement with FIG LLC, an affiliate of Fortress Investment Group LLC, pursuant to which FIG LLC, our manager, provides for the day-to-day management of our operations. We pay FIG LLC an annual management fee equal to 1.5% of our gross equity (as defined in our governing documents). Reducing the number of outstanding shares of Preferred Stock will reduce our gross equity and therefore will also reduce the annual management fee that we are required to pay to our manager.

Assuming the maximum number of shares of each series of Preferred Stock are validly tendered (and not withdrawn) and repurchased by us, we will pay an aggregate of approximately \$40.4 million pursuant to the Tender Offer (including estimated transaction expenses).

We may delay completing repurchases under the Tender Offer or terminate it entirely, and delay or refrain from paying any of the accumulated and unpaid dividends on the Preferred Stock, if at the time of such repurchase or payment, the Company is not eligible to pay such distributions under Maryland law.

When and how will I be paid for my tendered shares of Preferred Stock?

If all terms and conditions for completion of the Tender Offer are satisfied or waived, we will pay for all validly tendered and not withdrawn shares of Preferred Stock, up to the maximum number for each series of Preferred Stock, promptly after the expiration date of the Tender Offer. We refer to the date on which such payment is made as the "payment date." The payment date will be within three (3) business days after the expiration date. We currently anticipate the Tender Offer payment date will occur on December 22, 2009, although the date is subject to change as described in this Offer to Purchase. We reserve the right to delay payment for the Preferred Stock pending anticipated receipt of any applicable governmental or regulatory approvals.

We will pay for your shares of Preferred Stock that are validly tendered, not withdrawn, and accepted by us for purchase by depositing the aggregate consideration with the Depository, which will act as your agent for purposes of receiving payments from us and transmitting the payments to you. In all cases, payment for tendered shares of Preferred Stock will be made only after timely receipt by the Depository of your certificates for such shares, or in the case of stockholders who own shares in book-entry form, an indication in the appropriate letter of transmittal that such stockholder is tendering its shares, plus a properly completed and duly executed letter of transmittal and any other required documents for such shares. See "The Tender Offer—Tender of Preferred Stock; Acceptance for Payment and Payment for Shares."

What is the maximum number of shares of each series of Preferred Stock that the Company will purchase if validly tendered in the Tender Offer?

We are offering to purchase up to 2,000,000 shares of Series B Preferred Stock, 1,100,000 shares of Series C Preferred Stock and 1,500,000 shares of Series D Preferred Stock. Assuming the maximum number of shares of each series of Preferred Stock are validly tendered (and not withdrawn) and accepted by us for purchase, there will be 500,000 shares of Series B Preferred Stock, 500,000 shares of Series C Preferred Stock and 500,000 shares of Series D Preferred Stock outstanding following the successful completion of the Tender Offer.

What happens if more than the maximum number of shares for a series of Preferred Stock is validly tendered in the Tender Offer?

We may not purchase all of the shares of Preferred Stock that are validly tendered in the Tender Offer. If more than the maximum number of shares for a series of Preferred Stock are validly tendered, we will purchase shares from all holders who validly tender shares of that series on a pro rata basis disregarding fractions. We will announce the proration percentage for each series of Preferred Stock, if proration is necessary, on the business day succeeding the expiration date.

Table of Contents

If you validly tendered shares that are not accepted for purchase because of proration, we will return certificates for such shares of Preferred Stock tendered (or, in the case of shares of Preferred Stock tendered in uncertificated form, those shares of Preferred Stock will be credited back to an appropriate account) promptly following the termination of the Tender Offer without expense to you.

What are the conditions to the consummation of the Tender Offer?

The Tender Offer is subject to certain conditions, including there being validly tendered and not withdrawn at least 2,135,000 shares of Preferred Stock in the aggregate for all three series.

In addition, we are not obligated to accept for payment, purchase or pay for, and may delay the acceptance of, any shares of Preferred Stock tendered pursuant to the Tender Offer, in any event subject to Rule 14e-1(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), if at any time on or after the date of this Offer to Purchase and prior to the expiration date, any of the following conditions shall exist:

1. there is any litigation regarding the Tender Offer:
 - challenging or seeking to make illegal, materially delay, restrain or prohibit the Tender Offer or the acceptance for purchase of shares of Preferred Stock; or
 - which could have a material adverse effect on us;
2. any governmental authority issues a final and nonappealable order or takes any action permanently restraining, enjoining or prohibiting or materially delaying or preventing the consummation of the Tender Offer or consummation of the Tender Offer would violate any law, rule or regulation applicable to us, including the distribution limitations under Maryland law;
3. any law, rule, regulation or governmental order becomes applicable to us or the transactions contemplated by the Tender Offer that would result, directly or indirectly, in the consequences described under condition 1 above;
4. the payment of the purchase price for all shares that would be accepted for payment in the Tender Offer or payment of the accumulated and unpaid dividends through the Tender Offer payment date would not be permitted under Maryland law.

Under Maryland law and our Charter, no distribution may be made if, after giving effect to the distribution: (a) the corporation would not be able to pay indebtedness of the corporation as the indebtedness becomes due in the usual course of business; or (b) the corporation's total assets would be less than the sum of the corporation's total liabilities. Effective October 1, 2009, the distribution tests were amended by adding a new subsection which permits a distribution even if the corporation's total assets are less than the amount necessary to satisfy the balance sheet solvency test set forth in (b) above if the distribution is made from (i) the net earnings of the corporation for the fiscal year in which the distribution is made, (ii) its net earnings for the preceding fiscal year or (iii) the sum of its net earnings for the preceding eight fiscal quarters. A company utilizing the amended balance sheet solvency test is still required to satisfy the equity solvency test set forth in (a) above.

We will, in our reasonable judgment, determine whether each condition to the Tender Offer has been satisfied or may be waived and whether any such condition(s) should be waived. If any of the conditions to the Tender Offer is unsatisfied on the expiration date and we do not or cannot waive such conditions, the Tender Offer will expire and we will not accept for purchase the shares of Preferred Stock that have been validly tendered.

See "The Tender Offer—Conditions of the Tender Offer" and "The Tender Offer—Extension, Termination and Amendment."

If the Tender Offer is NOT successfully completed, what will be the consequences to the stockholders and the Company?

If the Tender Offer is not successfully completed, the consequences to the stockholders and the Company will include:

- Given our current financial condition, if the Tender Offer is not successfully completed, we do not know if we will pay future dividends on either the Preferred Stock or the Common Stock, including accumulated and unpaid dividends on the Preferred Stock. We may face obstacles in implementing strategic initiatives to grow our Company for the benefit of our stockholders, and we may be required to change our current plan of operations, which change we cannot predict at this time.
- The Company's business, results of operations, financial condition, and ability to obtain financing will continue to be negatively affected by the number of shares of the Preferred Stock in a variety of ways. For example, if we pay dividends on the Preferred Stock, we will reduce our cash flow from operations and, therefore, reduce our cash available to make investments for the benefit of our stockholders. Furthermore, the Preferred Stock, and related accumulated dividends, limits our ability to access the equity markets in order to increase our capital and liquidity as many other REITs have done, and are continuing to do, in the current market.
- Our ability to make distributions to holders of Common Stock will remain limited. Unless full cumulative dividends are paid on the Preferred Stock, no dividends (other than in shares of Common Stock) or distributions can be paid on shares of Common Stock nor can any shares of Preferred Stock be redeemed, purchased or otherwise acquired.
- If we do not pay dividends on the Preferred Stock for six or more quarterly periods (whether or not consecutive), the holders of the Preferred Stock will be entitled to elect two directors to our Board. Our failure to make dividend payments for the January 31, April 30, July 31 and October 31, 2009 dividend payment dates counts as four quarterly periods of non-payment towards the potential triggering of this right. Thus, if we do not make a dividend payment on the Preferred Stock by April 30, 2010, the holders of the Preferred Stock will then be entitled to elect two directors to our Board. We cannot predict whether the holders of the Preferred Stock would take such action or, if taken, what impact the two new directors on our Board would have on our Company (other than increasing our director compensation costs).
- The price of the Common Stock and Preferred Stock may decline, which could result in both the Common Stock and each series of the Preferred Stock being delisted from the New York Stock Exchange (the "NYSE"). As we have previously disclosed, prior to September 4, 2009, Newcastle was not in compliance with one of the NYSE's continued listing standards, which requires that the average closing price of the Common Stock equal at least \$1.00 per share over a 30 consecutive trading-day period. Although the Company is currently in compliance with this requirement, if the price of its Common Stock falls below \$1.00 over an extended period, the NYSE will likely delist both the Common Stock and the Preferred Stock. If delisting occurs, then shares of the Common Stock and the Preferred Stock will likely trade on a less active trading platform, which would almost certainly decrease the trading volume of the Common Stock and the Preferred Stock, making it more difficult to sell shares and potentially further reducing the price of the Common Stock and the Preferred Stock.

It is important to note that the Company cannot predict every potential consequence to the stockholders of the Company if the Tender Offer is not successfully completed. There may be additional consequences beyond those listed above, and such consequences could materially impact the Company.

Table of Contents

When will the Tender Offer expire?

The Tender Offer for each series of Preferred Stock is currently scheduled to expire at midnight, New York City Time, on December 17, 2009. We may, however, extend the Tender Offer with respect to any or all series of Preferred Stock from time to time in our discretion until all the conditions to the Tender Offer have been satisfied or waived. We will also extend the expiration date of the Tender Offer if required by applicable law or regulation.

See “The Tender Offer—Extension, Termination and Amendment.”

Under what circumstances may the Tender Offer be terminated, and what happens to my tendered shares if that occurs?

The Tender Offer may be terminated if the conditions to the Tender Offer discussed in this Offer to Purchase are not satisfied or (where within the Company’s discretion) waived, including, but not limited to, if the Company does not satisfy the distribution requirements under Maryland law at the requisite time to complete the Tender Offer.

If the Tender Offer is terminated and you previously have tendered shares, we will return certificates for such shares of Preferred Stock tendered (or, in the case of shares of Preferred Stock tendered in uncertificated form, those shares of Preferred Stock will be credited back to an appropriate account) promptly following the termination of the Tender Offer without expense to you.

See “The Tender Offer—Tender of Preferred Stock; Acceptance for Payment and Payment for Shares.”

How will I be notified if the Tender Offer is extended, amended or terminated?

If the Tender Offer is extended, amended or terminated, we will promptly notify The Depository Trust Company, which we refer to as “DTC,” and make a public announcement by issuing a press release. In the case of an extension, the announcement will be issued no later than 9:00 a.m., New York City Time, on the next business day after the previously scheduled expiration date of the Tender Offer.

See “The Tender Offer—Extension, Termination and Amendment.”

Will I have to pay any fees or commissions for participating in the Tender Offer?

You will not pay any fees to the Company, the Dealer Manager, the Information Agent or the Depository to participate in the Tender Offer. If you hold your shares through a broker, dealer or other nominee, and your broker, dealer or other nominee tenders the shares on your behalf, your broker, dealer or other nominee may charge you a fee for doing so. You should consult your broker, dealer or other nominee to determine whether any charges will apply.

See “The Tender Offer—Terms of the Tender Offer” and “The Tender Offer—Expenses.”

May I tender only a portion of the shares of Preferred Stock that I hold?

Yes. You may choose to tender any or all of your shares of any series of Preferred Stock.

How do I tender my shares of Preferred Stock?

If you hold physical share certificates and are the record owner of your shares, you must deliver the certificates representing your shares of Preferred Stock, together with the appropriate completed letter of transmittal and any other documents required by the letter of transmittal, to American Stock Transfer & Trust Company, LLC, the Depository for the Tender Offer, no later than the time the Tender Offer expires.

Table of Contents

If your shares of Preferred Stock are held in street name (*i.e.*, through a broker, dealer or other nominee), the shares of Preferred Stock can be tendered by your broker, dealer or other nominee through DTC upon your request. In order to tender shares validly in the Tender Offer, you must execute and deliver the appropriate letter of transmittal or, if your shares of Preferred Stock are held in street name, request that your broker, dealer or nominee do so on your behalf.

See “The Tender Offer—Procedure for Tendering.”

If I recently purchased shares of Preferred Stock, can I still tender my shares of Preferred Stock in the Tender Offer?

Yes. If you have recently purchased shares of Preferred Stock, you may tender those shares in the Tender Offer. In order to tender such shares of Preferred Stock, you must make sure that your transaction settles prior to the expiration date.

What must I do if I want to withdraw my shares of Preferred Stock from the Tender Offer?

You may withdraw previously tendered shares of Preferred Stock at any time before the expiration of the Tender Offer. In addition, after the expiration of the Tender Offer, you may withdraw any shares of Preferred Stock that you tendered that are not accepted by us for purchase within 40 business days after the commencement of the Tender Offer. See “The Tender Offer—Withdrawal of Tenders.”

If you have share certificates for your shares of Preferred Stock which are registered in your name, in order to withdraw your shares of Preferred Stock from the Tender Offer, you must deliver a written notice of withdrawal to the Depository at the appropriate address specified on the back cover of this Offer to Purchase prior to the expiration of the Tender Offer or, if your shares of Preferred Stock have not been previously accepted for purchase by us, after the expiration of 40 business days after the commencement of the Tender Offer. Your notice of withdrawal must comply with the requirements set forth in this Offer to Purchase.

If you hold your shares of Preferred Stock in street name (*i.e.*, through a broker, dealer or other nominee) and you tendered your shares through DTC, a withdrawal of your shares of Preferred Stock will be effective if you and your nominee comply with the appropriate procedures of DTC’s Automated Tender Offer Program prior to the expiration of the Tender Offer or after the expiration of 40 business days after the commencement of the Tender Offer. Any notice of withdrawal must identify the shares of Preferred Stock to be withdrawn, including, if held through DTC, the name and number of the account at DTC to be credited and otherwise comply with the procedures of DTC.

See “The Tender Offer—Withdrawal of Tenders.”

Are you making a recommendation regarding whether I should tender in the Tender Offer?

No. None of our officers, the employees of our manager, the Board, the Dealer Manager, the Information Agent or the Depository is making a recommendation to any holder of Preferred Stock as to whether the holder should tender shares in the Tender Offer. You must make your own investment decision regarding the Tender Offer based upon your own assessment of the market value of the Preferred Stock, your liquidity needs, your investment objectives and any other factors you deem relevant. You should carefully read this entire Offer to Purchase, the applicable letters of transmittal, as well as our Annual Report and Quarterly Reports, before deciding whether or not to tender your Preferred Stock. You should consult with your personal financial advisor or other legal, tax or investment professionals regarding your individual circumstances.

[Table of Contents](#)

What are the tax consequences of the transaction to me?

The tax consequences of the Tender Offer to you may vary depending on your particular facts and circumstances. See “Certain Federal Income Tax Consequences” for a discussion of the tax treatment of the payment of accumulated and unpaid dividends with respect to the Preferred Stock and the purchase by us of Preferred Stock in connection with the Tender Offer. We urge you to consult with your own tax advisor as to the particular tax consequences to you of the Tender Offer.

Does the Company intend to remain a public company following the completion of the Tender Offer?

Yes. We intend to remain a public company.

Will the Preferred Stock remain listed on the NYSE following the completion of the Tender Offer?

If the Tender Offer is completed, we expect that each series of Preferred Stock will continue to qualify for continued listing on the NYSE, and we intend to keep the Preferred Stock listed on the NYSE following completion of the Tender Offer.

Whom do I call if I have any questions on how to tender my shares of Preferred Stock or any other questions relating to the Tender Offer?

Questions related to the terms of the Tender Offer and requests for assistance, as well as for additional copies of this Offer to Purchase, the letters of transmittal or any other documents, may be directed to the Information Agent or Dealer Manager using their respective contact information set forth on the back cover of this Offer to Purchase or by telephone toll-free at (800) 488-8075 for the Information Agent and (888) 719-4210 for the Dealer Manager.

Questions relating to the tender of physical share certificates should be directed to the Depositary.

Where can I find more information about Newcastle Investment Corp.?

For more information, see the Annual Report and the Quarterly Reports and “Where You Can Find More Information.”

RISK FACTORS

You should carefully consider the risks and uncertainties described throughout this Offer to Purchase, including those described below, and the risk factors set forth in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q regarding the risks of investment in our securities, before you decide whether to tender your shares of Preferred Stock.

Risks Related to the Tender Offer

We have not obtained a third-party determination that the Tender Offer is fair to holders of Preferred Stock.

Neither we, our Board, the employees of our Manager, the Information Agent, the Dealer Manager nor the Depositary are making a recommendation as to whether holders of Preferred Stock should tender their shares in the Tender Offer. We have not retained, and do not intend to retain, any unaffiliated representative to act solely on behalf of the holders of Preferred Stock for purposes of negotiating the Tender Offer or preparing a report concerning the fairness of the Tender Offer. You must make your own independent decision regarding your participation in the Tender Offer.

The purchase prices offered per share in the Tender Offer are lower than the liquidation preference per share of the Preferred Stock.

The purchase prices being offered per share of each series of Preferred Stock in the Tender Offer are lower than the stated liquidation preference per share of the Preferred Stock. The Preferred Stock has a liquidation preference of \$25.00 per share plus any accumulated and unpaid dividends on such share. In this Tender Offer, in addition to the payment of accumulated and unpaid dividends, we are offering \$4.75 per share of Series B Preferred Stock, \$4.75 per share of Series C Preferred Stock and \$4.75 per share of Series D Preferred Stock.

The purchase prices offered in the Tender Offer are not dependent on or related to the market prices of shares of the Preferred Stock, and could be lower than the sales prices of the Preferred Stock on the NYSE on, prior to or after the expiration date.

The purchase prices offered per share of each series of the Preferred Stock in the Tender Offer are fixed, and thus are not dependent on or related to the market prices of shares of the Preferred Stock as quoted on the NYSE. As a result, the market prices of shares of the Preferred Stock may be higher or lower than the purchase prices at any time on, prior to or after the expiration date, and the purchase prices will not be subject to any adjustment related to the fluctuations in market prices of the shares of Preferred Stock. If you tender your shares for purchase, the Tender Offer is successfully completed and your shares of Preferred Stock are accepted for purchase, you may receive more or less consideration than you would have received if you had sold your shares of Preferred Stock in the open market or in an alternative transaction.

If the Tender Offer is successful, and you do not tender your shares, or not all of the shares you tender are accepted for purchase because of proration, you will remain subject to the ownership restrictions in our Charter.

In order for us to maintain our qualification as a REIT under the Internal Revenue Code, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) at any time during the last half of each taxable year after our first year. Our Charter, with certain exceptions, authorizes our Board to take the actions that are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our Board, no person may own more than 8% of the aggregate value of our outstanding capital stock, treating classes and series of our stock in the aggregate, or more than 25% of the outstanding shares of our Series B Preferred Stock, Series C Preferred Stock or our Series D Preferred Stock. If you do not tender your Preferred Stock in the Tender Offer, or not all of the shares you tender are accepted for purchase because of proration, the Tender Offer is completed, and as a result you own more than 8% of the aggregate value of our outstanding capital stock or more than 25% of the outstanding shares of any series of Preferred Stock, our Board may not grant an exemption to your ownership of

Table of Contents

such amounts of our capital stock. If after the Tender Offer is completed your ownership percentage of any series of Preferred Stock exceeds 25%, any further acquisitions of that series of Preferred Stock may be subject to transfer to a trust for the benefit of a charitable beneficiary (as defined in our Charter).

If the Tender Offer is successful, and you do not tender your shares, or not all of the shares you tender are accepted for purchase because of proration, the value of your Preferred Stock may decline.

Successful completion of the Tender Offer will significantly reduce the number of outstanding shares of each series of Preferred Stock and the liquidity and, therefore, the market price of your shares of Preferred Stock may be adversely affected.

Federal and state statutes could allow courts, under specific circumstances, to require holders of Preferred Stock who receive payments from us pursuant to the Tender Offer to return such payments.

Our creditors could challenge payments made by us pursuant to the Tender Offer as fraudulent conveyances. Under the federal bankruptcy law and similar provisions of state fraudulent transfer laws, a court could order you to return payments made by us if the court determined that, at the time we made payments pursuant to the Tender Offer, we:

- made the payment with the intent to hinder, delay or defraud our existing or future creditors; or
- received less than reasonably equivalent value or did not receive fair consideration for the payment made to purchase shares of Preferred Stock tendered in the Tender Offer, and we:
 - were insolvent or were rendered insolvent at the time we made the payments;
 - were engaged in a business or transaction for which our remaining assets constituted unreasonably small capital; or
 - intended to incur, or believed that we would incur, debts beyond our ability to pay such debts generally as they mature.

If the payments made by us pursuant to the Tender Offer were deemed fraudulent transfers, a court could order you to return any payments you received from us pursuant to the Tender Offer. In that event, you would have a claim against us for the amount returned, but it is unlikely that such claim would be paid in full.

Furthermore, if we were to become a debtor in a case under the United States Bankruptcy Code (the “Bankruptcy Code”) after completing the Tender Offer, a bankruptcy court may find that any payment made by us pursuant to the Tender Offer is subject to recovery as a preference. Generally, a preference is a payment made by a debtor on account of an antecedent debt during the 90-day pre-bankruptcy period (or one-year pre-bankruptcy period, for any holder who is an “insider” of the Company, as defined in the Bankruptcy Code), while the debtor is insolvent, that enables the recipient to receive more than it would if the debtor were liquidated under the Bankruptcy Code. If a court finds that any payment made by us pursuant to the Tender Offer is a preference, it could order you to return the payments to us or to our bankruptcy trustee. In that event, you would have a claim against us for the amount returned, but it is unlikely that such claim would be paid in full.

Risks Related to a Failure to Successfully Complete the Tender Offer

We may be unable to pay future dividends on either the Preferred Stock or the Common Stock.

Given our current financial condition, if the Tender Offer is not successfully completed, our ability to pay future dividends on the Preferred Stock and the Common Stock will remain limited. Unless full cumulative dividends are paid on the Preferred Stock, no dividends (other than in shares of Common Stock) or distributions can be paid on shares of Common Stock nor can any shares of Preferred Stock be redeemed, purchased or otherwise acquired (except in certain limited circumstances).

[Table of Contents](#)

Our continued failure to pay dividends on the Preferred Stock could result in the addition of two directors to our Board.

If we do not pay dividends on the Preferred Stock for six or more quarterly periods (whether or not consecutive), the holders of the Preferred Stock will be entitled to elect two directors to our Board. Our failure to make dividend payments for the January 31, April 30, July 31 and October 31, 2009 dividend payment dates counts as four quarterly periods of non-payment towards the potential triggering of this right. Thus, if we do not make a dividend payment on the Preferred Stock by April 30, 2010, the holders of the Preferred Stock will then be entitled to elect two directors to our Board. The addition of these directors would increase our compensation costs and could have other consequences that we cannot predict.

We may face obstacles in implementing strategic initiatives to grow our Company or we may be required to change our current plan of operations.

If the Tender Offer is not successfully completed, the Company's ability to obtain financing could continue to be negatively affected by the number of shares of Preferred Stock outstanding. If we continue to fail to pay accumulated dividends on the Preferred Stock, it will limit our ability to access the equity markets in order to increase our capital and liquidity as many other REITs have done, and are continuing to do, in the current market. If we were to use our existing cash flow to pay accumulated dividends on the Preferred Stock, we would have less cash available to make investments for the benefit of our stockholders.

Our Common Stock and Preferred Stock could be removed from listing on the NYSE.

If the Tender Offer is not successfully completed, the trading prices of the Common Stock and the Preferred Stock may decline, which could result in both the Common Stock and each series of the Preferred Stock being delisted from the NYSE. As we have previously disclosed, prior to September 4, 2009, we were not in compliance with one of the NYSE's continued listing standards, which requires that the average closing price of the Common Stock equal at least \$1.00 per share over a 30 consecutive trading-day period. Although the Company is currently in compliance with this requirement, if the price of its Common Stock falls below \$1.00 over an extended period, the NYSE will likely delist both the Common Stock and the Preferred Stock. If delisting occurs, then shares of the Common Stock and the Preferred Stock will likely trade on a less active trading platform, which would almost certainly decrease the trading volume of the Common Stock and the Preferred Stock, making it more difficult for you to sell shares and potentially further reducing the price of the Common Stock and the Preferred Stock.

STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Offer to Purchase contains certain “forward-looking statements.” Such forward-looking statements relate to, among other things, the operating performance of our investments, the stability of our earnings, and our 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 outcome 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:

- our ability to take advantage of opportunities in additional asset classes at attractive risk-adjusted prices;
- our ability to deploy capital accretively;
- the risks that default and recovery rates on our loan portfolios exceed our underwriting estimates;
- the relationship between yields on assets which are paid off and yields on assets in which such monies can be reinvested;
- the relative spreads between the yield on the assets we invest in and the cost of financing;
- changes in economic conditions generally and the real estate and bond markets specifically;
- adverse changes in the financing markets we access affecting our ability to finance our investments, or in a manner that maintains our historic net spreads;
- changing risk assessments by lenders that potentially lead to not extending our financings in accordance with their current terms or entering into new financings with us;
- changes in interest rates and/or credit spreads, as well as the success of any hedging strategy we may undertake in relation to such changes;
- the quality and size of the investment pipeline and the rate at which we can invest our cash, including cash inside our CDOs;
- impairments in the value of the collateral underlying our investments and the relation of any such impairments to our judgments as to whether changes in the market value of our securities, loans or real estate are temporary or not and whether circumstances bearing on the value of such assets warrant changes in carrying values;
- legislative/regulatory changes, including but not limited to, any modification of the terms of loans;
- reductions in cash flows received from our investments, particularly our CDOs;
- completion of pending 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.

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. The factors noted above could cause our actual results to differ significantly from those contained in any forward-looking statement.

Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our management’s views only as of the date of this document. We are under no duty to update any of the forward-looking statements after the date of this document to conform these statements to actual results.

SUMMARY FINANCIAL INFORMATION

The following tables show summary consolidated financial information of Newcastle as of and for the years ended December 31, 2008, 2007 and 2006, as of and for the nine months ended September 30, 2009 and for the nine months ended September 30, 2008. The following tables should be read in conjunction with, and are qualified in their entirety by reference to, our consolidated financial statements included in our Annual Report and our Quarterly Report on Form 10-Q for the period ended September 30, 2009.

Summary Consolidated Financial Information
(in thousands, except per share data)

	Nine Months Ended September 30, 2009 (unaudited)	Nine Months Ended September 30, 2008 (unaudited)	Year Ended December 31,		
			2008	2007	2006
Operating Data					
Interest income	\$ 287,033	\$ 361,461	\$ 468,867	\$680,535	\$529,818
Interest expense	167,154	236,739	307,303	476,932	374,269
Net interest income	\$ 119,879	\$ 124,722	\$ 161,564	\$203,603	\$155,549
Impairment	521,679	352,582	2,991,830	220,321	13,565
Net interest income after impairment	(401,800)	(227,860)	(2,830,266)	(16,718)	141,984
Other income (loss)	196,471	(9,836)	(112,809)	(8,885)	23,660
Expenses	24,383	24,864	32,623	39,724	38,172
Income (loss) from continuing operations	(229,712)	(262,560)	(2,975,698)	(65,327)	127,472
Income (loss) from discontinued operations	(96)	(8,724)	(9,654)	(130)	451
Net income (loss)	(229,808)	(271,284)	(2,985,352)	(65,457)	127,923
Preferred dividends	(10,126)	(10,126)	(13,501)	(12,640)	(9,314)
Income (loss) applicable to common stockholders	<u>(239,934)</u>	<u>(281,410)</u>	<u>(2,998,853)</u>	<u>(78,097)</u>	<u>118,609</u>
Net income (loss) per share of common stock, diluted	\$ (4.54)	\$ (5.33)	\$ (56.81)	\$ (1.52)	\$ 2.67
Income (loss) from continuing operations per share of common stock, after preferred dividends, diluted	\$ (4.54)	\$ (5.17)	\$ (56.63)	\$ (1.52)	\$ 2.66
Weighted average number of shares of common stock	<u>52,850</u>	<u>52,784</u>	<u>52,785</u>	<u>51,369</u>	<u>44,417</u>
Dividends declared per share of common stock	\$ —	\$ 0.750	\$ 0.750	\$ 2.850	\$ 2.615

[Table of Contents](#)

	As of September 30, 2009 (unaudited)	As of December 31,		
		2008	2007	2006
Balance Sheet Data				
Real estate securities, available for sale	\$ 1,761,209	\$ 1,668,748	\$ 4,835,884	\$ 5,581,228
Real estate related loans, net ⁽¹⁾	606,504	843,212	1,856,978	1,568,916
Residential mortgage loans, net ⁽¹⁾	368,939	409,632	634,605	809,097
Operating real estate ⁽¹⁾	10,116	11,866	34,399	29,626
Cash and cash equivalents	73,249	49,746	55,916	5,371
Total assets	3,398,907	3,473,623	8,037,770	8,604,392
Short-term borrowings	202,504	403,414	1,634,362	2,126,761
Long-term debt	4,805,863	5,111,785	5,757,332	5,377,970
Total liabilities	5,267,236	5,867,155	7,590,145	7,602,412
Common stockholders' equity (deficit)	(2,020,829)	(2,546,032)	295,125	899,480
Preferred stock	152,500	152,500	152,500	102,500
Supplemental Balance Sheet Data				
Common shares outstanding	52,905	52,789	52,779	45,714
Book value (deficit) per share of common stock	\$ (38.20)	\$ (48.23)	\$ 5.59	\$ 19.68

(1) Held-for-sale since December 31, 2008.

The following table sets forth our ratio of earnings to combined fixed charges and preferred dividends and our ratio of earnings to fixed charges for each of the periods indicated (unaudited):

	Nine months ended September 30, 2009(A)	Nine months ended September 30, 2008(B)	Year Ended December 31,		
			2008(C)	2007(D)	2006
Ratio of Earnings to Combined Fixed Charges and Preferred Dividends	(0.35)	(0.10)	(8.32)	0.84	1.31
Ratio of Earnings to Fixed Charges	(0.37)	(0.11)	(8.68)	0.86	1.34

(A) The deficiencies for the nine months ended September 30, 2009 in each ratio are \$239.8 million and \$229.7 million, respectively. The results for the nine months ended September 30, 2009 included impairment charges. Excluding such charges, the ratios would have exceeded 1 to 1.

(B) The deficiencies for the nine months ended September 30, 2008 in each ratio are \$272.7 million and \$262.6 million, respectively. The results for the nine months ended September 30, 2008 included impairment charges. Excluding such charges, the ratios would have exceeded 1 to 1.

(C) The 2008 deficiencies in each ratio are \$2.99 billion and \$2.98 billion, respectively. The 2008 results included impairment charges. Excluding such charges, the ratios would have approximately equaled 1 to 1.

(D) The 2007 deficiencies in each ratio are \$77.7 million and \$65.1 million, respectively. The 2007 results included impairment charges. Excluding such charges, the ratios would have exceeded 1 to 1.

For purposes of calculating the above ratios, (i) earnings represent "Income (loss) from continuing operations," excluding equity in earnings of unconsolidated subsidiaries, from our consolidated statements of operations, as adjusted for fixed charges and distributions from unconsolidated subsidiaries, and (ii) fixed charges represent "Interest expense" from our consolidated statements of operations. The ratios are based solely on historical financial information.

These ratios are affected by increasing interest rates. As a result of our match funded financing strategy, increasing interest rates are expected to generally result in an increase to interest expense without a material effect on net income, thereby negatively impacting these ratios.

THE TENDER OFFER

Terms of the Tender Offer

We are offering to purchase up to 2,000,000 shares of our Series B Preferred Stock, 1,100,000 shares of our Series C Preferred Stock, and 1,500,000 shares of our Series D Preferred Stock. If the Tender Offer is successfully completed, for each tendered share accepted for purchase by us, the holder will receive:

- \$7.53 per share of Series B Preferred (which amount is comprised of (i) a purchase price of \$4.75 and (ii) accumulated and unpaid dividends of \$2.78);
- \$7.05 per share of Series C Preferred (which amount is comprised of (i) a purchase price of \$4.75 and (ii) accumulated and unpaid dividends of \$2.30); and
- \$7.14 per share of Series D Preferred (which amount is comprised of (i) a purchase price of \$4.75 and (ii) accumulated and unpaid dividends of \$2.39).

The accumulated and unpaid dividend amounts for each series assume a Tender Offer payment date of December 22, 2009. If the expiration date, and therefore the Tender Offer payment date, is extended, the amount of accumulated and unpaid dividends for each series of Preferred Stock will be increased accordingly.

If the Tender Offer is successfully completed, we will pay accumulated and unpaid dividends through the Tender Offer payment date to all holders of shares of Preferred Stock (whether the shares are tendered or not). We currently anticipate the Tender Offer payment date will occur on December 22, 2009, although the date is subject to change as described below. Our board has established December 11, 2009 as the record date for determination of holders of the shares of Preferred Stock entitled to receive these dividends. The accumulated and unpaid dividends as of December 22, 2009 will be \$2.78 per share of Series B Preferred Stock, \$2.30 per share of Series C Preferred Stock and \$2.39 per share of Series D Preferred Stock. In addition, contemporaneously with our acceptance of shares for purchase in the Tender Offer, we will set aside a sum sufficient for payment of accumulated and unpaid dividends on the Preferred Stock for the period from the Tender Offer payment date through January 31, 2010. We intend to authorize payment of the dividends described in the preceding sentence at a future date with respect to shares of Preferred Stock that remain outstanding after completion of the Tender Offer and as of a record date after the date on which the Tender Offer is completed.

We have retained UBS Securities LLC to act as the Dealer Manager in connection with the Tender Offer. The Dealer Manager may contact brokers, dealers and other nominees and may provide information regarding the Tender Offer to those that they contact or persons that contact them. The Dealer Manager will receive, for these services, a reasonable and customary fee. We also have agreed to reimburse the Dealer Manager for reasonable out-of-pocket expenses incurred in connection with the Tender Offer, including reasonable fees and expenses of counsel, and to indemnify the Dealer Manager against certain liabilities in connection with the Tender Offer, including certain liabilities under the federal securities laws.

If the Tender Offer is successfully completed, we will pay to soliciting dealers a fee equal to 0.5% of the aggregate value of Preferred Stock that is validly tendered and accepted for purchase, up to a maximum of \$500,000 aggregate liquidation preference per holder for each series of Preferred Stock tendered, which amount will be used to compensate retail brokers for their solicitation of holders of Preferred Stock. Soliciting dealer fees will only be paid to retail brokers upon successful completion of the Tender Offer.

D.F. King & Co., Inc. is acting as Information Agent and American Stock Transfer and Trust Company, LLC, is acting as Depositary in connection with the Tender Offer. The Information Agent may contact holders of Preferred Stock by mail, telephone, facsimile and personal interviews and may request brokers, dealers and other nominee stockholders to forward materials relating to the Tender Offer to beneficial owners. The Information Agent and the Depositary will each receive reasonable and customary compensation for their respective services and will be reimbursed by us for reasonable out-of-pocket expenses. The Information Agent will be indemnified against certain liabilities in connection with the Tender Offer, including certain liabilities under the federal securities laws.

Table of Contents

In addition, we will request brokers, dealers and other nominees forward copies of this Offer to Purchase to the beneficial owners of shares of Preferred Stock, and will provide reimbursement for the cost of forwarding the material. We will not pay any fees or commissions to brokers, dealers, other nominees or other persons (other than as described above) for soliciting tenders of Preferred Stock in connection with the Tender Offer. In addition, our officers and directors and the employees of our manager may solicit tenders from holders of our Preferred Stock and will answer inquiries concerning the Tender Offer, but they will not receive additional compensation for soliciting tenders or answering any such inquiries.

You should rely only on the information contained in this Offer to Purchase. Except as described above, we have no arrangements for and have no understanding with any dealer, salesman or other person regarding the solicitation of tenders hereunder. None of us, the Depositary, the Dealer Manager or the Information Agent has authorized any other person to provide you with different or additional information. If anyone provides you with different or inconsistent information, you should not rely on it. Neither the delivery of this Offer to Purchase nor any purchase made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or its subsidiaries since the respective dates as of which information is given in this Offer to Purchase. We are offering to purchase, and are seeking tenders of, the Preferred Stock only in jurisdictions where the offers or tenders are permitted.

Owners holding certificated shares of Preferred Stock who tender their shares directly to the Depositary will not have to pay any fees or commissions. Holders who tender their shares of Preferred Stock through a broker, dealer or other nominee may be charged a fee by their broker, dealer or other nominee for doing so. Such holders should consult their broker, dealer or other nominee to determine whether any charges will apply.

The term "expiration date" means midnight, New York City Time, on December 17, 2009, unless we extend the period of time for which the Tender Offer with respect to any series of Preferred Stock is open, in which case the term "expiration date" means the latest time and date on which the Tender Offer with respect to such series of Preferred Stock, as so extended, expires.

If the Tender Offer expires or terminates without any shares of Preferred Stock being accepted for purchase by us following the expiration or termination of the Tender Offer, you will continue to hold your shares of Preferred Stock.

The Board has authorized and approved the Tender Offer. None of the Board, our officers, the employees of our manager, the Dealer Manager, the Information Agent or the Depositary is making a recommendation to you as to whether you should tender shares in the Tender Offer. You must make your own investment decision regarding the Tender Offer based upon your own assessment of the market value of the Preferred Stock, your liquidity needs, your investment objectives and any other factors you deem relevant.

Conditions of the Tender Offer

The Tender Offer is subject to certain conditions, including there being validly tendered and not withdrawn at least 2,135,000 shares of Preferred Stock in the aggregate for all three series.

In addition, we are not obligated to accept for payment, purchase or pay for, and may delay the acceptance of, any shares of Preferred Stock tendered pursuant to the Tender Offer, in any event subject to Rule 14e-1(c) under the Exchange Act, if at any time on or after the date of this Offer to Purchase and prior to the expiration of the Tender Offer, any of the following conditions shall exist:

1. there is any litigation regarding the Tender Offer (i) challenging or seeking to make illegal, materially delay, restrain or prohibit the Tender Offer or the acceptance for purchase of Preferred Stock; or (ii) which could have a material adverse effect on us;

Table of Contents

2. any governmental authority issues a final and nonappealable order or takes any action permanently restraining, enjoining or prohibiting or materially delaying or preventing the consummation of the Tender Offer or consummation of the Tender Offer would violate any law, rule or regulation applicable to us, including the distribution limitations under Maryland law;
3. any law, rule or regulation or governmental order becomes applicable to us or the transactions contemplated by the Tender Offer that results, directly or indirectly, in any of the consequences described within paragraph (1) above; or
4. the payment of the purchase price for all shares that would be accepted for payment in the Tender Offer or payment of the accumulated and unpaid dividends through the Tender Offer payment date would not be permitted under Maryland law.

Under Maryland law and our Charter, no distribution may be made if, after giving effect to the distribution: (a) the corporation would not be able to pay indebtedness of the corporation as the indebtedness becomes due in the usual course of business; or (b) the corporation's total assets would be less than the sum of the corporation's total liabilities. Effective October 1, 2009, the distribution tests were amended by adding a new subsection which permits a distribution even if the corporation's total assets are less than the amount necessary to satisfy the balance sheet solvency test set forth in (b) above if the distribution is made from (i) the net earnings of the corporation for the fiscal year in which the distribution is made, (ii) its net earnings for the preceding fiscal year or (iii) the sum of its net earnings for the preceding eight fiscal quarters. A company utilizing the amended balance sheet solvency test is still required to satisfy the equity solvency test set forth in (a) above.

We will, in our reasonable judgment, determine whether each condition to the Tender Offer has been satisfied or may be waived and whether any such condition(s) should be waived. If any of the conditions to the Tender Offer is unsatisfied on the expiration date and we do not or cannot waive such conditions, the Tender Offer will expire and we will not accept for purchase the shares of Preferred Stock that have been validly tendered.

Extension, Termination and Amendment

We expressly reserve the right, at any time and from time to time, to extend the period of time during which the Tender Offer with respect to each series of Preferred Stock is open, in our sole discretion. We will extend the expiration date of the Tender Offer if required by applicable law or regulation or for any reason we deem appropriate. During any such extension, all Preferred Stock previously tendered and not validly withdrawn will remain subject to the Tender Offer and subject to your right to withdraw your Preferred Stock in accordance with the terms of the Tender Offer.

Subject to the SEC's applicable rules and regulations, we reserve the right, at any time or from time to time, to:

- amend or make changes to the terms of the Tender Offer, including the conditions to the Tender Offer;
- delay our acceptance for purchase or our purchase of any shares of Preferred Stock pursuant to the Tender Offer or to terminate the Tender Offer and not accept for purchase or purchase any shares of Preferred Stock not previously accepted for purchase or purchased, upon the determination that any of the conditions of the Tender Offer have not been satisfied, as determined by us; and
- waive any condition.

We will follow any extension, termination, amendment or delay, as promptly as practicable, with a public announcement. In the case of an extension, any such announcement will be issued no later than 9:00 a.m., New York City Time, on the next business day after the previously scheduled expiration date. If we amend the Tender Offer in a manner we determine to constitute a material change, we will promptly disclose the amendment as

Table of Contents

required by law and, depending on the significance of the amendment and the manner of disclosure to the registered holders, we will extend the Tender Offer as required by law if the Tender Offer would otherwise expire during that period.

Without limiting the manner in which we may choose to make public announcements of any delay in acceptance, extension termination or amendment of the Tender Offer, we will have no obligation to publish, advertise or otherwise communicate any public announcement, other than by making a timely release to an appropriate news agency.

If we make a material change in the terms of the Tender Offer or the information concerning the Tender Offer, or if we waive a material condition of the Tender Offer, we will extend the Tender Offer to the extent required under the Exchange Act. If, prior to the expiration date, we increase or decrease the percentage of Preferred Stock being sought or increase or decrease the consideration, or change the type of consideration, offered to holders of Preferred Stock, such modification will be applicable to all holders of the same series of Preferred Stock whose shares of Preferred Stock are accepted for purchase pursuant to the Tender Offer and, if, at the time notice of any such modification is first published, sent or given to holders of Preferred Stock, the Tender Offer is scheduled to expire at any time earlier than the tenth business day from and including the date that such notice is first so published, sent or given, the Tender Offer will be extended until the expiration of such ten business day period. For purposes of the Tender Offer, a “business day” means any day other than a Saturday, Sunday or a federal holiday and consists of the time period from 12:01 a.m. through midnight, New York City Time.

Tender of Preferred Stock; Acceptance for Payment and Payment for Shares.

Upon the terms and subject to the conditions of the Tender Offer (including, if the Tender Offer is extended or amended, the terms and conditions of any such extension or amendment), we will purchase, promptly after the expiration date, by accepting for payment, and will pay for, shares of Preferred Stock validly tendered and not properly withdrawn promptly after the expiration date. The payment date will be within three (3) business days after the expiration date. In addition, subject to the applicable rules of the SEC, we expressly reserve the right to delay acceptance of, or the purchase of, any shares of Preferred Stock in order to comply with any applicable law. The reservation of this right to delay the acceptance or purchase of, or payment for, the shares is subject to the provisions of Rule 14e-1(c) under the Exchange Act, which requires us to pay the consideration offered or to return the shares deposited by, or on behalf of, stockholders, promptly after the termination or withdrawal of the offer.

For purposes of the Tender Offer, we will be deemed to have accepted for payment (and thereby purchased) shares of Preferred Stock validly tendered, not properly withdrawn, and subject to proration if necessary, if and when we notify the Depository of our acceptance for payment of the tenders of shares pursuant to the Tender Offer. Upon the terms and subject to the conditions of the Tender Offer, payment for shares of Preferred Stock accepted pursuant to the Tender Offer will be made by deposit of the purchase price therefor with the Depository, which will act as agent for tendering stockholders for the purpose of receiving payments from us and transmitting payments to such tendering stockholders whose shares have been accepted for payment.

Under no circumstances will we pay interest on the purchase price for shares, regardless of any delay in making such payment or extension of the expiration date.

If, prior to the expiration date, we increase the consideration to be paid per share pursuant to this Tender Offer, we will pay such increased consideration for all such shares purchased pursuant to the Tender Offer, whether or not such shares were tendered prior to such increase in consideration.

In addition, if certain events occur, we may not be obligated to purchase shares pursuant to the Tender Offer. See Section “The Tender Offer—Conditions of the Tender Offer.”

Table of Contents

In all cases, delivery of the consideration for Preferred Stock accepted for purchase pursuant to the Tender Offer will be made only after timely receipt by the Depositary of (i) the share certificates or confirmation of a book-entry transfer of the Preferred Stock into the Depositary's account at DTC (the book-entry transfer facility) (a "Book-Entry Confirmation") pursuant to the procedures set forth in "The Tender Offer—Procedure for Tendering"; (ii) the appropriate letter of transmittal (or a manually signed photocopy), properly completed and duly executed, with any required signature guarantees or, in the case of tender of shares held by a broker, dealer or other nominee, an Agent's Message (as described in "—Procedure for Tendering—Book-Entry Transfer") in lieu of the appropriate letter of transmittal; and (iii) any other documents required by the appropriate letter of transmittal.

If we do not accept any tendered shares of Preferred Stock for purchase pursuant to the terms and conditions of the Tender Offer for any reason, we will return certificates for such shares of Preferred Stock without expense to the tendering stockholder (or, in the case of shares of Preferred Stock tendered through DTC, pursuant to the procedures set forth below under "The Tender Offer—Procedure for Tendering," those shares of Preferred Stock will be credited to an account maintained within DTC) promptly following expiration or termination of the Tender Offer. All shares of Preferred Stock that are validly tendered and accepted for purchase by us in the Tender Offer will become authorized but unissued shares.

Any tendering stockholder or other payee who fails to complete fully, sign and return to the Depositary the substitute Form W-9 included with the letter of transmittal or Form W-8BEN obtained from the Depositary may be subject to required backup withholding on the gross proceeds paid to that stockholder or other payee pursuant to our offer.

Procedure for Tendering

Valid Tenders of Preferred Stock. In order for a stockholder validly to tender shares of Preferred Stock pursuant to the Tender Offer, the appropriate letter of transmittal (or a manually signed photocopy), properly completed and duly executed, together with any required signature guarantees (or, in the case of a book-entry transfer, an Agent's Message (defined below) in lieu of the appropriate letter of transmittal) and any other documents required by the appropriate letter of transmittal must be received by the Depositary at the address set forth on the back cover of this Offer to Purchase and either (a) the share certificates evidencing tendered Preferred Stock must be received by the Depositary at this address or (b) the Preferred Stock must be tendered pursuant to the procedure for book-entry transfer described below and a Book-Entry Confirmation must be received by the Depositary, in each case, prior to the expiration date. The holder may change its election prior to the expiration date of the Tender Offer by submitting to the Depositary a properly completed and signed revised letter of transmittal.

Book-Entry Transfer. The Depositary will establish an account with respect to the Preferred Stock at DTC, the book-entry transfer facility, for purposes of the Tender Offer within two business days after the date of this Offer to Purchase. If a holder's shares of Preferred Stock are held through a broker, dealer or other nominee, the holder should instruct its broker, dealer or other nominee to make the appropriate election on its behalf when they tender shares through DTC. The holder may change its election by causing a new Agent's Message with revised election information to be transmitted through DTC. Any financial institution that is a participant in the system of DTC may make a book-entry delivery of Preferred Stock by causing DTC to transfer those shares of Preferred Stock into the Depositary's account at DTC in accordance with DTC's procedures for transfer. However, although delivery of Preferred Stock may be effected through book-entry transfer at DTC, either the appropriate letter of transmittal (or a manually signed photocopy), properly completed and duly executed, together with any required signature guarantees, or an Agent's Message in lieu of the letter of transmittal, and any other required documents, must, in any case, be received by the Depositary at its address set forth on the back cover of this Offer to Purchase prior to the expiration date. Delivery of documents to DTC does not constitute delivery to the Depositary.

Table of Contents

The term “Agent’s Message” means a message, transmitted by DTC to and received by the Depository and forming a part of a Book-Entry Confirmation, that states that DTC has received an express acknowledgment from the participant in DTC tendering shares of Preferred Stock that are the subject of such Book-Entry Confirmation, that the participant has received and agrees to be bound by the terms of the letter of transmittal and that we may enforce this agreement against the participant.

If you own your shares through a broker, dealer or other nominee, and your broker, dealer or other nominee tenders the shares of Preferred Stock on your behalf, such institution may charge you a fee for doing so. You should consult your broker, dealer or nominee to determine whether any charges will apply. If you are the record owner of certificated shares of Preferred Stock and you tender your certificated shares directly to the Depository, you will not be obligated to pay any charges or expenses of the Depository or any brokerage commissions. Transfer taxes on the purchase of Preferred Stock pursuant to the Tender Offer, if any, will be paid by us.

Signature Guarantees and Stock Powers. No signature guarantee is required on the letter of transmittal (i) if the letter of transmittal are signed by the registered holder(s) (which term, for purposes of this section, includes any participant in DTC’s system whose name appears on a security position listing as the owner of the Preferred Stock) of the Preferred Stock tendered, unless the holder has completed the box entitled “Special Payment Instructions” on the appropriate letter of transmittal or (ii) if the shares of Preferred Stock are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a participant in the Security Transfer Agents Medallion Program or any other “eligible guarantor institution,” as that term is defined in Rule 17Ad-15 under the Exchange Act (each an “Eligible Institution”). In all other cases, all signatures on letters of transmittal must be guaranteed by an Eligible Institution. See the instructions to the letters of transmittal. If a share certificate is registered in the name of a person or persons other than the signer of the letter of transmittal, or if payment is to be made or delivered to a person or persons other than the registered holder(s), then the share certificate must be endorsed or accompanied by appropriate duly executed stock powers, in either case, signed exactly as the name(s) of the registered holder(s) appear on the share certificate, with the signature(s) on the share certificate or stock powers guaranteed by an Eligible Institution as provided in the appropriate letter of transmittal. See the instructions to the letters of transmittal.

Notwithstanding any other provision of this Offer to Purchase, shares of Preferred Stock accepted for purchase pursuant to the Tender Offer will in all cases be purchased only after timely receipt by the Depository of (i) certificates evidencing the Preferred Stock or a Book-Entry Confirmation of a book-entry transfer of the Preferred Stock into the Depository’s account at DTC pursuant to the procedures set forth in this section; (ii) the appropriate letter of transmittal (or a manually signed photocopy), properly completed and duly executed, with any required signature guarantees or, in the case of a book-entry transfer, an Agent’s Message in lieu of the letter of transmittal; and (iii) any other documents required by the appropriate letter of transmittal.

Effects of Tenders

By tendering your shares as set forth above, you irrevocably appoint the Depository and its designees as your attorneys-in-fact and proxies, each with full power of substitution, to the full extent of your rights with respect to your shares of Preferred Stock tendered and accepted for purchase by us. Such appointment will be automatically revoked if we do not accept for purchase shares of Preferred Stock that you have tendered. All such proxies shall be considered coupled with an interest in the tendered shares of Preferred Stock and therefore shall not be revocable; provided that the Preferred Stock tendered pursuant to the Tender Offer may be withdrawn at any time on or prior to the expiration date, as it may be extended by us, and unless theretofore accepted for purchase and not returned as provided for herein, may also be withdrawn after the expiration of 40 business days after the commencement of the Tender Offer, subject to the withdrawal rights and procedures set forth below. Upon the effectiveness of such appointment, all prior proxies or consents given by you will be revoked, and no subsequent proxies or consents may be given (and, if given, will not be deemed effective) unless the tendered Preferred Stock is validly withdrawn.

Table of Contents

We will determine all questions as to the validity, form, eligibility (including time of receipt) and acceptance for purchase of any tender of shares of Preferred Stock in the Tender Offer, in our sole discretion, and our determination shall be final and binding. We reserve the absolute right to reject any and all tenders of shares of Preferred Stock in the Tender Offer determined by us not to be in proper form or the acceptance for purchase or purchase of which may, in our opinion, be unlawful.

Subject to the applicable rules and regulations of the SEC, we also reserve the right to waive, prior to the expiration date, in our sole discretion, any of the conditions to the Tender Offer, including the absolute right to waive any defect or irregularity in the tender of any shares of Preferred Stock in the Tender Offer. No tender of shares of Preferred Stock in the Tender Offer will be deemed to have been made until all defects and irregularities in the tender of such shares in the Tender Offer have been cured or waived. Neither we, the Depository, the Dealer Manager, the Information Agent nor any other person will be under any duty to give notification of any defects or irregularities in the tender of any shares of Preferred Stock in the Tender Offer or will incur any liability for failure to give any such notification. Our interpretation of the terms and conditions of the Tender Offer (including the letters of transmittal and instructions thereto) will be final and binding.

Rule 14e-4 “Net Long Position” Requirement

It is a violation of Rule 14e-4 (promulgated under the Exchange Act) for a person, directly or indirectly, to tender securities in a partial tender offer for their own account unless the person so tendering their securities (a) has a net long position equal to or greater than the aggregate principal amount of the securities being tendered and (b) will cause such securities to be delivered in accordance with the terms of the tender offer. Rule 14e-4 provides a similar restriction applicable to the tender or guarantee of a tender on behalf of another person.

A tender of Preferred Stock in the Tender Offer under any of the procedures described above will constitute the tendering holder’s representation and warranty that (a) such holder has a net long position in the Preferred Stock being tendered pursuant to the Tender Offer within the meaning of Rule 14e-4 under the Exchange Act and (b) the tender of such Preferred Stock complies with Rule 14e-4.

The tender of shares of Preferred Stock, pursuant to any of the procedures described above, will constitute a binding agreement between you and us upon the terms and subject to the conditions of the Tender Offer.

Withdrawal of Tenders

You may validly withdraw shares of Preferred Stock that you tender at any time prior to the expiration date of the Tender Offer, which is midnight, New York City Time, on December 17, 2009, unless we extend it. In addition, after the expiration of the Tender Offer, you may withdraw any shares of Preferred Stock that you tendered that are not accepted by us for purchase within 40 business days after the commencement of the Tender Offer.

For a withdrawal to be effective, you must deliver a written notice of withdrawal to the Depository at the appropriate address specified on the back cover of this Offer to Purchase prior to the expiration date or, if your shares are not previously accepted by us for purchase, after the expiration of 40 business days after the commencement of the Tender Offer. Any notice of withdrawal must identify the beneficial owner of the shares of Preferred Stock to be withdrawn, including the name of the beneficial owner of the shares of Preferred Stock, the name of the person who tendered the shares of Preferred Stock, if different, and the number of shares of Preferred Stock to be withdrawn. Your notice of withdrawal must comply with the requirements set forth in this Offer to Purchase. If you tendered Preferred Stock pursuant to the procedures for a book-entry transfer, a withdrawal of shares of Preferred Stock will only be effective if you comply with the appropriate DTC procedures prior to the expiration date of the Tender Offer or, if your shares are not previously accepted by us for purchase, after the expiration of 40 business days after the commencement of the Tender Offer.

Table of Contents

If we extend the Tender Offer, are delayed in our acceptance of the shares of Preferred Stock for purchase or are unable to accept shares of Preferred Stock pursuant to the Tender Offer for any reason, then, without prejudice to our rights under the Tender Offer, the Depositary may retain tendered shares of Preferred Stock, and those shares of Preferred Stock may not be withdrawn except as otherwise provided in this Offer to Purchase, subject to provisions under the Exchange Act that provide that an issuer making an tender offer shall either pay the consideration offered or return tendered securities promptly after the termination or withdrawal of the tender offer.

All questions as to the validity, form and eligibility, including time or receipt, of notices of withdrawal will be determined by us. Our determination will be final and binding on all parties. Any shares of Preferred Stock withdrawn will be deemed not to have been validly tendered for purposes of the Tender Offer, and no consideration will be given, unless the shares of Preferred Stock so withdrawn are validly re-tendered and not properly withdrawn. Properly withdrawn shares of Preferred Stock may be re-tendered by following the procedures described above under “The Tender Offer—Procedure for Tendering” at any time prior to the expiration date of the Tender Offer.

Neither we, the Depositary, the Dealer Manager, the Information Agent nor any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal or will incur any liability for failure to give any such notification. Any shares of Preferred Stock properly withdrawn will be deemed not to have been validly tendered for purposes of the Tender Offer.

Security Ownership

The Company is not aware of any of its directors or executive officers that own any Preferred Stock. Furthermore, neither we, nor any of our associates, subsidiaries nor, to our knowledge, any of our directors or executive officers, have effected any transactions in the Preferred Stock during the 60 days before the date of this Offer to Purchase. As of the date of this Offer to Purchase, an investment fund that is affiliated with our manager owns 72,000 shares, or approximately 2.9%, of the outstanding Series B Preferred Stock and 37,000 shares, or approximately 2.3%, of the outstanding Series C Preferred Stock. The Company does not know whether the investment fund affiliated with our manager intends to participate in the Tender Offer. The investment manager of the fund has informed the Company that it has not made a decision as to whether it will participate in the offer, and we do not have any right to require such fund to inform us of its intentions with respect to the Tender Offer.

Except for (i) outstanding options or other awards pursuant to our nonqualified stock option and incentive award plan to purchase shares of Common Stock granted to certain officers, directors, consultants and advisors, including our manager and its employees, as further described in Note 9 to our Annual Report and (ii) outstanding notes, bank debt and related loan agreements, indentures and guaranty agreements as further described in Notes 5, 8, 10 and 11 of our Annual Report and except as otherwise described herein, neither we nor any person controlling us nor, to our knowledge, any of our directors or executive officers, is a party to any contract, arrangement, understanding or relationship with any other person relating, directly or indirectly, to any of our securities, including, but not limited to, any contract, arrangement, understanding or relationship concerning the transfer or the voting of any such securities, joint ventures, loan or option arrangements, puts or calls, guarantees of loans, guarantees against loss or the giving or withholding of proxies, consents or authorizations.

From time to time, we issue debt and equity securities, and, in connection with such issuances, we may enter into customary arrangements with respect to the sale and placement of securities.

Table of Contents

The following table sets forth certain information known to us with respect to beneficial ownership of our Common Stock as of November 1, 2009 by (i) each director, (ii) each executive officer, (iii) each person known to us to beneficially own more than five percent of our Common Stock, and (iv) all directors and executive officers as a group. Unless otherwise indicated in the footnotes to the table, the beneficial owners named have, to our knowledge, sole voting and investment power with respect to the shares beneficially owned, subject to community property laws where applicable.

Name and Address of Beneficial Owner ⁽¹⁾	Amount and Nature of Beneficially Ownership	Percent of Class ⁽²⁾
Wesley R. Edens ⁽³⁾⁽⁶⁾	3,502,941	6.4%
Kevin J. Finnerty ⁽⁴⁾	269,233	*0%
Stuart A. McFarland ⁽⁴⁾	26,589	*0%
David K. McKown ⁽⁴⁾	26,589	*0%
Peter M. Miller ⁽⁴⁾	40,849	*0%
Kenneth M. Riis ⁽⁴⁾	614,990	1.2%
Debra A. Hess ⁽⁷⁾	—	*0%
Brian C. Sigman ⁽⁴⁾	2,170	*0%
Phillip J. Evanski ⁽⁴⁾	71,380	*0%
Jonathan Ashley ⁽⁴⁾	286,455	*0%
Randal A. Nardone ⁽⁵⁾⁽⁶⁾	3,450,956	6.3%
All directors and executive officers as a group (10 persons, excluding Ms. Hess but including Mr. Sigman)	<u>5,579,976</u>	<u>10.1%</u>

* Denotes less than 1%.

- (1) The address of Fortress Operating Entity I LP (“FOE I”) and Fortress Operating Entity II LP (“FOE II”) and all officers and directors listed above are in the care of Fortress Investment Group LLC, 1345 Avenue of the Americas, 46th Floor, New York, New York 10105.
- (2) Percentage amount assumes the exercise by such persons of all options to acquire shares of Common Stock that are exercisable within 60 days of September 1, 2009, and no exercise by any other person.
- (3) Includes 790,765 shares held by Mr. Edens, 1,025,729 shares held by FOE II and 1,686,447 shares issuable upon the exercise of options held by FOE I. Mr. Edens disclaims beneficial ownership of the shares held by FOE I and of the shares issuable upon the exercise of options held by FOE I except, in each case, to the extent of his pecuniary interest therein. Does not include 100,000 shares held by a charitable trust of which Mr. Edens’s spouse is sole trustee and Mr. Edens disclaims beneficial ownership of the shares held by this charitable trust. Does not include 100,000 shares held by a charitable trust of which Mr. Edens is a trustee in respect of which, however, Mr. Edens disclaims beneficial ownership.
- (4) Includes with respect to each of these individuals the following number of shares issuable upon the exercise of options that are currently exercisable or exercisable within 60 days of September 1, 2009: Riis—489,990; Sigman—2,170; Evanski—64,880; Ashley—128,144; Finnerty—2,000; McFarland—4,000; McKown—4,000; and Miller—4,000.
- (5) Includes 738,780 shares held by Mr. Nardone, 1,025,729 shares held by FOE II and 1,686,447 shares issuable upon the exercise of options held by FOE I. Mr. Nardone disclaims beneficial ownership of the shares held by FOE II and of the shares issuable upon the exercise of options held by FOE I except, in each case, to the extent of his pecuniary interest therein.
- (6) Mr. Edens and Mr. Nardone, as beneficial owners of each of FOE I and FOE II, may be considered to have, together with the other beneficial owners of FOE I and FOE II, shared voting and investment power with respect to the shares held by FOE II and the shares issuable upon the exercise of options held by FOE I.
- (7) Ms. Hess resigned as our Chief Financial Officer effective as of August 13, 2008. Ms. Hess forfeited all of the share options previously granted to her.

Table of Contents

Source and Amount of Funds

The Tender Offer is not conditioned upon our receipt of financing. The total amount of funds required to purchase the maximum number of shares of each series of Preferred Stock is approximately \$40.4 million (including estimated transaction expenses). If the Tender Offer is successfully completed, we will pay accumulated and unpaid dividends through the Tender Offer payment date to all holders of shares of Preferred Stock (whether the shares are tendered or not). We currently anticipate the Tender Offer payment date will occur on December 22, 2009, although the date is subject to change as described below. Our board has established December 11, 2009 as the record date for determination of holders of the shares of Preferred Stock entitled to receive these dividends. In addition, contemporaneously with our acceptance of shares for purchase in the Tender Offer, we will set aside a sum sufficient for payment of accumulated and unpaid dividends on the Preferred Stock for the period from the Tender Offer payment date through January 31, 2010. We intend to authorize payment of the dividends described in the preceding sentence at a future date with respect to shares of Preferred Stock that remain outstanding after completion of the Tender Offer and as of a record date after the date on which the Tender Offer is completed. We will have sufficient cash and cash equivalents to repurchase, up to the maximum number of shares for each series of Preferred Stock, all validly tendered (and not withdrawn) shares pursuant to the Tender Offer and to pay or set aside the accumulated and unpaid dividends.

Liquidity

Following the completion of the Tender Offer, the number of shares of each series of Preferred Stock that are publicly traded may be reduced. Therefore, holders who choose not to tender their shares of Preferred Stock will own a greater percentage interest in our outstanding Preferred Stock. This may reduce the volume of trading and make it more difficult to buy or sell significant amounts of shares of Preferred Stock without affecting the market price.

Shares of all three series of Preferred Stock are currently listed and traded on the NYSE.

Appraisal Rights

You do not have appraisal rights in connection with the Tender Offer.

Certain Legal and Regulatory Matters

Except as set forth in this Offer to Purchase, we are not aware of any material filing, approval or other action by or with any governmental authority or administrative or regulatory agency that would be required for our acquisition or ownership of Preferred Stock. We intend to make all required filings under the Exchange Act.

Subsequent Repurchases of Shares of Preferred Stock

Whether or not the Tender Offer is consummated, subject to the applicable covenant restrictions contained in our debt instruments, the terms of the Charter and applicable law, we or our affiliates may from time to time acquire shares of Preferred Stock, other than pursuant to the Tender Offer, through open market purchases, privately negotiated transactions, exchange offers, exercise of optional redemption rights, offer to purchase or otherwise, upon such terms and at such prices as we may determine, which may be more or less than the amount to be paid pursuant to the Tender Offer and could be paid in cash or other consideration not provided for in this Tender Offer. However, we have no current plan or commitment to do so. Until the expiration of at least ten business days after the date of termination of the Tender Offer, neither we nor any of our affiliates will make any purchases of Preferred Stock otherwise than pursuant to the Tender Offer. If required by Rule 13e-3 under the Exchange Act, any subsequent repurchases will be made in accordance with Rule 13e-3 and any other applicable provisions of the Exchange Act.

Table of Contents

Depository

We have retained American Stock Transfer & Trust Company, LLC as Depository. We will pay American Stock Transfer & Trust Company, LLC reasonable and customary compensation for its services in connection with the Tender Offer and reimburse it for its reasonable out-of-pocket expenses.

Dealer Manager

We have retained UBS Securities LLC to act as the Dealer Manager in connection with the Tender Offer. The Dealer Manager may contact brokers, dealers and other nominees and may provide information regarding the Tender Offer to those that they contact or persons that contact them. Questions regarding the terms of the Tender Offer and requests for assistance may be directed to the Dealer Manager at the address and telephone numbers set forth on the back cover of this Offer to Purchase.

If the Tender Offer is successfully completed, we will pay to soliciting dealers a fee equal to 0.5% of the aggregate value of Preferred Stock that is validly tendered and accepted for purchase, up to a maximum of \$500,000 aggregate liquidation preference per holder for each series of Preferred Stock tendered, which amount will be used to compensate retail brokers for their solicitation of holders of Preferred Stock. Soliciting dealer fees will only be paid to retail brokers upon successful completion of the Tender Offer.

Information Agent

D.F. King & Co., Inc. is serving as Information Agent in connection with the Tender Offer. The Information Agent will assist with the mailing of this Offer to Purchase and related materials to holders of Preferred Stock, respond to inquiries of and provide information to holders of shares of Preferred Stock in connection with the Tender Offer, and provide other similar advisory services as we may request from time to time. Questions regarding the terms of the Tender Offer, and requests for assistance or for additional copies of this Offer to Purchase and any other required documents, may be directed to the Information Agent at the address and telephone numbers set forth on the back cover of this Offer to Purchase.

Expenses

We expect to incur reasonable and customary fees and expenses of approximately \$2.8 million in connection with the Tender Offer. We also will pay brokerage houses and other brokers, dealers, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of this Tender Offer, the letters of transmittal and related documents to the beneficial owners of shares and in handling or forwarding tenders of shares by their customers.

In connection with the Tender Offer, our officers and directors and the employees of our manager may solicit tenders of shares by use of the mails, personally or by telephone, facsimile, telegram, electronic communication or other similar methods. These officers and directors and the employees of our manager will not be specifically compensated for these services.

No brokerage commissions will be payable by tendering holders of shares to us, the Information Agent or the Depository. Stockholders who tender their shares through a broker, dealer or other nominee should contact such institution as to whether it charges any service fees.

MARKET PRICE OF AND DIVIDENDS ON THE PREFERRED STOCK

Preferred Stock

Prices of the Preferred Stock may fluctuate greatly and holders are urged to obtain current information with respect to the market prices for the Preferred Stock.

Series B Preferred Stock

Series B Preferred Stock is listed on the NYSE under the symbol "NCT.PR.B." As of November 13, 2009, there were 2,500,000 shares of Series B Preferred Stock outstanding. The holders of the Series B Preferred Stock are entitled to cumulative quarterly dividends equal to 9.75% of the \$25.00 liquidation preference, which is equivalent to \$2.4375 annually per share. The following table sets forth, for the periods indicated, the high and low sales prices per share of the Series B Preferred Stock:

	Stock Prices	
	High	Low
2009		
October 1 to November 13, 2009	\$ 8.40	\$ 5.80
Third Quarter ended September 30, 2009	7.50	2.30
Second Quarter ended June 30, 2009	3.78	1.58
First Quarter ended March 31, 2009	3.94	0.63
2008		
Fourth Quarter ended December 31, 2008	\$ 8.48	\$ 1.64
Third Quarter ended September 30, 2008	15.22	7.77
Second Quarter ended June 30, 2008	23.47	13.46
First Quarter ended March 31, 2008	20.05	12.01
2007		
Fourth Quarter ended December 31, 2007	\$ 24.10	\$ 15.53
Third Quarter ended September 30, 2007	25.15	15.00
Second Quarter ended June 30, 2007	25.99	24.97
First Quarter ended March 31, 2007	26.40	24.93

On November 13, 2009, the closing sales price of Series B Preferred Stock on the NYSE was \$8.40 per share.

[Table of Contents](#)

Series C Preferred Stock

Series C Preferred Stock is listed on the NYSE under the symbol "NCT.PRC." As of November 13, 2009, there were 1,600,000 shares of Series C Preferred Stock outstanding. The holders of the Series C Preferred Stock are entitled to cumulative quarterly dividends equal to 8.05% of the \$25.00 liquidation preference, which is equivalent to \$2.0125 annually per share. The following table sets forth, for the periods indicated, the high and low sales prices per share of the Series C Preferred Stock:

	Stock Prices	
	High	Low
2009		
October 1 to November 13, 2009	\$ 7.73	\$ 5.39
Third Quarter ended September 30, 2009	7.79	1.48
Second Quarter ended June 30, 2009	3.15	1.41
First Quarter ended March 31, 2009	3.00	0.90
2008		
Fourth Quarter ended December 31, 2008	\$ 7.22	\$ 1.48
Third Quarter ended September 30, 2008	11.54	6.80
Second Quarter ended June 30, 2008	14.10	11.01
First Quarter ended March 31, 2008	17.00	9.01
2007		
Fourth Quarter ended December 31, 2007	\$ 23.00	\$ 12.35
Third Quarter ended September 30, 2007	25.30	13.00
Second Quarter ended June 30, 2007	25.64	24.65
First Quarter ended March 31, 2007	25.80	24.40

On November 13, 2009, the closing sales price of Series C Preferred Stock on the NYSE was \$7.73 per share.

Series D Preferred Stock

Series D Preferred Stock is listed on the NYSE under the symbol "NCT.PRD." As of November 13, 2009, there were 2,000,000 shares of Series D Preferred Stock outstanding. The holders of the Series D Preferred Stock are entitled to cumulative quarterly dividends equal to 8.375% of the \$25.00 liquidation preference, which is equivalent to \$2.09375 annually per share. The following table sets forth, for the periods indicated, the high and low sales prices per share of the Series D Preferred Stock:

	Stock Prices	
	High	Low
2009		
October 1 to November 13, 2009	\$ 8.19	\$ 4.92
Third Quarter ended September 30, 2009	7.50	1.50
Second Quarter ended June 30, 2009	3.35	1.60
First Quarter ended March 31, 2009	3.00	0.84
2008		
Fourth Quarter ended December 31, 2008	\$ 7.10	\$ 1.56
Third Quarter ended September 30, 2008	12.00	6.60
Second Quarter ended June 30, 2008	14.99	8.35
First Quarter ended March 31, 2008	16.44	8.25
2007		
Fourth Quarter ended December 31, 2007	\$ 21.45	\$ 12.07
Third Quarter ended September 30, 2007	25.50	12.00
Second Quarter ended June 30, 2007	25.58	24.50

[Table of Contents](#)

On November 13, 2009, the closing sales price of Series D Preferred Stock on the NYSE was \$8.19 per share.

If the Tender Offer is successfully completed, the extent of the public market for shares of the Preferred Stock and the availability of such quotations would depend upon the number of holders and/or the aggregate market value of the shares of Preferred Stock remaining at such time, the interest in maintaining a market in the shares of Preferred Stock on the part of securities firms and other factors.

CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the material United States federal income tax consequences of the purchase of our Series B Preferred Stock, Series C Preferred Stock, and Series D Preferred Stock (shares of such Preferred Stock, collectively, the “Preferred Shares,” and such purchase, the “Purchase”) and the payment of dividends in arrears with respect to the Preferred Shares (the “Arrearage Distribution”).

For purposes of this section under the heading “Certain Federal Income Tax Considerations,” references to “Newcastle,” “we,” “our” and “us” mean only Newcastle Investment Corp. and not its subsidiaries or other lower-tier entities, except as otherwise indicated. This summary is based upon the Internal Revenue Code, the regulations promulgated by the U.S. Department of the Treasury, rulings and other administrative pronouncements issued by the Internal Revenue Service (the “IRS”), and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. We have not sought and will not seek an advance ruling from the IRS regarding any matter discussed herein. The summary is also based upon the assumption that we will operate Newcastle and its subsidiaries and affiliated entities in accordance with their applicable organizational documents or partnership agreements. This summary is for general information only, and is not tax advice. This summary does not purport to discuss all aspects of federal income taxation that may be important to a particular holder in light of its investment or tax circumstances, or, except to the extent described below, to holders subject to special tax rules, such as:

- financial institutions;
- insurance companies;
- broker-dealers;
- regulated investment companies;
- partnerships and trusts;
- persons who hold Preferred Shares on behalf of another person as nominee;
- persons who receive Preferred Shares through the exercise of employee stock options or otherwise as compensation;
- persons holding Preferred Shares as part of a “straddle,” “hedge,” “conversion transaction,” “synthetic security” or other integrated investment;
- tax-exempt organizations; and
- foreign investors.

This summary assumes that holders hold their Preferred Shares as a capital asset, which generally means as property held for investment.

The federal income tax treatment of holders of our Preferred Shares depends in some instances on determinations of fact and interpretations of complex provisions of federal income tax law for which no clear precedent or authority may be available. In addition, the tax consequences to any particular holder of holding our Preferred Shares will depend on the holder’s particular tax circumstances. You are urged to consult your tax advisor regarding the federal, state, local, and foreign income and other tax consequences of the Arrearage Distribution and the Purchase to you in light of your particular investment or tax circumstances.

For purposes of this discussion, a “U.S. Holder” is any of the following:

- a citizen or resident of the United States,
- a corporation created or organized in the United States or under the laws of the United States, or of any state thereof, or the District of Columbia,

Table of Contents

- an estate, the income of which is includable in gross income for U.S. federal income tax purposes regardless of its source, or
- a trust if a United States court is able to exercise primary supervision over the administration of such trust and one or more United States fiduciaries have the authority to control all substantial decisions of the trust.

A "Non-U.S. Holder" is any individual, corporation, estate, or trust that is not a U.S. Holder. If a partnership, including for this purpose any entity that is treated as a partnership for U.S. federal income tax purposes (whether or not such entity is organized under foreign law), holds our Preferred Shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is a partnership and the partners in such partnership should consult their tax advisors about the U.S. federal income tax consequences of the Arrearage Distribution and the Purchase.

The Arrearage Distribution

Taxation of U.S. Holders

The Arrearage Distribution will generally be taken into account by U.S. Holders as ordinary income to the extent that the Arrearage Distribution is paid out of our current or accumulated earnings and profits (determined under U.S. federal income tax procedures) and to the extent that we do not designate a portion of the Arrearage Distribution as a capital gain dividend. Any portion of the Arrearage Distribution will generally not be eligible for the dividends received deduction for corporations. With limited exceptions, any portion of the Arrearage Distribution that is treated as a dividend will not be eligible for taxation at the preferential income tax rates (15% maximum federal rate) for qualified dividends received from taxable C corporations by U.S. Holders that are individuals, trusts or estates.

If we designate all or any part of the Arrearage Distribution as a capital gain dividend, such portion will generally be taxed to U.S. Holders as a long term capital gain, to the extent such portion, when combined with other distributions that we designate as capital gain dividends during the taxable year, does not exceed our actual net capital gain for the taxable year, without regard to the period for which a U.S. Holder has held its stock. Long term capital gains with respect to the Arrearage Distribution will generally be taxable at maximum federal rates of 15% in the case of U.S. Holders that are individuals, trusts and estates, and 35% in the case of U.S. Holders that are corporations. If any portion of the Arrearage Distribution designated as a capital gain dividend is attributable to the sale of depreciable real property held for more than 12 months, such portion is subject to a 25% maximum federal income tax rate for taxpayers who are taxed as individuals, to the extent of our previously claimed depreciation deductions.

In determining the extent to which the Arrearage Distribution constitutes a dividend for tax purposes, our earnings and profits generally will be allocated first to the Arrearage Distribution, and only then will any remaining earnings and profits be allocated to distributions, if any, on our Common Stock. If we have net capital gains and designate some or all of the Arrearage Distribution and other distributions as capital gain dividends, the capital gain dividends will be allocated among the Arrearage Distribution and the distributions, if any, on our Common Stock in proportion to the allocation of earnings and profits as described above.

Notwithstanding the foregoing, we do not expect that we will have any current or accumulated earnings and profits through the end of 2009 and consequently do not expect that the Arrearage Distribution will be treated as a dividend.

If, as we anticipate, the Arrearage Distribution exceeds our current and accumulated earnings and profits (determined under U.S. federal income tax procedures), the Arrearage Distribution will generally represent a return of capital and will not be taxable to a U.S. Holder to the extent such U.S. Holder's portion of such Arrearage Distribution in excess of our earnings and profits does not exceed the adjusted tax basis of such U.S.

Table of Contents

Holder's Preferred Shares. Rather, the distribution will reduce the adjusted tax basis of the U.S. Holder's Preferred Shares, and as a result, such U.S. Holder will recognize additional gain or a smaller loss when such shares are sold. To the extent that the Arrearage Distribution exceeds the sum of a U.S. Holder's proportionate share of our earnings and profits plus such U.S. Holder's adjusted tax basis in its Preferred Shares, the U.S. Holder generally must include such excess in income as long term capital gain, or short term capital gain if the Preferred Shares have been held for one year or less.

If any excess inclusion income from a taxable mortgage pool or REMIC residual interest is allocated to any U.S. Holder of Preferred Shares, that income will be taxable as ordinary income in the hands of the U.S. Holder and would not be offset by any net operating losses of the U.S. Holder that would otherwise be available. As required by IRS guidance, we intend to notify our holders if a portion of the Arrearage Distribution is attributable to excess inclusion income.

Taxation of Non-U.S. Holders

Ordinary Dividend Treatment. The portion of the Arrearage Distribution received by Non-U.S. Holders that is (i) payable out of our earnings and profits, (ii) not attributable to our capital gains, and (iii) not effectively connected with a U.S. trade or business of the Non-U.S. Holder, will be subject to U.S. withholding tax at the rate of 30%, unless reduced or eliminated by treaty. Reduced treaty rates and other exemptions are not available to the extent that income is attributable to excess inclusion income allocable to the Non-U.S. Holder. Accordingly, we will withhold at a rate of 30% on any portion of the Arrearage Distribution that is paid to a Non-U.S. Holder and attributable to that Non-U.S. Holder's share of our excess inclusion income. As required by IRS guidance, we intend to notify our holders if a portion of the Arrearage Distribution is attributable to excess inclusion income.

In general, Non-U.S. Holders will not be considered to be engaged in a U.S. trade or business solely as a result of their ownership of our Preferred Shares. In cases where the dividend income from a Non-U.S. Holder's investment in our Preferred Shares is, or is treated as, effectively connected with the Non-U.S. Holder's conduct of a U.S. trade or business, the Non-U.S. Holder generally will be subject to U.S. federal income tax at graduated rates, in the same manner as U.S. Holders are taxed. Such income must generally be reported on a U.S. income tax return filed by or on behalf of the Non-U.S. Holder. The income may also be subject to the 30% branch profits tax in the case of a Non-U.S. Holder that is a corporation.

Notwithstanding the foregoing, we do not expect that we will have any current or accumulated earnings and profits through the end of 2009 and consequently do not expect that the Arrearage Distribution will be treated as a dividend.

Non-Dividend Distribution Treatment. If, as we anticipate, the Arrearage Distribution is not made from our current and accumulated earnings and profits, a Non-U.S. Holder's portion of such Arrearage Distribution will generally represent a return of capital to the extent of the adjusted tax basis of such Non-U.S. Holder's Preferred Shares, and will not be taxable to a Non-U.S. Holder. The Arrearage Distribution will reduce the adjusted tax basis of the Non-U.S. Holder's Preferred Shares (but not below zero), and as a result, a Non-U.S. Holder will recognize additional gain or a smaller loss when such shares are sold.

To the extent that the Arrearage Distribution exceeds the sum of a Non-U.S. Holder's proportionate share of our earnings and profits plus such Non-U.S. Holder's adjusted tax basis in its Preferred Shares, such excess will generally be treated as gain from the sale or disposition of the Preferred Shares. If our Preferred Shares constitute United States real property interests ("USRPIs"), as described below, such gain will be subject to tax under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA") at the rate of tax, including any applicable capital gains rates, that would apply to a U.S. Holder of the same type (e.g., an individual or a corporation, as the case may be), and the collection of the tax will be enforced by a refundable withholding tax at a rate of 10% of the amount by which the Arrearage Distribution exceeds the Non-U.S. Holder's share of our earnings and profits,

Table of Contents

without regard to the Non-U.S. Holder's adjusted tax basis in its shares. If our Preferred Shares are not USRPIs, as described below, then the capital gain recognized by a Non-U.S. Holder with respect to the Arrearage Distribution will be taxable in the United States only in one of two cases: (i) if the Non-U.S. Holder's investment in our Preferred Shares is effectively connected with a U.S. trade or business conducted by such Non-U.S. Holder, the Non-U.S. Holder will be subject to the same treatment as a U.S. Holder with respect to such gain, or (ii) if the Non-U.S. Holder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, the nonresident alien individual will be subject to a 30% tax on the individual's capital gain.

Our Preferred Shares will not be treated as USRPIs if less than 50% of our assets throughout a prescribed testing period consist of interests in real property located within the United States, excluding, for this purpose, interests in real property solely in a capacity as a creditor. It is not currently anticipated that our stock will constitute a USRPI at the time of either the Arrearage Distribution or the Purchase.

Even if the foregoing 50% test is not met, our Preferred Shares nonetheless will not constitute USRPIs if we are a "domestically controlled qualified investment entity." A domestically controlled qualified investment entity includes a REIT, less than 50% of value of which is held directly or indirectly by Non-U.S. Holders at all times during a specified testing period. We believe that we are, and we expect to continue to be, a domestically controlled qualified investment entity. No assurance can be given that we will remain a domestically controlled qualified investment entity.

In the event that we are not a domestically controlled qualified investment entity, but our Preferred Shares are "regularly traded," as defined by applicable Treasury regulations, on an established securities market, gain recognized by a Non-U.S. Holder in connection with an Arrearage Distribution that is subject to Non-Dividend Distribution Treatment as described above nonetheless would not be subject to tax under FIRPTA as a sale of a USRPI, provided that the Non-U.S. Holder receiving such Arrearage Distribution held 5% or less of the class of Preferred Shares at all times during a specified testing period. Our Preferred Shares are publicly traded on an established securities market, and we expect that the Preferred Shares will continue to be "regularly traded" until the time of the Arrearage Distribution and the Purchase.

Withholding on an Arrearage Distribution that is subject to Non-Dividend Distribution Treatment as described above will depend upon: (i) our ability to determine that such Arrearage Distribution exceeds our earnings and profits; and (ii) if we can determine that the Arrearage Distribution exceeds our earnings and profits, whether our Preferred Shares are USRPIs, as described above. Because we will be unable to determine at the time of the Arrearage Distribution that our Preferred Shares are not USRPIs and that the Arrearage Distribution will exceed our current and accumulated earnings and profits, we will withhold U.S. tax on the full amount of the Arrearage Distribution at the rate applicable to ordinary dividends as described above. In that regard, it should be noted that reduced treaty rates and other exemptions are not available to the extent that a distribution is attributable to excess inclusion income allocable to a recipient Non-U.S. Holder. Accordingly, we will withhold at a rate of 30% on any portion of the Arrearage Distribution that is paid to a Non-U.S. Holder and attributable to that Non-U.S. Holder's share of our excess inclusion income. As required by IRS guidance, we intend to notify our holders if a portion of the Arrearage Distribution is attributable to excess inclusion income.

A Non-U.S. Holder may seek a refund from the IRS of any amounts withheld if it is subsequently determined that the amount of tax withheld exceeds the amount of tax payable by such Non-U.S. Holder.

Capital Gain Dividends. Under FIRPTA, to the extent that the Arrearage Distribution is attributable to gains from dispositions of USRPIs that we held directly or through pass-through subsidiaries (such gains, "USRPI capital gains"), the Arrearage Distribution will, except as described below, be treated as effectively connected with a U.S. trade or business of the Non-U.S. Holder and will be subject to U.S. income tax at the rates applicable to U.S. individuals or corporations. We will be required to withhold tax equal to 35% of the amount of the distribution that is attributable to net USRPI capital gains. The Arrearage Distribution will not be so treated

Table of Contents

or be subject to FIRPTA, and generally will not be treated as income that is effectively connected with a U.S. trade or business, provided that (i) the Preferred Shares are regularly traded on an established securities market located in the United States, and (ii) the recipient Non-U.S. Holder does not own more than 5% of the class of Preferred Shares at any time during the year ending on the date on which the Arrearage Distribution is received. In such case, the portion of the Arrearage Distribution that is received by such Non-U.S. Holder would be treated as an ordinary dividend with respect to such Non-U.S. Holder. See “—Taxation of Non-U.S. Holders—Ordinary Dividend Treatment.” We anticipate that our Preferred Shares will be “regularly traded” on an established securities exchange located in the United States until the time of the Arrearage Distribution and the Purchase.

Capital gain dividends received by a Non-U.S. Holder that are attributable to dispositions of our assets other than USRPIs are not subject to U.S. federal income or withholding tax, unless (i) the gain is effectively connected with the Non-U.S. Holder’s U.S. trade or business, in which case the Non-U.S. Holder will be subject to the same treatment as U.S. Holders with respect to such gain, or (ii) the Non-U.S. Holder is a nonresident alien individual who was present in the United States for 183 days or more during the tax year and has a “tax home” in the United States, in which case the Non-U.S. Holder will incur a 30% tax on his or her capital gains.

Notwithstanding the foregoing, we do not anticipate having any USRPI capital gains or other capital gains in 2009.

Purchase of Preferred Shares

Treatment of the Purchase as a Sale or as a Distribution

The Purchase of the Preferred Shares will be treated under Section 302 of the Internal Revenue Code as a distribution with respect to the Preferred Shares, as described above, unless the Purchase satisfies one or more of the tests set forth in Section 302(b) of the Internal Revenue Code that enable us to treat the Purchase as a sale or exchange of the purchased Preferred Shares. The Purchase will satisfy such tests with respect to a holder if the Purchase (i) is “substantially disproportionate” with respect to such holder, (ii) results in a “complete termination” of such holder’s stock interest in us, or (iii) is “not essentially equivalent to a dividend” with respect to such holder, all within the meaning of Section 302(b) of the Internal Revenue Code. The IRS has ruled in published guidance that any reduction in a holder’s proportionate interest in a corporation is a “meaningful reduction” in the holder’s interest, and therefore not essentially equivalent to a dividend, if the holder owns less than 1% of the corporation and did not have management control over the corporation. In determining whether any of these tests has been met, shares considered to be owned by the holder by reason of certain constructive ownership rules set forth in the Internal Revenue Code, as well as shares actually owned, must generally be taken into account. Because the determination as to whether any of the alternative tests of Section 302(b) of the Internal Revenue Code is satisfied with respect to any particular holder of the Preferred Shares will depend upon the facts and circumstances as of the time the determination is made, holders are advised to consult their tax advisors to determine such tax treatment.

If the Purchase is treated as a distribution with respect to the Preferred Shares with respect to a holder, the amount of the distribution would be measured by the amount of Purchase proceeds. Such holder’s adjusted tax basis in the purchased Preferred Shares would, in that case, be transferred to the holder’s remaining holdings in our stock. If, however, the holder had no remaining holdings in our stock, such basis could, under certain circumstances, be transferred to stock of ours that is held by a related person to such holder, or such basis could be lost entirely.

If the Purchase is treated as a distribution and it is determined that a portion of the Purchase proceeds represents a holder’s share of our excess inclusion income, that portion may be classified as excess inclusion income. Excess inclusion income received by a U.S. Holder would not be offset by any net operating losses of the U.S. Holder that would otherwise be available. In the case of a Non-U.S. Holder, reduced treaty rates and other exemptions are not available to offset excess inclusion income. As required by IRS guidance, we intend to notify our holders if a portion of an amount paid to them is attributable to excess inclusion income.

Table of Contents

Taxation of U.S. Holders

If the Purchase is treated as a distribution with respect to a U.S. Holder, then the federal income tax consequences of the Purchase for such U.S. Holder will be the same as those described above with respect to the Arrearage Distribution. See “The Arrearage Distribution.” If the Purchase is treated as a sale of the purchased Preferred Shares, the selling U.S. Holder will recognize gain or loss equal to the difference between the amount of Purchase proceeds and such U.S. Holder’s adjusted tax basis in the purchased Preferred Shares. In general, capital gains recognized by individuals, trusts and estates upon the Purchase will be subject to a maximum federal income tax rate of 15% (through 2010) if the stock is held for more than one year, and will be taxed at ordinary income rates (of up to 35%) if the stock is held for one year or less. Gains recognized by U.S. Holders that are corporations are subject to federal income tax at a maximum rate of 35%, whether or not such gains are classified as long term capital gains. Capital losses recognized by a U.S. Holder upon the Purchase where the purchased Preferred Shares were held for more than one year at the time of the Purchase will be considered long term capital losses, and are generally available only to offset capital gain income of the U.S. Holder but not ordinary income (except in the case of individuals, who may offset up to \$3,000 of ordinary income each year).

Taxation of Non-U.S. Holders

If the Purchase is treated as a distribution with respect to a Non-U.S. Holder, then the federal income tax consequences of the Purchase for such non-U.S. Holder will be the same as those described above with respect to the Arrearage Distribution. See “The Arrearage Distribution—Taxation of Non-U.S. Holders.” If the Purchase is treated as a sale of the purchased Preferred Shares, the selling Non-U.S. Holder will recognize gain or loss equal to the difference between the amount of Purchase proceeds and such U.S. Holder’s adjusted tax basis in the purchased Preferred Shares.

The capital gain recognized by a Non-U.S. Holder in the Purchase will be taxable in the United States only in one of three cases: (i) if our Preferred Shares constitute USRPIs with respect to such Non-U.S. Holder, gain recognized by a Non-U.S. Holder in connection with the Purchase will be subject to tax under FIRPTA at the rate of tax, including any applicable capital gains rates, that would apply to a U.S. Holder of the same type (e.g., an individual or a corporation, as the case may be), and collection of the tax will be enforced by a refundable withholding tax at a rate of 10% of such Non-U.S. Holder’s Purchase proceeds; (ii) if the Non-U.S. Holder’s investment in our Preferred Shares is effectively connected with a U.S. trade or business conducted by such Non-U.S. Holder, the Non-U.S. Holder will be subject to the same treatment as a U.S. Holder with respect to such gain (see “—Taxation of U.S. Holders”); or (iii) if the Non-U.S. Holder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a “tax home” in the United States, the nonresident alien individual will be subject to a 30% tax on the individual’s capital gain. As described in greater detail above in “The Arrearage Distribution—Taxation of Non-U.S. Holders—Non-Dividend Distribution Treatment,” we do not expect our Preferred Shares to be USRPIs at the time of the Purchase, though no assurance can be given that our Preferred Shares will not become USRPIs.

Because, as described above, we cannot predict whether any particular holder will be subject to sale or distribution treatment in connection with the Purchase, we, the Depositary, and the Information Agent will generally treat the cash received by a Non-U.S. Holder who participates in the Purchase as an ordinary dividend distribution by us. Accordingly, a Non-U.S. Holder who participates in the Purchase will be subject to U.S. withholding tax at the rate of 30% on the amount of Purchase proceeds received by such holder, unless reduced or eliminated by treaty.

Reduced treaty rates and other exemptions are not available to the extent that a portion of the Purchase proceeds is attributable to excess inclusion income allocable to the Non-U.S. Holder. As required by IRS guidance, we intend to notify our holders if a portion of any amount paid by us to such holder is attributable to excess inclusion income.

A Non-U.S. Holder may seek a refund from the IRS of any amounts withheld if it is subsequently determined that the amount of tax withheld exceeds the amount of tax payable by such Non-U.S. Holder.

MISCELLANEOUS

We are not aware of any jurisdiction in which the making of the Tender Offer is not in compliance with applicable law. If we become aware of any jurisdiction in which the making of the Tender Offer would not be in compliance with applicable law, we will make a good faith effort to comply with any such law. If, after such good faith effort, we cannot comply with any such law, the Tender Offer will not be made to (nor will tenders of shares be accepted from or on behalf of) the stockholders residing in such jurisdiction.

No person has been authorized to give any information or make any representation on our behalf not contained in this Tender Offer or in the letters of transmittal and, if given or made, such information or representation must not be relied upon as having been authorized.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available over the Internet at the SEC's web site at www.sec.gov. You may also read and copy any Offer to Purchase we file at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for more information on the Public Reference Room and its copy charges.

Our internet website address is www.newcastleinv.com. We make available free of charge, through our internet website, our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to those reports that we file or furnish pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information contained in or accessible from our internet website is not part of this Offer to Purchase unless specifically incorporated by reference herein.

This Offer to Purchase incorporates by reference the information we file with the SEC, which means that we can disclose important information to you by referring you to those documents. We have filed the documents listed below with the SEC and these documents are incorporated herein by reference:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2008, filed on March 16, 2009;
- our Quarterly Reports on Form 10-Q for the periods ended March 31, June 30 and September 30, 2009, filed on May 11, August 18 and November 9, 2009, respectively;
- the description of the Series B Preferred Stock set forth in Exhibit 3.3 to our Quarterly Report on Form 10-Q for the period ended March 31, 2003, filed on May 13, 2003;
- the description of the Series C Preferred Stock set forth in Exhibit 3.3 to our Current Report on Form 8-K, filed on October 25, 2005; and
- the description of the Series D Preferred Stock set forth in Exhibit 3.1 to our Registration Statement on Form 8-A, filed on March 14, 2007.

We have not authorized anyone to give any information or make any representation about the Tender Offer that is different from, or in addition to, that contained in this Offer to Purchase. Therefore, you should not rely on any other information. If you are in a jurisdiction where offers to purchase or sell, or solicitations of offers to purchase or sell, the securities offered by this Offer to Purchase are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this Offer to Purchase does not extend to you. The information contained in this Offer to Purchase speaks only as of the date of this Offer to Purchase unless the information specifically indicates that another date applies.

The Depository for the Tender Offer is:

American Stock Transfer and Trust Company

By Mail or Overnight Courier:
Operations Center
Attn: Reorganization Department
6201 15th Avenue
Brooklyn, New York 11219

By Hand:
Attn: Reorganization Department
59 Maiden Lane
New York, New York 10038

Toll free: (877) 248-6417

The Information Agent for this Tender Offer is:

D.F. King & Co., Inc.

48 Wall Street, 22nd Floor
New York, New York 10005

Collect: (212) 269-5550
Toll free: (800) 488-8075

The Dealer Manager for this Tender Offer is:

UBS Investment Bank

Attn: Liability Management
677 Washington Boulevard
Stamford, Connecticut 06901

Collect: (203) 719-4210
Toll free: (888) 719-4210

**LETTER OF TRANSMITTAL
NEWCASTLE INVESTMENT CORP.**

Offer to Purchase up to
2,000,000 shares of 9.75% Series B Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 20 7)
1,100,000 shares of 8.05% Series C Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 30 6) and
1,500,000 shares of 8.375% Series D Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 40 5)

(9.75% Series B Cumulative Redeemable Preferred Stock)

THE TENDER OFFER WILL EXPIRE AT MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 17, 2009, UNLESS EXTENDED OR TERMINATED BY NEWCASTLE INVESTMENT CORP. THE TERM "EXPIRATION DATE" MEANS MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 17, 2009, UNLESS WE EXTEND THE PERIOD OF TIME FOR WHICH THE TENDER OFFER IS OPEN, IN WHICH CASE THE TERM "EXPIRATION DATE" MEANS THE LATEST TIME AND DATE ON WHICH THE TENDER OFFER, AS SO EXTENDED, EXPIRES. TENDERS OF PREFERRED STOCK MAY BE VALIDLY WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE.

The Depository for the Tender Offer is:



By Mail or Overnight Courier:

American Stock Transfer & Trust Company
 Operations Center
 Attn: Reorganization Department
 6201 15th Avenue
 Brooklyn, NY 11219

By Hand:

American Stock Transfer & Trust Company
 Attn: Reorganization Department
 59 Maiden Lane
 New York, NY 10038

For assistance call (877) 248-6417 or (718) 921-8317

For use only by registered holders of the 9.75% Series B Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the "Series B Preferred Stock"), of Newcastle Investment Corp. (the "Company"). Delivery of this Letter of Transmittal to an address other than as set forth above, or transmission of this Letter of Transmittal via facsimile, will not constitute a valid delivery. The method of delivery of all documents, including certificates, is at the option and risk of the holder. Delivery will be deemed made only when actually received by the Depository.

The instructions contained within this Letter of Transmittal should be read carefully before this Letter of Transmittal is completed.

DESCRIPTION OF SERIES B PREFERRED STOCK TENDERED

Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)(1)	Series B Preferred Stock Share Certificate Number(s)(2)	Series B Share Certificate(s) and Share(s) Tendered (Please attach additional signed list, if necessary)	Number of Shares of Series B Preferred Stock Tendered(2)(3)
--	---	---	---

Total Shares Tendered

- (1) The names and addresses of the registered holders of the tendered Series B Preferred Stock should be printed, if not already printed above, exactly as they appear on the share certificates tendered hereby.
 - (2) Need not be completed by registered holders tendering shares by book-entry transfer.
 - (3) Unless otherwise indicated in the row labeled "Number of Shares of Series B Preferred Stock Tendered" and subject to the terms and conditions of the Offer to Purchase, all Series B Preferred Stock represented by share certificates delivered to the Depository will be deemed to have been tendered.
- Check here if share certificates have been lost or mutilated.

The undersigned hereby acknowledges that he or she has received the Offer to Purchase, dated November 18, 2009 (the "Offer to Purchase"), of the Company and this Letter of Transmittal (the "Letter of Transmittal"), which together with the Letter of Transmittal for the Company's 8.05% Series C Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the "Series C Preferred Stock"), and the Letter of Transmittal for the Company's 8.375% Series D Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the "Series D Preferred Stock" and together with the Series B Preferred Stock and the Series C Preferred Stock, the "Preferred Stock"), constitute the Company's tender offer (the "Tender Offer") of the Company's outstanding Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock, upon the terms and subject to the conditions specified in the Offer to Purchase.

The Company reserves the right, at any time or from time to time, to extend the Tender Offer, in which event the term "Expiration Date" shall mean the latest time and date to which the Tender Offer is extended. The Company shall issue a press release announcing any extension no later than 9:00 a.m., New York City Time, on the next business day after the previously scheduled Expiration Date.

This Letter of Transmittal is to be completed by holders of Series B Preferred Stock (i) if certificates evidencing Series B Preferred Stock (the "share certificates") are to be forwarded herewith or (ii) if delivery of Series B Preferred Stock is to be made by book-entry transfer to the account of American Stock Transfer & Trust Company (the "Depository") at The Depository Trust Company or "DTC" (also known as the "book-entry transfer facility") pursuant to the book-entry transfer procedure described in the section of the Offer to Purchase entitled "The Tender Offer—Procedure for Tendering."

Delivery of documents to DTC does not constitute delivery to the Depository.

The undersigned has completed, executed and delivered this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Tender Offer. Your bank or broker can assist you in completing this form. The instructions included with this Letter of Transmittal must be followed.

None of the Company's officers, the employees of the Company's manager, the Company's Board of Directors, the Dealer Manager, the Information Agent or the Depository is making a recommendation to any holder of Series B Preferred Stock as to whether to tender shares in the Tender Offer. Each holder must make his

or her own investment decision regarding the Tender Offer based upon his or her assessment of the market value of the Series B Preferred Stock, his or her liquidity needs, his or her investment objectives and any other factors he or she deems relevant.

CHECK HERE IF TENDERED SHARES OF SERIES B PREFERRED STOCK ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE DEPOSITARY WITH DTC AND COMPLETE THE FOLLOWING:

Name of Tendering Institution: _____

DTC Account Number: _____

Transaction Code Number: _____

**NOTE: SIGNATURES MUST BE PROVIDED BELOW.
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY.**

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Tender Offer, the undersigned hereby tenders to the Company the shares of Series B Preferred Stock set forth in the box above entitled "Description of Series B Preferred Stock Tendered." Subject to, and effective upon, the acceptance for purchase of the Preferred Stock tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such shares of Preferred Stock as are being tendered hereby.

The undersigned understands that, if shares are accepted for purchase in the Tender Offer, the undersigned will receive for each share of Series B Preferred Stock purchased by the Company, an amount equal to the sum of (i) \$4.75 and (ii) all accumulated and unpaid dividends on the Series B Preferred Stock through the payment date of the Tender Offer, which date shall be not more than three business days after the Expiration Date. The accumulated and unpaid dividends on the Series B Preferred Stock will be \$2.78 as of December 22, 2009. If the Expiration Date, and therefore the Tender Offer payment date, is extended, the amount of accumulated and unpaid dividends for the Series B Preferred Stock will be increased accordingly.

The Tender Offer is subject to certain conditions, including there being validly tendered and not withdrawn at least 2,135,000 shares of Preferred Stock in the aggregate for all three series. **If the Company does not satisfy certain distribution requirements at the Expiration Date, then the Tender Offer will be terminated and the Company will not be obligated to purchase any Preferred Stock.** See "The Tender Offer—Conditions to the Tender Offer" in the Offer to Purchase.

The Company is offering to purchase up to 2,000,000 shares of Series B Preferred Stock. If, at the expiration of the Tender Offer, more than 2,000,000 shares of Series B Preferred Stock have been validly tendered and not withdrawn, and all other conditions to the Tender Offer are satisfied or waived, the Company will purchase 2,000,000 shares of Series B Preferred Stock on a pro rata basis from all tendering holders of such series, disregarding fractions, according to the number of shares of such series tendered by each holder. Any shares of Series B Preferred Stock not accepted for purchase will be returned to the registered holder(s) signing this Letter of Transmittal as promptly as practicable following the expiration or termination of the Tender Offer.

Capitalized terms used but not otherwise defined herein shall have the respective meanings given to them in the Offer to Purchase.

The undersigned hereby represents and warrants that (i) the undersigned has full power and authority to tender, sell, assign and transfer the Series B Preferred Stock tendered hereby, (ii) the undersigned has a net long position in the Series B Preferred Stock tendered hereby within the meaning of Rule 14e-4 under the Securities Exchange Act of 1934, as amended ("Rule 14e-4"), (iii) the tender of the Series B Preferred Stock tendered hereby complies with Rule 14e-4, and (iv) the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances, and not subject to any adverse claim, when the same are accepted by the Company.

The undersigned further represents and warrants that the undersigned has read and agrees to all of the terms and conditions of the Tender Offer. All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, personal representatives, trustees in bankruptcy, successors and assigns of the undersigned. This tender is irrevocable; provided that, the Series B Preferred Stock tendered pursuant to the Tender Offer may be withdrawn at any time on or prior to the Expiration Date, and unless theretofore accepted for purchase and not returned as provided for in the Offer to Purchase, may also be withdrawn after the expiration of 40 business days after the commencement of the Tender Offer, subject to the withdrawal rights and procedures set forth in the Offer to Purchase.

Subject to, and effective upon, the acceptance for purchase of all of the Series B Preferred Stock tendered by this Letter of Transmittal in accordance with the terms and conditions of the Tender Offer, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company, all right, title and interest in and to the

shares of Series B Preferred Stock tendered by this Letter of Transmittal, and releases and discharges the Company and its officers and directors from any and all claims the undersigned may have now, or may have in the future, arising out of, or related to, the shares of Series B Preferred Stock. The undersigned hereby acknowledges receipt of the Offer to Purchase, the terms of which are incorporated herein by reference. The undersigned hereby irrevocably constitutes and appoints the Depository as its agent and attorney-in-fact, with full power and authority in its name, place and stead, with full knowledge that the Depository is also acting as the agent of the Company in connection with the Tender Offer, as the undersigned's true and lawful representative, attorney-in-fact and agent with respect to the tendered shares of Series B Preferred Stock, with full power of substitution, such power of attorney being deemed to be an irrevocable power coupled with an interest, subject only to the right of withdrawal described in the Offer to Purchase, to (1) deliver the tendered shares of Series B Preferred Stock to the Company together with all accompanying evidences of transfer and authenticity to the Company, upon receipt by the Depository, as its agent, of the purchase price to be paid for the tendered shares of Series B Preferred Stock, (2) present the tendered shares of Series B Preferred Stock for transfer, and to transfer the tendered Series B Preferred Stock on the account books maintained by DTC to, or upon the order of, the Company, (3) present the tendered shares of Series B Preferred Stock for transfer, and to transfer the tendered shares of Series B Preferred Stock on the books of the Company, and (4) receive all benefits and otherwise exercise all rights of ownership of the tendered shares of Series B Preferred Stock, all in accordance with the terms and conditions of the Tender Offer. Such appointment will be automatically revoked if the Company does not accept for purchase the shares of Series B Preferred Stock that the undersigned has tendered. The foregoing power of attorney shall terminate upon execution by the Depository of an instrument of termination that specifies in writing that the foregoing power of attorney is terminated.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the sale, assignment and transfer of the Series B Preferred Stock tendered hereby. All authority conferred or agreed to be conferred in this Letter of Transmittal and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in the section of the Offer to Purchase entitled "The Tender Offer—Withdrawal of Tenders."

Unless otherwise indicated herein in the box entitled "Special Payment Instructions" below, please deliver payment of the purchase price for shares of any Series B Preferred Stock accepted for purchase to the registered holder(s) at the address appearing under the above "Description of Series B Preferred Stock Tendered" box. In the event that the box entitled "Special Payment Instructions" is completed, please deliver payment of the purchase price for shares of any Series B Preferred Stock accepted for purchase to the person or persons and at the address(es) so indicated.

THE UNDERSIGNED, BY COMPLETING THE ABOVE "DESCRIPTION OF SERIES B PREFERRED STOCK TENDERED" BOX AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THEIR SHARES OF SERIES B PREFERRED STOCK AS SET FORTH IN SUCH BOX ABOVE.

COMPLETE THE FOLLOWING BOX ONLY IF APPLICABLE

SPECIAL PAYMENT INSTRUCTIONS
(See Instruction 7)

To be completed ONLY if the payment of the purchase price for shares of Series B Preferred Stock accepted for purchase is to be issued to the order of someone other than the person or persons whose signature(s) appear(s) within this Letter of Transmittal or issued to an address different from that shown in the box entitled "Description of Series B Preferred Stock Tendered" within this Letter of Transmittal.

Issue the payment to:

Name:

(Please Print)

Address:

(Include Zip Code)

(Taxpayer Identification or Social Security Number)

**IMPORTANT
PLEASE SIGN HERE
(Complete the accompanying Substitute Form W-9)**

This Letter of Transmittal must be signed by the holder(s) of the shares of Series B Preferred Stock being tendered exactly as his, her, its or their name(s) appear(s) on the certificate(s) for such shares of Series B Preferred Stock or, if tendered by a participant in DTC, exactly as such participant's name appears on a security position listing as the owner of the shares of Series B Preferred Stock or by person(s) authorized to become holder(s) by endorsements on certificates for such shares of Series B Preferred Stock or by stock powers transmitted with this Letter of Transmittal. Endorsements on shares of Series B Preferred Stock and signatures on stock powers by holders(s) not executing this Letter of Transmittal must be guaranteed by an Eligible Institution. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below under "Capacity" and submit evidence satisfactory to the Company and the Depository of such person's authority to so act. See Instruction 6.

SIGNATURE(S) OF HOLDERS

Dated: _____
Name(s) _____
Capacity (full title) _____
Address _____
Area Code and Telephone Number _____

**GUARANTEE OF SIGNATURE(S)
(IF REQUIRED; SEE INSTRUCTION 1)**

Name of Firm _____
Address _____
Authorized Signature _____
Name _____
Area Code and Telephone Number _____

**INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF
THE TENDER OFFER**

1. *Guarantee of Signatures.* Except as otherwise provided below, all signatures on this Letter of Transmittal must be guaranteed by a firm that is a member of a registered national securities exchange or the Financial Industry Regulatory Authority, Inc., or by a commercial bank or trust company having an office or correspondent in the United States that is a participant in an approved Signature Guarantee Medallion Program (each of the foregoing being referred to as an “Eligible Institution”). Signatures on this Letter of Transmittal need not be guaranteed if (a) this Letter of Transmittal is signed by the registered holder(s) of the shares of Series B Preferred Stock tendered herewith, or by a participant in DTC whose name appears on a security position listing as the owner of the shares of Series B Preferred Stock, and neither has completed the box entitled “Special Payment Instructions,” or (b) such shares of Series B Preferred Stock are tendered for the account of an Eligible Institution. See Instruction 6.

2. *Delivery of this Letter of Transmittal and Certificates for Shares of Series B Preferred Stock or Book-Entry Confirmations* This Letter of Transmittal is to be used by each holder of shares of Series B Preferred Stock if (a) share certificates of Series B Preferred Stock are to be physically delivered to the Depository herewith by such holder or (b) delivery of Series B Preferred Stock is to be made by book entry transfer. For a tender of share certificates to be considered validly tendered, the Depository must receive any required documents at its address indicated on the cover page of this Letter of Transmittal prior to the Expiration Date. The tender by a holder that is not withdrawn prior to the Expiration Date will constitute a binding agreement between the holder and the Company in accordance with the terms and subject to the conditions of the Tender Offer. If you are not a registered holder of Series B Preferred Stock, please contact your broker, bank or other nominee for further instructions.

If the holder beneficially owns shares of Series B Preferred Stock that are held through a broker, dealer or other nominee and the holder wishes to tender those shares of Series B Preferred Stock, the holder should contact the broker, dealer or other nominee promptly and instruct it to tender the holder’s shares of Series B Preferred Stock on the holder’s behalf.

The method of delivery of shares of Series B Preferred Stock, the Letter of Transmittal and all other required documents, including delivery through DTC, are at the option and risk of the tendering stockholder, and the delivery will be deemed made only when actually received by the Depository (including, in the case of a book-entry transfer, receipt of a Book-Entry Confirmation). If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

3. *Consenting in the Tender Offer.* By tendering your shares of Series B Preferred Stock in accordance with the procedures described in the Offer to Purchase and the Letter of Transmittal, you acknowledge receipt of the Offer to Purchase. You irrevocably constitute and appoint the Depository as your agent and attorney-in-fact, with full power and authority in your name, place and stead, with full knowledge that the Depository is also acting as the agent of the Company in connection with the Tender Offer, as your true and lawful representative, attorney-in-fact and agent with respect to the tendered shares of Series B Preferred Stock, with full power of substitution, such power of attorney being deemed to be an irrevocable power coupled with an interest, subject only to the right of withdrawal described in the Offer to Purchase, to (1) deliver the tendered shares of Series B Preferred Stock to the Company, together with all accompanying evidences of transfer and authenticity, upon receipt by the Depository, as its agent, of the purchase price to be paid for the tendered shares of Series B Preferred Stock, (2) present the tendered shares of Series B Preferred Stock for transfer, and to transfer the tendered shares of Series B Preferred Stock on the account books maintained by DTC to, or upon the order of, the Company, (3) present the tendered shares of Series B Preferred Stock for transfer, and to transfer the tendered shares of Series B Preferred Stock on the books of the Company, and (4) receive all benefits and otherwise exercise all rights of ownership of the tendered shares of Series B Preferred Stock, all in accordance with the terms and conditions of the Tender Offer. Such appointment will be automatically revoked if the Company does not accept for purchase shares of Series B Preferred Stock that a holder has tendered.

4. *Withdrawal Procedures.* Holders who wish to exercise their right of withdrawal with respect to the Tender Offer must give written notice of withdrawal.

If shares of Series B Preferred Stock are held through a broker, bank or other nominee in book-entry form, a withdrawal of shares of Series B Preferred Stock will be effective if the broker, bank or other nominee complies with the appropriate procedures of DTC prior to the Expiration Date or, if the holder's shares are not previously accepted for purchase by the Company, after the expiration of 40 business days after the commencement of the Tender Offer. Any notice of withdrawal must identify the beneficial owner of the shares of Series B Preferred Stock to be withdrawn, including the beneficial owner's name and account number and the account at DTC to be credited and otherwise comply with the procedures of DTC.

If the holder's share certificates are registered in the holder's name, a withdrawal of shares of Series B Preferred Stock will be effective if the holder delivers a written notice of withdrawal to the Depository at the appropriate address specified on the front cover of this Letter of Transmittal prior to the Expiration Date or, if the holder's shares are not previously accepted for purchase by the Company, after the expiration of 40 business days after the commencement of the Tender Offer. The holder's notice of withdrawal must comply with the requirements set forth in the Tender Offer.

Any shares of Series B Preferred Stock withdrawn will be deemed not to have been validly tendered for purposes of the Tender Offer and no cash consideration will be issued in payment unless the shares of Series B Preferred Stock so withdrawn are validly re-tendered.

5. *Partial Tenders (Not Applicable to Holders Who Tender by Book-Entry Transfer).* If fewer than all the shares of Series B Preferred Stock represented by any certificate delivered to the Depository are to be tendered, fill in the number of shares which are to be tendered in the box entitled "Number of Shares of Series B Preferred Stock Tendered." In such case, a new certificate for the remainder of the shares represented by the old certificate will be sent to the registered holder(s) signing this Letter of Transmittal as promptly as practicable following the expiration or termination of the Tender Offer. All shares of Series B Preferred Stock represented by certificates delivered to the Depository will be deemed to have been tendered unless otherwise indicated.

6. *Signatures on this Letter of Transmittal; Stock Powers and Endorsements.* If this Letter of Transmittal is signed by the registered holder(s) of the shares of Series B Preferred Stock referred to in this Letter of Transmittal, the signature(s) must correspond with the name(s) as written on the face of the share certificates without alteration, enlargement or any change whatsoever. If this Letter of Transmittal is signed by a participant in DTC whose name is shown as the owner of the shares of Series B Preferred Stock tendered hereby, the signature must correspond with the name shown on the security position listing as the owner of the shares of Series B Preferred Stock.

If any of the shares of Series B Preferred Stock tendered are held of record by two or more persons, all such persons must sign the Letter of Transmittal.

If any of the shares of Series B Preferred Stock tendered are registered in different names, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Series B Preferred Stock tendered hereby, certificates must be endorsed or accompanied by appropriate stock powers, in either case, signed exactly as the name(s) of the registered holder(s) appear(s) on the certificates for such Series B Preferred Stock. Signature(s) on any such certificates or stock powers must be guaranteed by an Eligible Institution. See Instruction 1.

If either this Letter of Transmittal or any certificate or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Company and the Depository of the authority of such persons to act must be submitted.

Endorsements on certificates for shares of Series B Preferred Stock and signatures on stock powers provided in accordance with this Instruction 6 by holders not executing this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 1.

7. *Special Payment Instructions.* Tendering holders should indicate in the applicable box or boxes the name and address to which the payment of the purchase price for shares of Series B Preferred Stock accepted for purchase is to be issued ONLY if such payment is to be made to the order of someone other than the person or persons whose signature(s) appear(s) within this Letter of Transmittal or issued to an address different from that shown in the box entitled "Description of Series B Preferred Stock Tendered" within this Letter of Transmittal. In the case of issuance in a different name, the taxpayer identification or social security number of the person named must also be indicated.

8. *Transfer Taxes.* The Company will pay all transfer taxes applicable to the purchase and transfer of Series B Preferred Stock pursuant to the Tender Offer. However, if the payment of the purchase price is to be made to a person other than the person in whose name the surrendered certificate formerly evidencing the shares of Series B Preferred Stock is registered on the stock transfer books of the Company, then the certificate so surrendered must be endorsed properly or otherwise be in proper form for transfer and the person requesting such payment must have paid all transfer and other taxes required by reason of the payment to a person other than the registered holder of the certificate surrendered, or shall have established to the satisfaction of the Company that such taxes either have been paid or are not applicable.

Additionally, if the holder owns the shares of Series B Preferred Stock through a broker, dealer or other nominee, and the broker, dealer or other nominee tenders the shares on the holder's behalf, the broker, dealer or other nominee may charge the holder a fee for doing so. The holder should consult the holder's broker, dealer or nominee to determine whether any charges will apply.

9. *Requests for Assistance or Additional Copies.* Any questions or requests for assistance should be directed to the Information Agent or the Dealer Manager at the addresses and telephone numbers listed on the back cover of this Letter of Transmittal. Any requests for additional copies of the Offer to Purchase or this Letter of Transmittal should be directed to the Information Agent. Any questions relating to the tender of physical share certificates should be directed to the Depositary at the address and telephone number listed on the front cover of this Letter of Transmittal.

10. *Irregularities.* All questions as to the validity, form, eligibility (including time of receipt) and acceptance for purchase of any tender of shares of Series B Preferred Stock in the Tender Offer, will be determined by the Company, in its sole discretion, and its determination will be final and binding. The Company reserves the absolute right to reject any and all tenders of shares of Series B Preferred Stock in the Tender Offer that it determines are not in proper form or the acceptance for purchase or purchase of which may, in the opinion of the Company, be unlawful. Subject to the applicable rules and regulations of the Securities and Exchange Commission, the Company also reserves the right to waive, prior to the Expiration Date, in its sole discretion, any of the conditions to the Tender Offer, including the right to waive any defect or irregularity in the tender of any shares of Series B Preferred Stock in the Tender Offer. No tender of shares of Series B Preferred Stock will be deemed to have been made until all defects and irregularities in the tender of such shares in the Tender Offer have been cured or waived. None of the Company, the Depositary, the Dealer Manager, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in the tender of any shares of Series B Preferred Stock in the Tender Offer or will incur any liability for failure to give any such notification. The Company's interpretation of the terms of conditions of the Tender Offer (including this Letter of Transmittal) will be final and binding.

11. *Solicited Tenders.* The Company will pay to Soliciting Dealers (as defined below) designated by the beneficial owner of the shares of Series B Preferred Stock which are validly tendered and accepted for purchase pursuant to the Tender Offer a solicitation fee equal to 0.5% of the aggregate value of the shares of Series B Preferred Stock that are validly tendered and accepted for purchase, up to a maximum of \$500,000 aggregate liquidation preference per holder of shares of Series B Preferred Stock. "Soliciting Dealer" includes (i) any broker or dealer in securities, including the Dealer Manager in its capacity as dealer or broker, who is a member of any national securities exchange or of the Financial Industry Regulatory Authority, Inc. ("FINRA"), (ii) any

foreign broker or dealer not eligible for membership in FINRA who agrees to conform to the FINRA's rules on soliciting tenders outside the United States to the same extent as if it were a FINRA member, or (iii) any bank or trust company, any of whom has solicited and obtained a tender pursuant to the Tender Offer. No such fee shall be payable to a Soliciting Dealer in respect of shares of Series B Preferred Stock owned, directly or indirectly, in the name of such Soliciting Dealer unless such shares of Series B Preferred Stock are being tendered for the benefit of one or more beneficial owners identified on this Letter of Transmittal or on the Notice of Solicited Tenders (included in the materials provided to brokers and dealers).

In order to receive a solicitation fee, the Soliciting Dealer must return a Notice of Solicited Tenders to the Information Agent prior to the Expiration Date. No solicitation fee shall be payable to a Soliciting Dealer in respect of shares of Series B Preferred Stock (i) directly or indirectly owned by such Soliciting Dealer or (ii) registered in the name of such Soliciting Dealer unless such shares of Series B Preferred Stock are held by such Soliciting Dealer as nominee and such shares of Series B Preferred Stock are being tendered for the benefit of one or more beneficial owners identified on this Letter of Transmittal or the Notice of Solicited Tenders. No solicitation fee shall be payable to the Soliciting Dealer with respect to the tender of shares of Series B Preferred Stock by the holder of record, for the benefit of the beneficial owner, unless the beneficial owner has designated such Soliciting Dealer.

12. *Waiver of Conditions.* Subject to the applicable rules and regulations of the Securities and Exchange Commission, the Company reserves the right to waive certain conditions enumerated in the Offer to Purchase.

13. *Inadequate Space.* If the space provided in the above "Description of Series B Preferred Stock Tendered" box is inadequate, the number of shares of Series B Preferred Stock and any other required information should be listed on a separate signed schedule and attached to this Letter of Transmittal.

14. *Lost, Destroyed or Stolen Certificates.* If any certificate(s) representing shares of Series B Preferred Stock has been lost, stolen or destroyed, please call the Company's transfer agent, American Stock Transfer & Trust Company, LLC (the "Transfer Agent"), at 1-800-937-5449. The holder may need to complete an Affidavit of Loss with respect to the lost certificate(s) (which will be provided by the Transfer Agent) and payment of an indemnity bond premium fee may be required.

15. *Substitute Form W-9.* Under U.S. federal income tax laws, the Depository will be required to withhold a portion of the amount of any payments made to certain holders pursuant to the Tender Offer unless each tendering holder that is a United States citizen, resident or entity, and, if applicable, each other United States payee, provides the Depository (as payor) with such holder's or payee's correct taxpayer identification number ("TIN") and certifies that such holder or payee is not subject to such backup withholding by completing the attached Substitute Form W-9. Certain holders or payees (including, among others, corporations, non-resident foreign individuals and foreign entities) are not subject to these backup withholding and reporting requirements provided such holder provides a proper certificate exempting such holder from backup withholding. A tendering holder who is a foreign individual or a foreign entity should complete, sign, and submit to the Depository the appropriate Form W-8. A Form W-8BEN may be obtained from the Depository or downloaded from Internal Revenue Service's website at the following address: <http://www.irs.gov/pub/irs-pdf/fw8ben.pdf>.

All tendering holders are urged to consult their own tax advisors to determine whether they are exempt from these backup withholding and reporting requirements. For further information concerning backup withholding see the "IMPORTANT TAX INFORMATION" section below.

Failure to complete the Substitute Form W-9 will not, by itself, cause shares of Series B Preferred Stock to be deemed invalidly tendered, but may require the Depository to withhold a portion of the amount of any payments made pursuant to the Tender Offer. NOTE: FAILURE TO COMPLETE AND RETURN THE SUBSTITUTE FORM W-9 MAY RESULT IN BACKUP WITHHOLDING OF A PORTION OF ANY PAYMENT MADE TO YOU PURSUANT TO THE TENDER OFFER. PLEASE REVIEW THE "IMPORTANT TAX INFORMATION" SECTION BELOW AND THE ENCLOSED "GUIDELINES FOR CERTIFICATION OF TIN ON SUBSTITUTE FORM W-9" FOR ADDITIONAL DETAILS.

IMPORTANT TAX INFORMATION

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT: (A) ANY FEDERAL TAX ADVICE CONTAINED HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE INTERNAL REVENUE CODE; (B) THE ADVICE IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTION OR THE MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

If payments are to be made to anyone other than the registered holder, or if the payments are to be paid to anyone other than the person signing this Letter of Transmittal, all transfer taxes (whether imposed on the registered holder or on any other person) will be payable by the tendering holder. Payments may not be paid to such a holder unless the holder has provided satisfactory evidence of the payment of any such transfer taxes or an exemption from such transfer taxes.

To prevent backup withholding, each U.S. Holder (as defined below) should either (x) provide his, her or its correct taxpayer identification number ("TIN") by completing the copy of the substitute IRS Form W-9 attached to this Letter of Transmittal, certifying that (1) he, she or it is a "United States person" (as defined in section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "Code")), (2) the TIN provided is correct (or that such U.S. Holder is awaiting a TIN) and (3) that the U.S. Holder is exempt from backup withholding because (i) the holder has not been notified by the Internal Revenue Service (the "IRS") that he, she or it is subject to backup withholding as a result of a failure to report all interest or dividends, or (ii) the IRS has notified the U.S. Holder that he, she or it is no longer subject to backup withholding or (y) otherwise establish an exemption. If you do not provide a completed Substitute Form W-9 to the Depository, backup withholding may begin and continue until you furnish your TIN. If you do not provide the Depository with the correct TIN or an adequate basis for exemption, you may be subject to a \$50 penalty imposed by the IRS, and payments may be subject to backup withholding at a rate of 28% (until 2010, at which time the rate is currently scheduled to be 31%). If withholding results in an overpayment of taxes, a refund may be obtained.

To prevent backup withholding, a Non-U.S. Holder (as defined below) should (i) submit a properly completed IRS Form W-8 BEN or other Form W-8 to the Depository, certifying under penalties of perjury to the holder's foreign status or (ii) otherwise establish an exemption. IRS Forms W-8 may be obtained from the Depository or on the IRS website at www.irs.gov.

Certain holders (including, among others, corporations) are exempt recipients generally not subject to these backup withholding requirements. See the enclosed copy of the IRS Substitute Form W-9 and Guidelines for Request for Taxpayer Identification Number on Substitute Form W-9. To avoid possible erroneous backup withholding, exempt U.S. Holders should complete and return the Substitute Form W-9 and check the box marked "Exempt".

For the purposes of these instructions, a "U.S. Holder" is (i) an individual who is a citizen or resident alien of the United States, (ii) a corporation (including an entity taxable as a corporation) created under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) the trust has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person. A "Non-U.S. Holder" is any holder (other than a holder that is, or holds its shares through, a partnership or other pass-through entity) that is not a U.S. Holder. The U.S. federal income tax treatment of a partner or other beneficial owner in a partnership or other flow-through entity generally will depend on the status of the partner and the activities of such partnership. Partners and partnerships (including beneficial owners of pass-through entities and such entities themselves) should consult their own tax advisors as to the particular U.S. federal income tax consequences applicable to them.

See the enclosed Guidelines for Request for Taxpayer Identification Number on Substitute Form W-9 for additional information and instructions.

REQUESTER'S NAME: American Stock Transfer & Trust, LLC

<p>SUBSTITUTE FORM W-9</p> <p>Department of the Treasury Internal Revenue Service (IRS)</p> <p>Payer's Request for Taxpayer Identification Number (TIN)</p> <p>Please fill in your name and address below.</p> <hr/> <p>Name</p> <hr/> <p>Business Name</p> <hr/> <p>Address (number and street)</p> <hr/> <p>City, State and Zip Code</p>	<p>Part 1 — PLEASE PROVIDE YOUR TIN IN THE BOX AT THE RIGHT OR, IF YOU DO NOT HAVE A TIN, WRITE "APPLIED FOR" AND SIGN THE CERTIFICATION BELOW.</p> <hr/> <p align="center">Social Security Number</p> <p align="center">OR</p> <hr/> <p align="center">Taxpayer Identification Number</p> <p align="center"><input type="checkbox"/> Exempt</p>	
<p>Check appropriate box: <input type="checkbox"/> Disregarded Entity <input type="checkbox"/> Individual/Sole Proprietor</p> <p><input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Other _____</p> <p>(If you are an LLC, check the box marked "Other", write "LLC", and also check one of the other boxes to indicate your tax status (e.g., disregarded entity, individual/sole proprietor, corporation, partnership).</p>		
<p>Part 2 — Certification — Under penalties of perjury, I certify that:</p> <p>(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me),</p> <p>(2) I am not subject to backup withholding either because (a) I am exempt from backup withholding, (b) I have not been notified by the IRS that I am subject to backup withholding as a result of failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and</p> <p>(3) I am a U.S. person (as defined for U.S. federal income tax purposes).</p>		
<p>Certification Instructions — You must cross out item (2) in Part 2 above if you have been notified by the IRS that you are subject to backup withholding because of under reporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding, you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). If you are exempt from backup withholding, check the box in Part 1 and see the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9".</p> <p>Signature: _____ Date: _____</p>		

YOU MUST COMPLETE THE FOLLOWING CERTIFICATION IF YOU WROTE "APPLIED FOR" ON SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that until I provide a taxpayer identification number, all reportable payments made to me will be subject to backup withholding, but will be refunded if I provide a certified taxpayer identification number within 60 days.

Signature: _____ Date: _____

THE IRS DOES NOT REQUIRE YOUR CONSENT TO ANY PROVISION OF THIS DOCUMENT OTHER THAN THE CERTIFICATIONS REQUIRED TO AVOID BACKUP WITHHOLDING

Any questions and requests for assistance may be directed to the Information Agent or the Dealer Manager at the addresses and telephone numbers set forth below. Additional copies of the Offer to Purchase or this Letter of Transmittal may be obtained from the Information Agent at the address and telephone numbers set forth below. Holders of Series B Preferred Stock may also contact their broker, dealer or other nominee for assistance concerning the Tender Offer.

The Information Agent for the Tender Offer is:

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, NY 10005

Collect: (212) 269-5550

Toll free: (800) 488-8075

The Dealer Manager for the Tender Offer is:

UBS Securities LLC
Attention: Liability Management
677 Washington Boulevard
Stamford, CT 06901

Collect: (203) 719-4210

Toll free: (888) 719-4210

**LETTER OF TRANSMITTAL
NEWCASTLE INVESTMENT CORP.**

Offer to Purchase up to
2,000,000 shares of 9.75% Series B Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 20 7)
1,100,000 shares of 8.05% Series C Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 30 6) and
1,500,000 shares of 8.375% Series D Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 40 5)

(8.05% Series C Cumulative Redeemable Preferred Stock)

THE TENDER OFFER WILL EXPIRE AT MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 17, 2009, UNLESS EXTENDED OR TERMINATED BY NEWCASTLE INVESTMENT CORP. THE TERM "EXPIRATION DATE" MEANS MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 17, 2009, UNLESS WE EXTEND THE PERIOD OF TIME FOR WHICH THE TENDER OFFER IS OPEN, IN WHICH CASE THE TERM "EXPIRATION DATE" MEANS THE LATEST TIME AND DATE ON WHICH THE TENDER OFFER, AS SO EXTENDED, EXPIRES. TENDERS OF PREFERRED STOCK MAY BE VALIDLY WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE.

The Depository for the Tender Offer is:



By Mail or Overnight Courier:

American Stock Transfer & Trust Company
 Operations Center
 Attn: Reorganization Department
 6201 15th Avenue
 Brooklyn, NY 11219

By Hand:

American Stock Transfer & Trust Company
 Attn: Reorganization Department
 59 Maiden Lane
 New York, NY 10038

For assistance call (877) 248-6417 or (718) 921-8317

For use only by registered holders of the 8.05% Series C Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the "Series C Preferred Stock"), of Newcastle Investment Corp. (the "Company"). Delivery of this Letter of Transmittal to an address other than as set forth above, or transmission of this Letter of Transmittal via facsimile, will not constitute a valid delivery. The method of delivery of all documents, including certificates, is at the option and risk of the holder. Delivery will be deemed made only when actually received by the Depository.

The instructions contained within this Letter of Transmittal should be read carefully before this Letter of Transmittal is completed.

DESCRIPTION OF SERIES C PREFERRED STOCK TENDERED

Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)(1)	Series C Preferred Stock Share Certificate Number(s)(2)	Series C Share Certificate(s) and Share(s) Tendered (Please attach additional signed list, if necessary)	Number of Shares of Series C Preferred Stock Tendered(2)(3)
--	---	---	---

Total Shares Tendered

- (1) The names and addresses of the registered holders of the tendered Series C Preferred Stock should be printed, if not already printed above, exactly as they appear on the share certificates tendered hereby.
 - (2) Need not be completed by registered holders tendering shares by book-entry transfer.
 - (3) Unless otherwise indicated in the row labeled "Number of Shares of Series C Preferred Stock Tendered" and subject to the terms and conditions of the Offer to Purchase, all Series C Preferred Stock represented by share certificates delivered to the Depository will be deemed to have been tendered.
- Check here if share certificates have been lost or mutilated.

The undersigned hereby acknowledges that he or she has received the Offer to Purchase, dated November 18, 2009 (the "Offer to Purchase"), of the Company and this Letter of Transmittal (the "Letter of Transmittal"), which together with the Letter of Transmittal for the Company's 9.75% Series B Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the "Series B Preferred Stock"), and the Letter of Transmittal for the Company's 8.375% Series D Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the "Series D Preferred Stock" and together with the Series B Preferred Stock and the Series C Preferred Stock, the "Preferred Stock"), constitute the Company's tender offer (the "Tender Offer") of the Company's outstanding Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock, upon the terms and subject to the conditions specified in the Offer to Purchase.

The Company reserves the right, at any time or from time to time, to extend the Tender Offer, in which event the term "Expiration Date" shall mean the latest time and date to which the Tender Offer is extended. The Company shall issue a press release announcing any extension no later than 9:00 a.m., New York City Time, on the next business day after the previously scheduled Expiration Date.

This Letter of Transmittal is to be completed by holders of Series C Preferred Stock (i) if certificates evidencing Series C Preferred Stock (the "share certificates") are to be forwarded herewith or (ii) if delivery of Series C Preferred Stock is to be made by book-entry transfer to the account of American Stock Transfer & Trust Company (the "Depository") at The Depository Trust Company or "DTC" (also known as the "book-entry transfer facility") pursuant to the book-entry transfer procedure described in the section of the Offer to Purchase entitled "The Tender Offer—Procedure for Tendering."

Delivery of documents to DTC does not constitute delivery to the Depository.

The undersigned has completed, executed and delivered this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Tender Offer. Your bank or broker can assist you in completing this form. The instructions included with this Letter of Transmittal must be followed.

None of the Company's officers, the employees of the Company's manager, the Company's Board of Directors, the Dealer Manager, the Information Agent or the Depository is making a recommendation to any holder of Series C Preferred Stock as to whether to tender shares in the Tender Offer. Each holder must make his or her own investment decision regarding the Tender Offer based upon his or her assessment of the market value of the Series C Preferred Stock, his or her liquidity needs, his or her investment objectives and any other factors he or she deems relevant.

CHECK HERE IF TENDERED SHARES OF SERIES C PREFERRED STOCK ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE DEPOSITARY WITH DTC AND COMPLETE THE FOLLOWING:

Name of Tendering Institution: _____

DTC Account Number: _____

Transaction Code Number: _____

**NOTE: SIGNATURES MUST BE PROVIDED BELOW.
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY.**

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Tender Offer, the undersigned hereby tenders to the Company the shares of Series C Preferred Stock set forth in the box above entitled "Description of Series C Preferred Stock Tendered." Subject to, and effective upon, the acceptance for purchase of the Preferred Stock tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such shares of Preferred Stock as are being tendered hereby.

The undersigned understands that, if shares are accepted for purchase in the Tender Offer, the undersigned will receive for each share of Series C Preferred Stock purchased by the Company, an amount equal to the sum of (i) \$4.75 and (ii) all accumulated and unpaid dividends on the Series C Preferred Stock through the payment date of the Tender Offer, which date shall be not more than three business days after the Expiration Date. The accumulated and unpaid dividends on the Series C Preferred Stock will be \$2.30 as of December 22, 2009. If the Expiration Date, and therefore the Tender Offer payment date, is extended, the amount of accumulated and unpaid dividends for the Series C Preferred Stock will be increased accordingly.

The Tender Offer is subject to certain conditions, including there being validly tendered and not withdrawn at least 2,135,000 shares of Preferred Stock in the aggregate for all three series. **If the Company does not satisfy certain distribution requirements at the Expiration Date, then the Tender Offer will be terminated and the Company will not be obligated to purchase any Preferred Stock.** See "The Tender Offer—Conditions to the Tender Offer" in the Offer to Purchase.

The Company is offering to purchase up to 1,100,000 shares of Series C Preferred Stock. If, at the expiration of the Tender Offer, more than 1,100,000 shares of Series C Preferred Stock have been validly tendered and not withdrawn, and all other conditions to the Tender Offer are satisfied or waived, the Company will purchase 1,100,000 shares of Series C Preferred Stock on a pro rata basis from all tendering holders of such series, disregarding fractions, according to the number of shares of such series tendered by each holder. Any shares of Series C Preferred Stock not accepted for purchase will be returned to the registered holder(s) signing this Letter of Transmittal as promptly as practicable following the expiration or termination of the Tender Offer.

Capitalized terms used but not otherwise defined herein shall have the respective meanings given to them in the Offer to Purchase.

The undersigned hereby represents and warrants that (i) the undersigned has full power and authority to tender, sell, assign and transfer the Series C Preferred Stock tendered hereby, (ii) the undersigned has a net long position in the Series C Preferred Stock tendered hereby within the meaning of Rule 14e-4 under the Securities Exchange Act of 1934, as amended ("Rule 14e-4"), (iii) the tender of the Series C Preferred Stock tendered hereby complies with Rule 14e-4, and (iv) the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances, and not subject to any adverse claim, when the same are accepted by the Company.

The undersigned further represents and warrants that the undersigned has read and agrees to all of the terms and conditions of the Tender Offer. All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, personal representatives, trustees in bankruptcy, successors and assigns of the undersigned. This tender is irrevocable; provided that, the Series C Preferred Stock tendered pursuant to the Tender Offer may be withdrawn at any time on or prior to the Expiration Date, and unless theretofore accepted for purchase and not returned as provided for in the Offer to Purchase, may also be withdrawn after the expiration of 40 business days after the commencement of the Tender Offer, subject to the withdrawal rights and procedures set forth in the Offer to Purchase.

Subject to, and effective upon, the acceptance for purchase of all of the Series C Preferred Stock tendered by this Letter of Transmittal in accordance with the terms and conditions of the Tender Offer, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company, all right, title and interest in and to the

shares of Series C Preferred Stock tendered by this Letter of Transmittal, and releases and discharges the Company and its officers and directors from any and all claims the undersigned may have now, or may have in the future, arising out of, or related to, the shares of Series C Preferred Stock. The undersigned hereby acknowledges receipt of the Offer to Purchase, the terms of which are incorporated herein by reference. The undersigned hereby irrevocably constitutes and appoints the Depository as its agent and attorney-in-fact, with full power and authority in its name, place and stead, with full knowledge that the Depository is also acting as the agent of the Company in connection with the Tender Offer, as the undersigned's true and lawful representative, attorney-in-fact and agent with respect to the tendered shares of Series C Preferred Stock, with full power of substitution, such power of attorney being deemed to be an irrevocable power coupled with an interest, subject only to the right of withdrawal described in the Offer to Purchase, to (1) deliver the tendered shares of Series C Preferred Stock to the Company together with all accompanying evidences of transfer and authenticity to the Company, upon receipt by the Depository, as its agent, of the purchase price to be paid for the tendered shares of Series C Preferred Stock, (2) present the tendered shares of Series C Preferred Stock for transfer, and to transfer the tendered Series C Preferred Stock on the account books maintained by DTC to, or upon the order of, the Company, (3) present the tendered shares of Series C Preferred Stock for transfer, and to transfer the tendered shares of Series C Preferred Stock on the books of the Company, and (4) receive all benefits and otherwise exercise all rights of ownership of the tendered shares of Series C Preferred Stock, all in accordance with the terms and conditions of the Tender Offer. Such appointment will be automatically revoked if the Company does not accept for purchase the shares of Series C Preferred Stock that the undersigned has tendered. The foregoing power of attorney shall terminate upon execution by the Depository of an instrument of termination that specifies in writing that the foregoing power of attorney is terminated.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the sale, assignment and transfer of the Series C Preferred Stock tendered hereby. All authority conferred or agreed to be conferred in this Letter of Transmittal and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in the section of the Offer to Purchase entitled "The Tender Offer—Withdrawal of Tenders."

Unless otherwise indicated herein in the box entitled "Special Payment Instructions" below, please deliver payment of the purchase price for shares of any Series C Preferred Stock accepted for purchase to the registered holder(s) at the address appearing under the above "Description of Series C Preferred Stock Tendered" box. In the event that the box entitled "Special Payment Instructions" is completed, please deliver payment of the purchase price for shares of any Series C Preferred Stock accepted for purchase to the person or persons and at the address(es) so indicated.

THE UNDERSIGNED, BY COMPLETING THE ABOVE "DESCRIPTION OF SERIES C PREFERRED STOCK TENDERED" BOX AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THEIR SHARES OF SERIES C PREFERRED STOCK AS SET FORTH IN SUCH BOX ABOVE.

COMPLETE THE FOLLOWING BOX ONLY IF APPLICABLE

SPECIAL PAYMENT INSTRUCTIONS
(See Instruction 7)

To be completed ONLY if the payment of the purchase price for shares of Series C Preferred Stock accepted for purchase is to be issued to the order of someone other than the person or persons whose signature(s) appear(s) within this Letter of Transmittal or issued to an address different from that shown in the box entitled "Description of Series C Preferred Stock Tendered" within this Letter of Transmittal.

Issue the payment to:

Name:

(Please Print)

Address:

(Include Zip Code)

(Taxpayer Identification or Social Security Number)

IMPORTANT
PLEASE SIGN HERE
(Complete the accompanying Substitute Form W-9)

This Letter of Transmittal must be signed by the holder(s) of the shares of Series C Preferred Stock being tendered exactly as his, her, its or their name(s) appear(s) on the certificate(s) for such shares of Series C Preferred Stock or, if tendered by a participant in DTC, exactly as such participant's name appears on a security position listing as the owner of the shares of Series C Preferred Stock or by person(s) authorized to become holder(s) by endorsements on certificates for such shares of Series C Preferred Stock or by stock powers transmitted with this Letter of Transmittal. Endorsements on shares of Series C Preferred Stock and signatures on stock powers by holders(s) not executing this Letter of Transmittal must be guaranteed by an Eligible Institution. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below under "Capacity" and submit evidence satisfactory to the Company and the Depository of such person's authority to so act. See Instruction 6.

SIGNATURE(S) OF HOLDERS

Dated: _____
Name(s) _____
Capacity (full title) _____
Address _____
Area Code and Telephone Number _____

GUARANTEE OF SIGNATURE(S)
(IF REQUIRED; SEE INSTRUCTION 1)

Name of Firm _____
Address _____
Authorized Signature _____
Name _____
Area Code and Telephone Number _____

**INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF
THE TENDER OFFER**

1. *Guarantee of Signatures.* Except as otherwise provided below, all signatures on this Letter of Transmittal must be guaranteed by a firm that is a member of a registered national securities exchange or the Financial Industry Regulatory Authority, Inc., or by a commercial bank or trust company having an office or correspondent in the United States that is a participant in an approved Signature Guarantee Medallion Program (each of the foregoing being referred to as an “Eligible Institution”). Signatures on this Letter of Transmittal need not be guaranteed if (a) this Letter of Transmittal is signed by the registered holder(s) of the shares of Series C Preferred Stock tendered herewith, or by a participant in DTC whose name appears on a security position listing as the owner of the shares of Series C Preferred Stock, and neither has completed the box entitled “Special Payment Instructions,” or (b) such shares of Series C Preferred Stock are tendered for the account of an Eligible Institution. See Instruction 6.

2. *Delivery of this Letter of Transmittal and Certificates for Shares of Series C Preferred Stock or Book-Entry Confirmations* This Letter of Transmittal is to be used by each holder of shares of Series C Preferred Stock if (a) share certificates of Series C Preferred Stock are to be physically delivered to the Depository herewith by such holder or (b) delivery of Series C Preferred Stock is to be made by book entry transfer. For a tender of share certificates to be considered validly tendered, the Depository must receive any required documents at its address indicated on the cover page of this Letter of Transmittal prior to the Expiration Date. The tender by a holder that is not withdrawn prior to the Expiration Date will constitute a binding agreement between the holder and the Company in accordance with the terms and subject to the conditions of the Tender Offer. If you are not a registered holder of Series C Preferred Stock, please contact your broker, bank or other nominee for further instructions.

If the holder beneficially owns shares of Series C Preferred Stock that are held through a broker, dealer or other nominee and the holder wishes to tender those shares of Series C Preferred Stock, the holder should contact the broker, dealer or other nominee promptly and instruct it to tender the holder’s shares of Series C Preferred Stock on the holder’s behalf.

The method of delivery of shares of Series C Preferred Stock, the Letter of Transmittal and all other required documents, including delivery through DTC, are at the option and risk of the tendering stockholder, and the delivery will be deemed made only when actually received by the Depository (including, in the case of a book-entry transfer, receipt of a Book-Entry Confirmation). If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

3. *Consenting in the Tender Offer.* By tendering your shares of Series C Preferred Stock in accordance with the procedures described in the Offer to Purchase and the Letter of Transmittal, you acknowledge receipt of the Offer to Purchase. You irrevocably constitute and appoint the Depository as your agent and attorney-in-fact, with full power and authority in your name, place and stead, with full knowledge that the Depository is also acting as the agent of the Company in connection with the Tender Offer, as your true and lawful representative, attorney-in-fact and agent with respect to the tendered shares of Series C Preferred Stock, with full power of substitution, such power of attorney being deemed to be an irrevocable power coupled with an interest, subject only to the right of withdrawal described in the Offer to Purchase, to (1) deliver the tendered shares of Series C Preferred Stock to the Company, together with all accompanying evidences of transfer and authenticity, upon receipt by the Depository, as its agent, of the purchase price to be paid for the tendered shares of Series C Preferred Stock, (2) present the tendered shares of Series C Preferred Stock for transfer, and to transfer the tendered shares of Series C Preferred Stock on the account books maintained by DTC to, or upon the order of, the Company, (3) present the tendered shares of Series C Preferred Stock for transfer, and to transfer the tendered shares of Series C Preferred Stock on the books of the Company, and (4) receive all benefits and otherwise exercise all rights of ownership of the tendered shares of Series C Preferred Stock, all in accordance with the terms and conditions of the Tender Offer. Such appointment will be automatically revoked if the Company does not accept for purchase shares of Series C Preferred Stock that a holder has tendered.

4. *Withdrawal Procedures.* Holders who wish to exercise their right of withdrawal with respect to the Tender Offer must give written notice of withdrawal.

If shares of Series C Preferred Stock are held through a broker, bank or other nominee in book-entry form, a withdrawal of shares of Series C Preferred Stock will be effective if the broker, bank or other nominee complies with the appropriate procedures of DTC prior to the Expiration Date or, if the holder's shares are not previously accepted for purchase by the Company, after the expiration of 40 business days after the commencement of the Tender Offer. Any notice of withdrawal must identify the beneficial owner of the shares of Series C Preferred Stock to be withdrawn, including the beneficial owner's name and account number and the account at DTC to be credited and otherwise comply with the procedures of DTC.

If the holder's share certificates are registered in the holder's name, a withdrawal of shares of Series C Preferred Stock will be effective if the holder delivers a written notice of withdrawal to the Depository at the appropriate address specified on the front cover of this Letter of Transmittal prior to the Expiration Date or, if the holder's shares are not previously accepted for purchase by the Company, after the expiration of 40 business days after the commencement of the Tender Offer. The holder's notice of withdrawal must comply with the requirements set forth in the Tender Offer.

Any shares of Series C Preferred Stock withdrawn will be deemed not to have been validly tendered for purposes of the Tender Offer and no cash consideration will be issued in payment unless the shares of Series C Preferred Stock so withdrawn are validly re-tendered.

5. *Partial Tenders (Not Applicable to Holders Who Tender by Book-Entry Transfer).* If fewer than all the shares of Series C Preferred Stock represented by any certificate delivered to the Depository are to be tendered, fill in the number of shares which are to be tendered in the box entitled "Number of Shares of Series C Preferred Stock Tendered." In such case, a new certificate for the remainder of the shares represented by the old certificate will be sent to the registered holder(s) signing this Letter of Transmittal as promptly as practicable following the expiration or termination of the Tender Offer. All shares of Series C Preferred Stock represented by certificates delivered to the Depository will be deemed to have been tendered unless otherwise indicated.

6. *Signatures on this Letter of Transmittal; Stock Powers and Endorsements.* If this Letter of Transmittal is signed by the registered holder(s) of the shares of Series C Preferred Stock referred to in this Letter of Transmittal, the signature(s) must correspond with the name(s) as written on the face of the share certificates without alteration, enlargement or any change whatsoever. If this Letter of Transmittal is signed by a participant in DTC whose name is shown as the owner of the shares of Series C Preferred Stock tendered hereby, the signature must correspond with the name shown on the security position listing as the owner of the shares of Series C Preferred Stock.

If any of the shares of Series C Preferred Stock tendered are held of record by two or more persons, all such persons must sign the Letter of Transmittal.

If any of the shares of Series C Preferred Stock tendered are registered in different names, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Series C Preferred Stock tendered hereby, certificates must be endorsed or accompanied by appropriate stock powers, in either case, signed exactly as the name(s) of the registered holder(s) appear(s) on the certificates for such Series C Preferred Stock. Signature(s) on any such certificates or stock powers must be guaranteed by an Eligible Institution. See Instruction 1.

If either this Letter of Transmittal or any certificate or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Company and the Depository of the authority of such persons to act must be submitted.

Endorsements on certificates for shares of Series C Preferred Stock and signatures on stock powers provided in accordance with this Instruction 6 by holders not executing this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 1.

7. *Special Payment Instructions.* Tendering holders should indicate in the applicable box or boxes the name and address to which the payment of the purchase price for shares of Series C Preferred Stock accepted for purchase is to be issued ONLY if such payment is to be made to the order of someone other than the person or persons whose signature(s) appear(s) within this Letter of Transmittal or issued to an address different from that shown in the box entitled "Description of Series C Preferred Stock Tendered" within this Letter of Transmittal. In the case of issuance in a different name, the taxpayer identification or social security number of the person named must also be indicated.

8. *Transfer Taxes.* The Company will pay all transfer taxes applicable to the purchase and transfer of Series C Preferred Stock pursuant to the Tender Offer. However, if the payment of the purchase price is to be made to a person other than the person in whose name the surrendered certificate formerly evidencing the shares of Series C Preferred Stock is registered on the stock transfer books of the Company, then the certificate so surrendered must be endorsed properly or otherwise be in proper form for transfer and the person requesting such payment must have paid all transfer and other taxes required by reason of the payment to a person other than the registered holder of the certificate surrendered, or shall have established to the satisfaction of the Company that such taxes either have been paid or are not applicable.

Additionally, if the holder owns the shares of Series C Preferred Stock through a broker, dealer or other nominee, and the broker, dealer or other nominee tenders the shares on the holder's behalf, the broker, dealer or other nominee may charge the holder a fee for doing so. The holder should consult the holder's broker, dealer or nominee to determine whether any charges will apply.

9. *Requests for Assistance or Additional Copies.* Any questions or requests for assistance should be directed to the Information Agent or the Dealer Manager at the addresses and telephone numbers listed on the back cover of this Letter of Transmittal. Any requests for additional copies of the Offer to Purchase or this Letter of Transmittal should be directed to the Information Agent. Any questions relating to the tender of physical share certificates should be directed to the Depositary at the address and telephone number listed on the front cover of this Letter of Transmittal.

10. *Irregularities.* All questions as to the validity, form, eligibility (including time of receipt) and acceptance for purchase of any tender of shares of Series C Preferred Stock in the Tender Offer, will be determined by the Company, in its sole discretion, and its determination will be final and binding. The Company reserves the absolute right to reject any and all tenders of shares of Series C Preferred Stock in the Tender Offer that it determines are not in proper form or the acceptance for purchase or purchase of which may, in the opinion of the Company, be unlawful. Subject to the applicable rules and regulations of the Securities and Exchange Commission, the Company also reserves the right to waive, prior to the Expiration Date, in its sole discretion, any of the conditions to the Tender Offer, including the right to waive any defect or irregularity in the tender of any shares of Series C Preferred Stock in the Tender Offer. No tender of shares of Series C Preferred Stock will be deemed to have been made until all defects and irregularities in the tender of such shares in the Tender Offer have been cured or waived. None of the Company, the Depositary, the Dealer Manager, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in the tender of any shares of Series C Preferred Stock in the Tender Offer or will incur any liability for failure to give any such notification. The Company's interpretation of the terms of conditions of the Tender Offer (including this Letter of Transmittal) will be final and binding.

11. *Solicited Tenders.* The Company will pay to Soliciting Dealers (as defined below) designated by the beneficial owner of the shares of Series C Preferred Stock which are validly tendered and accepted for purchase pursuant to the Tender Offer a solicitation fee equal to 0.5% of the aggregate value of the shares of Series C Preferred Stock that are validly tendered and accepted for purchase, up to a maximum of \$500,000 aggregate liquidation preference per holder of shares of Series C Preferred Stock. "Soliciting Dealer" includes (i) any broker or dealer in securities, including the Dealer Manager in its capacity as dealer or broker, who is a member

of any national securities exchange or of the Financial Industry Regulatory Authority, Inc. ("FINRA"), (ii) any foreign broker or dealer not eligible for membership in FINRA who agrees to conform to the FINRA's rules on soliciting tenders outside the United States to the same extent as if it were a FINRA member, or (iii) any bank or trust company, any of whom has solicited and obtained a tender pursuant to the Tender Offer. No such fee shall be payable to a Soliciting Dealer in respect of shares of Series C Preferred Stock owned, directly or indirectly, in the name of such Soliciting Dealer unless such shares of Series C Preferred Stock are being tendered for the benefit of one or more beneficial owners identified on this Letter of Transmittal or on the Notice of Solicited Tenders (included in the materials provided to brokers and dealers).

In order to receive a solicitation fee, the Soliciting Dealer must return a Notice of Solicited Tenders to the Information Agent prior to the Expiration Date. No solicitation fee shall be payable to a Soliciting Dealer in respect of shares of Series C Preferred Stock (i) directly or indirectly owned by such Soliciting Dealer or (ii) registered in the name of such Soliciting Dealer unless such shares of Series C Preferred Stock are held by such Soliciting Dealer as nominee and such shares of Series C Preferred Stock are being tendered for the benefit of one or more beneficial owners identified on this Letter of Transmittal or the Notice of Solicited Tenders. No solicitation fee shall be payable to the Soliciting Dealer with respect to the tender of shares of Series C Preferred Stock by the holder of record, for the benefit of the beneficial owner, unless the beneficial owner has designated such Soliciting Dealer.

12. *Waiver of Conditions.* Subject to the applicable rules and regulations of the Securities and Exchange Commission, the Company reserves the right to waive certain conditions enumerated in the Offer to Purchase.

13. *Inadequate Space.* If the space provided in the above "Description of Series C Preferred Stock Tendered" box is inadequate, the number of shares of Series C Preferred Stock and any other required information should be listed on a separate signed schedule and attached to this Letter of Transmittal.

14. *Lost, Destroyed or Stolen Certificates.* If any certificate(s) representing shares of Series C Preferred Stock has been lost, stolen or destroyed, please call the Company's transfer agent, American Stock Transfer & Trust Company, LLC (the "Transfer Agent"), at 1-800-937-5449. The holder may need to complete an Affidavit of Loss with respect to the lost certificate(s) (which will be provided by the Transfer Agent) and payment of an indemnity bond premium fee may be required.

15. *Substitute Form W-9.* Under U.S. federal income tax laws, the Depository will be required to withhold a portion of the amount of any payments made to certain holders pursuant to the Tender Offer unless each tendering holder that is a United States citizen, resident or entity, and, if applicable, each other United States payee, provides the Depository (as payor) with such holder's or payee's correct taxpayer identification number ("TIN") and certifies that such holder or payee is not subject to such backup withholding by completing the attached Substitute Form W-9. Certain holders or payees (including, among others, corporations, non-resident foreign individuals and foreign entities) are not subject to these backup withholding and reporting requirements provided such holder provides a proper certificate exempting such holder from backup withholding. A tendering holder who is a foreign individual or a foreign entity should complete, sign, and submit to the Depository the appropriate Form W-8. A Form W-8BEN may be obtained from the Depository or downloaded from Internal Revenue Service's website at the following address: <http://www.irs.gov/pub/irs-pdf/fw8ben.pdf>.

All tendering holders are urged to consult their own tax advisors to determine whether they are exempt from these backup withholding and reporting requirements. For further information concerning backup withholding see the "IMPORTANT TAX INFORMATION" section below.

Failure to complete the Substitute Form W-9 will not, by itself, cause shares of Series C Preferred Stock to be deemed invalidly tendered, but may require the Depository to withhold a portion of the amount of any payments made pursuant to the Tender Offer. NOTE: FAILURE TO COMPLETE AND RETURN THE SUBSTITUTE FORM W-9 MAY RESULT IN BACKUP WITHHOLDING OF A PORTION OF ANY PAYMENT MADE TO YOU PURSUANT TO THE TENDER OFFER. PLEASE REVIEW THE "IMPORTANT TAX INFORMATION" SECTION BELOW AND THE ENCLOSED "GUIDELINES FOR CERTIFICATION OF TIN ON SUBSTITUTE FORM W-9" FOR ADDITIONAL DETAILS.

IMPORTANT TAX INFORMATION

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT: (A) ANY FEDERAL TAX ADVICE CONTAINED HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE INTERNAL REVENUE CODE; (B) THE ADVICE IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTION OR THE MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

If payments are to be made to anyone other than the registered holder, or if the payments are to be paid to anyone other than the person signing this Letter of Transmittal, all transfer taxes (whether imposed on the registered holder or on any other person) will be payable by the tendering holder. Payments may not be paid to such a holder unless the holder has provided satisfactory evidence of the payment of any such transfer taxes or an exemption from such transfer taxes.

To prevent backup withholding, each U.S. Holder (as defined below) should either (x) provide his, her or its correct taxpayer identification number ("TIN") by completing the copy of the substitute IRS Form W-9 attached to this Letter of Transmittal, certifying that (1) he, she or it is a "United States person" (as defined in section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "Code")), (2) the TIN provided is correct (or that such U.S. Holder is awaiting a TIN) and (3) that the U.S. Holder is exempt from backup withholding because (i) the holder has not been notified by the Internal Revenue Service (the "IRS") that he, she or it is subject to backup withholding as a result of a failure to report all interest or dividends, or (ii) the IRS has notified the U.S. Holder that he, she or it is no longer subject to backup withholding or (y) otherwise establish an exemption. If you do not provide a completed Substitute Form W-9 to the Depository, backup withholding may begin and continue until you furnish your TIN. If you do not provide the Depository with the correct TIN or an adequate basis for exemption, you may be subject to a \$50 penalty imposed by the IRS, and payments may be subject to backup withholding at a rate of 28% (until 2010, at which time the rate is currently scheduled to be 31%). If withholding results in an overpayment of taxes, a refund may be obtained.

To prevent backup withholding, a Non-U.S. Holder (as defined below) should (i) submit a properly completed IRS Form W-8 BEN or other Form W-8 to the Depository, certifying under penalties of perjury to the holder's foreign status or (ii) otherwise establish an exemption. IRS Forms W-8 may be obtained from the Depository or on the IRS website at www.irs.gov.

Certain holders (including, among others, corporations) are exempt recipients generally not subject to these backup withholding requirements. See the enclosed copy of the IRS Substitute Form W-9 and Guidelines for Request for Taxpayer Identification Number on Substitute Form W-9. To avoid possible erroneous backup withholding, exempt U.S. Holders should complete and return the Substitute Form W-9 and check the box marked "Exempt".

For the purposes of these instructions, a "U.S. Holder" is (i) an individual who is a citizen or resident alien of the United States, (ii) a corporation (including an entity taxable as a corporation) created under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) the trust has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person. A "Non-U.S. Holder" is any holder (other than a holder that is, or holds its shares through, a partnership or other pass-through entity) that is not a U.S. Holder. The U.S. federal income tax treatment of a partner or other beneficial owner in a partnership or other flow-through entity generally will depend on the status of the partner and the activities of such partnership. Partners and partnerships (including beneficial owners of pass-through entities and such entities themselves) should consult their own tax advisors as to the particular U.S. federal income tax consequences applicable to them.

See the enclosed Guidelines for Request for Taxpayer Identification Number on Substitute Form W-9 for additional information and instructions.

REQUESTER'S NAME: American Stock Transfer & Trust, LLC

<p>SUBSTITUTE FORM W-9</p> <p>Department of the Treasury Internal Revenue Service (IRS)</p> <p>Payer's Request for Taxpayer Identification Number (TIN)</p> <p>Please fill in your name and address below.</p> <hr/> <p>Name _____</p> <hr/> <p>Business Name _____</p> <hr/> <p>Address (number and street) _____</p> <hr/> <p>City, State and Zip Code _____</p>	<p>Part 1 — PLEASE PROVIDE YOUR TIN IN THE BOX AT THE RIGHT OR, IF YOU DO NOT HAVE A TIN, WRITE "APPLIED FOR" AND SIGN THE CERTIFICATION BELOW.</p> <hr/> <p align="center">Social Security Number</p> <p align="center">OR</p> <hr/> <p align="center">Taxpayer Identification Number</p> <p align="center"><input type="checkbox"/> Exempt</p> <hr/> <p>Check appropriate box: <input type="checkbox"/> Disregarded Entity <input type="checkbox"/> Individual/Sole Proprietor <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Other _____</p> <p>(If you are an LLC, check the box marked "Other", write "LLC", and also check one of the other boxes to indicate your tax status (e.g., disregarded entity, individual/sole proprietor, corporation, partnership).</p> <hr/> <p>Part 2 — Certification — Under penalties of perjury, I certify that:</p> <p>(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me),</p> <p>(2) I am not subject to backup withholding either because (a) I am exempt from backup withholding, (b) I have not been notified by the IRS that I am subject to backup withholding as a result of failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and</p> <p>(3) I am a U.S. person (as defined for U.S. federal income tax purposes).</p> <hr/> <p>Certification Instructions — You must cross out item (2) in Part 2 above if you have been notified by the IRS that you are subject to backup withholding because of under reporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding, you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). If you are exempt from backup withholding, check the box in Part 1 and see the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9".</p> <p>Signature: _____ Date: _____</p>
--	--

YOU MUST COMPLETE THE FOLLOWING CERTIFICATION IF YOU WROTE "APPLIED FOR" ON SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that until I provide a taxpayer identification number, all reportable payments made to me will be subject to backup withholding, but will be refunded if I provide a certified taxpayer identification number within 60 days.

Signature: _____ Date: _____

THE IRS DOES NOT REQUIRE YOUR CONSENT TO ANY PROVISION OF THIS DOCUMENT OTHER THAN THE CERTIFICATIONS REQUIRED TO AVOID BACKUP WITHHOLDING

Any questions and requests for assistance may be directed to the Information Agent or the Dealer Manager at the addresses and telephone numbers set forth below. Additional copies of the Offer to Purchase or this Letter of Transmittal may be obtained from the Information Agent at the address and telephone numbers set forth below. Holders of Series C Preferred Stock may also contact their broker, dealer or other nominee for assistance concerning the Tender Offer.

The Information Agent for the Tender Offer is:

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, NY 10005

Collect: (212) 269-5550

Toll free: (800) 488-8075

The Dealer Manager for the Tender Offer is:

UBS Securities LLC
Attention: Liability Management
677 Washington Boulevard
Stamford, CT 06901

Collect: (203) 719-4210

Toll free: (888) 719-4210

**LETTER OF TRANSMITTAL
NEWCASTLE INVESTMENT CORP.**

Offer to Purchase up to
2,000,000 shares of 9.75% Series B Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 20 7)
1,100,000 shares of 8.05% Series C Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 30 6) and
1,500,000 shares of 8.375% Series D Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 40 5)

(8.375% Series D Cumulative Redeemable Preferred Stock)

THE TENDER OFFER WILL EXPIRE AT MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 17, 2009, UNLESS EXTENDED OR TERMINATED BY NEWCASTLE INVESTMENT CORP. THE TERM "EXPIRATION DATE" MEANS MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 17, 2009, UNLESS WE EXTEND THE PERIOD OF TIME FOR WHICH THE TENDER OFFER IS OPEN, IN WHICH CASE THE TERM "EXPIRATION DATE" MEANS THE LATEST TIME AND DATE ON WHICH THE TENDER OFFER, AS SO EXTENDED, EXPIRES. TENDERS OF PREFERRED STOCK MAY BE VALIDLY WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE.

The Depositary for the Tender Offer is:



By Mail or Overnight Courier:

American Stock Transfer & Trust Company
 Operations Center
 Attn: Reorganization Department
 6201 15th Avenue
 Brooklyn, NY 11219

By Hand:

American Stock Transfer & Trust Company
 Attn: Reorganization Department
 59 Maiden Lane
 New York, NY 10038

For assistance call (877) 248-6417 or (718) 921-8317

For use only by registered holders of the 8.375% Series D Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the "Series D Preferred Stock"), of Newcastle Investment Corp. (the "Company"). Delivery of this Letter of Transmittal to an address other than as set forth above, or transmission of this Letter of Transmittal via facsimile, will not constitute a valid delivery. The method of delivery of all documents, including certificates, is at the option and risk of the holder. Delivery will be deemed made only when actually received by the Depositary.

The instructions contained within this Letter of Transmittal should be read carefully before this Letter of Transmittal is completed.

DESCRIPTION OF SERIES D PREFERRED STOCK TENDERED

Name(s) and Address(es) of Registered Holder(s) (Please fill in, if blank)(1)	Series D Preferred Stock Share Certificate Number(s)(2)	Series D Share Certificate(s) and Share(s) Tendered (Please attach additional signed list, if necessary)	Number of Shares of Series D Preferred Stock Tendered(2)(3)
		Total Number of Shares of Series D Preferred Stock Represented by Share Certificate(s)(2)(3)	

Total Shares Tendered

- (1) The names and addresses of the registered holders of the tendered Series D Preferred Stock should be printed, if not already printed above, exactly as they appear on the share certificates tendered hereby.
 - (2) Need not be completed by registered holders tendering shares by book-entry transfer.
 - (3) Unless otherwise indicated in the row labeled "Number of Shares of Series D Preferred Stock Tendered" and subject to the terms and conditions of the Offer to Purchase, all Series D Preferred Stock represented by share certificates delivered to the Depository will be deemed to have been tendered.
- Check here if share certificates have been lost or mutilated.

The undersigned hereby acknowledges that he or she has received the Offer to Purchase, dated November 18, 2009 (the "Offer to Purchase"), of the Company and this Letter of Transmittal (the "Letter of Transmittal"), which together with the Letter of Transmittal for the Company's 9.75% Series B Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the "Series B Preferred Stock"), and the Letter of Transmittal for the Company's 8.05% Series C Cumulative Redeemable Preferred Stock, par value \$0.01 per share (the "Series C Preferred Stock" and together with the Series B Preferred Stock and the Series D Preferred Stock, the "Preferred Stock"), constitute the Company's tender offer (the "Tender Offer") of the Company's outstanding Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock, upon the terms and subject to the conditions specified in the Offer to Purchase.

The Company reserves the right, at any time or from time to time, to extend the Tender Offer, in which event the term "Expiration Date" shall mean the latest time and date to which the Tender Offer is extended. The Company shall issue a press release announcing any extension no later than 9:00 a.m., New York City Time, on the next business day after the previously scheduled Expiration Date.

This Letter of Transmittal is to be completed by holders of Series D Preferred Stock (i) if certificates evidencing Series D Preferred Stock (the "share certificates") are to be forwarded herewith or (ii) if delivery of Series D Preferred Stock is to be made by book-entry transfer to the account of American Stock Transfer & Trust Company (the "Depository") at The Depository Trust Company or "DTC" (also known as the "book-entry transfer facility") pursuant to the book-entry transfer procedure described in the section of the Offer to Purchase entitled "The Tender Offer—Procedure for Tendering."

Delivery of documents to DTC does not constitute delivery to the Depository.

The undersigned has completed, executed and delivered this Letter of Transmittal to indicate the action the undersigned desires to take with respect to the Tender Offer. Your bank or broker can assist you in completing this form. The instructions included with this Letter of Transmittal must be followed.

None of the Company's officers, the employees of the Company's manager, the Company's Board of Directors, the Dealer Manager, the Information Agent or the Depository is making a recommendation to any holder of Series D Preferred Stock as to whether to tender shares in the Tender Offer. Each holder must make his or her own investment decision regarding the Tender Offer based upon his or her assessment of the market value of the Series D Preferred Stock, his or her liquidity needs, his or her investment objectives and any other factors he or she deems relevant.

CHECK HERE IF TENDERED SHARES OF SERIES D PREFERRED STOCK ARE BEING DELIVERED BY BOOK-ENTRY TRANSFER MADE TO THE ACCOUNT MAINTAINED BY THE DEPOSITARY WITH DTC AND COMPLETE THE FOLLOWING:

Name of Tendering Institution: _____

DTC Account Number: _____

Transaction Code Number: _____

**NOTE: SIGNATURES MUST BE PROVIDED BELOW.
PLEASE READ THE ACCOMPANYING INSTRUCTIONS CAREFULLY.**

Ladies and Gentlemen:

Upon the terms and subject to the conditions of the Tender Offer, the undersigned hereby tenders to the Company the shares of Series D Preferred Stock set forth in the box above entitled "Description of Series D Preferred Stock Tendered." Subject to, and effective upon, the acceptance for purchase of the Preferred Stock tendered hereby, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company all right, title and interest in and to such shares of Preferred Stock as are being tendered hereby.

The undersigned understands that, if shares are accepted for purchase in the Tender Offer, the undersigned will receive for each share of Series D Preferred Stock purchased by the Company, an amount equal to the sum of (i) \$4.75 and (ii) all accumulated and unpaid dividends on the Series D Preferred Stock through the payment date of the Tender Offer, which date shall be not more than three business days after the Expiration Date. The accumulated and unpaid dividends on the Series D Preferred Stock will be \$2.39 as of December 22, 2009. If the Expiration Date, and therefore the Tender Offer payment date, is extended, the amount of accumulated and unpaid dividends for the Series D Preferred Stock will be increased accordingly.

The Tender Offer is subject to certain conditions, including there being validly tendered and not withdrawn at least 2,135,000 shares of Preferred Stock in the aggregate for all three series. **If the Company does not satisfy certain distribution requirements at the Expiration Date, then the Tender Offer will be terminated and the Company will not be obligated to purchase any Preferred Stock.** See "The Tender Offer—Conditions to the Tender Offer" in the Offer to Purchase.

The Company is offering to purchase up to 1,500,000 shares of Series D Preferred Stock. If, at the expiration of the Tender Offer, more than 1,500,000 shares of Series D Preferred Stock have been validly tendered and not withdrawn, and all other conditions to the Tender Offer are satisfied or waived, the Company will purchase 1,500,000 shares of Series D Preferred Stock on a pro rata basis from all tendering holders of such series, disregarding fractions, according to the number of shares of such series tendered by each holder. Any shares of Series D Preferred Stock not accepted for purchase will be returned to the registered holder(s) signing this Letter of Transmittal as promptly as practicable following the expiration or termination of the Tender Offer.

Capitalized terms used but not otherwise defined herein shall have the respective meanings given to them in the Offer to Purchase.

The undersigned hereby represents and warrants that (i) the undersigned has full power and authority to tender, sell, assign and transfer the Series D Preferred Stock tendered hereby, (ii) the undersigned has a net long position in the Series D Preferred Stock tendered hereby within the meaning of Rule 14e-4 under the Securities Exchange Act of 1934, as amended ("Rule 14e-4"), (iii) the tender of the Series D Preferred Stock tendered hereby complies with Rule 14e-4, and (iv) the Company will acquire good and unencumbered title thereto, free and clear of all liens, restrictions, charges and encumbrances, and not subject to any adverse claim, when the same are accepted by the Company.

The undersigned further represents and warrants that the undersigned has read and agrees to all of the terms and conditions of the Tender Offer. All authority herein conferred or agreed to be conferred shall survive the death or incapacity of the undersigned, and any obligation of the undersigned hereunder shall be binding upon the heirs, executors, administrators, personal representatives, trustees in bankruptcy, successors and assigns of the undersigned. This tender is irrevocable; provided that, the Series D Preferred Stock tendered pursuant to the Tender Offer may be withdrawn at any time on or prior to the Expiration Date, and unless theretofore accepted for purchase and not returned as provided for in the Offer to Purchase, may also be withdrawn after the expiration of 40 business days after the commencement of the Tender Offer, subject to the withdrawal rights and procedures set forth in the Offer to Purchase.

Subject to, and effective upon, the acceptance for purchase of all of the Series D Preferred Stock tendered by this Letter of Transmittal in accordance with the terms and conditions of the Tender Offer, the undersigned hereby sells, assigns and transfers to, or upon the order of, the Company, all right, title and interest in and to the

shares of Series D Preferred Stock tendered by this Letter of Transmittal, and releases and discharges the Company and its officers and directors from any and all claims the undersigned may have now, or may have in the future, arising out of, or related to, the shares of Series D Preferred Stock. The undersigned hereby acknowledges receipt of the Offer to Purchase, the terms of which are incorporated herein by reference. The undersigned hereby irrevocably constitutes and appoints the Depository as its agent and attorney-in-fact, with full power and authority in its name, place and stead, with full knowledge that the Depository is also acting as the agent of the Company in connection with the Tender Offer, as the undersigned's true and lawful representative, attorney-in-fact and agent with respect to the tendered shares of Series D Preferred Stock, with full power of substitution, such power of attorney being deemed to be an irrevocable power coupled with an interest, subject only to the right of withdrawal described in the Offer to Purchase, to (1) deliver the tendered shares of Series D Preferred Stock to the Company together with all accompanying evidences of transfer and authenticity to the Company, upon receipt by the Depository, as its agent, of the purchase price to be paid for the tendered shares of Series D Preferred Stock, (2) present the tendered shares of Series D Preferred Stock for transfer, and to transfer the tendered Series D Preferred Stock on the account books maintained by DTC to, or upon the order of, the Company, (3) present the tendered shares of Series D Preferred Stock for transfer, and to transfer the tendered shares of Series D Preferred Stock on the books of the Company, and (4) receive all benefits and otherwise exercise all rights of ownership of the tendered shares of Series D Preferred Stock, all in accordance with the terms and conditions of the Tender Offer. Such appointment will be automatically revoked if the Company does not accept for purchase the shares of Series D Preferred Stock that the undersigned has tendered. The foregoing power of attorney shall terminate upon execution by the Depository of an instrument of termination that specifies in writing that the foregoing power of attorney is terminated.

The undersigned will, upon request, execute and deliver any additional documents deemed by the Company to be necessary or desirable to complete the sale, assignment and transfer of the Series D Preferred Stock tendered hereby. All authority conferred or agreed to be conferred in this Letter of Transmittal and every obligation of the undersigned hereunder shall be binding upon the successors, assigns, heirs, executors, administrators, trustees in bankruptcy and legal representatives of the undersigned and shall not be affected by, and shall survive, the death or incapacity of the undersigned. This tender may be withdrawn only in accordance with the procedures set forth in the section of the Offer to Purchase entitled "The Tender Offer —Withdrawal of Tenders."

Unless otherwise indicated herein in the box entitled "Special Payment Instructions" below, please deliver payment of the purchase price for shares of any Series D Preferred Stock accepted for purchase to the registered holder(s) at the address appearing under the above "Description of Series D Preferred Stock Tendered" box. In the event that the box entitled "Special Payment Instructions" is completed, please deliver payment of the purchase price for shares of any Series D Preferred Stock accepted for purchase to the person or persons and at the address(es) so indicated.

THE UNDERSIGNED, BY COMPLETING THE ABOVE "DESCRIPTION OF SERIES D PREFERRED STOCK TENDERED" BOX AND SIGNING THIS LETTER, WILL BE DEEMED TO HAVE TENDERED THEIR SHARES OF SERIES D PREFERRED STOCK AS SET FORTH IN SUCH BOX ABOVE.

COMPLETE THE FOLLOWING BOX ONLY IF APPLICABLE

SPECIAL PAYMENT INSTRUCTIONS
(See Instruction 7)

To be completed ONLY if the payment of the purchase price for shares of Series D Preferred Stock accepted for purchase is to be issued to the order of someone other than the person or persons whose signature(s) appear(s) within this Letter of Transmittal or issued to an address different from that shown in the box entitled "Description of Series D Preferred Stock Tendered" within this Letter of Transmittal.

Issue the payment to:

Name:

(Please Print)

Address:

(Include Zip Code)

(Taxpayer Identification or Social Security Number)

**IMPORTANT
PLEASE SIGN HERE
(Complete the accompanying Substitute Form W-9)**

This Letter of Transmittal must be signed by the holder(s) of the shares of Series D Preferred Stock being tendered exactly as his, her, its or their name(s) appear(s) on the certificate(s) for such shares of Series D Preferred Stock or, if tendered by a participant in DTC, exactly as such participant's name appears on a security position listing as the owner of the shares of Series D Preferred Stock or by person(s) authorized to become holder(s) by endorsements on certificates for such shares of Series D Preferred Stock or by stock powers transmitted with this Letter of Transmittal. Endorsements on shares of Series D Preferred Stock and signatures on stock powers by holders(s) not executing this Letter of Transmittal must be guaranteed by an Eligible Institution. If signature is by a trustee, executor, administrator, guardian, attorney-in-fact, officer or other person acting in a fiduciary or representative capacity, such person must set forth his or her full title below under "Capacity" and submit evidence satisfactory to the Company and the Depository of such person's authority to so act. See Instruction 6.

SIGNATURE(S) OF HOLDERS

Dated: _____
Name(s) _____
Capacity (full title) _____
Address _____
Area Code and Telephone Number _____

**GUARANTEE OF SIGNATURE(S)
(IF REQUIRED; SEE INSTRUCTION 1)**

Name of Firm _____
Address _____
Authorized Signature _____
Name _____
Area Code and Telephone Number _____

**INSTRUCTIONS
FORMING PART OF THE TERMS AND CONDITIONS OF
THE TENDER OFFER**

1. *Guarantee of Signatures.* Except as otherwise provided below, all signatures on this Letter of Transmittal must be guaranteed by a firm that is a member of a registered national securities exchange or the Financial Industry Regulatory Authority, Inc., or by a commercial bank or trust company having an office or correspondent in the United States that is a participant in an approved Signature Guarantee Medallion Program (each of the foregoing being referred to as an "Eligible Institution"). Signatures on this Letter of Transmittal need not be guaranteed if (a) this Letter of Transmittal is signed by the registered holder(s) of the shares of Series D Preferred Stock tendered herewith, or by a participant in DTC whose name appears on a security position listing as the owner of the shares of Series D Preferred Stock, and neither has completed the box entitled "Special Payment Instructions," or (b) such shares of Series D Preferred Stock are tendered for the account of an Eligible Institution. See Instruction 6.

2. *Delivery of this Letter of Transmittal and Certificates for Shares of Series D Preferred Stock or Book-Entry Confirmations* This Letter of Transmittal is to be used by each holder of shares of Series D Preferred Stock if (a) share certificates of Series D Preferred Stock are to be physically delivered to the Depository herewith by such holder or (b) delivery of Series D Preferred Stock is to be made by book entry transfer. For a tender of share certificates to be considered validly tendered, the Depository must receive any required documents at its address indicated on the cover page of this Letter of Transmittal prior to the Expiration Date. The tender by a holder that is not withdrawn prior to the Expiration Date will constitute a binding agreement between the holder and the Company in accordance with the terms and subject to the conditions of the Tender Offer. If you are not a registered holder of Series D Preferred Stock, please contact your broker, bank or other nominee for further instructions.

If the holder beneficially owns shares of Series D Preferred Stock that are held through a broker, dealer or other nominee and the holder wishes to tender those shares of Series D Preferred Stock, the holder should contact the broker, dealer or other nominee promptly and instruct it to tender the holder's shares of Series D Preferred Stock on the holder's behalf.

The method of delivery of shares of Series D Preferred Stock, the Letter of Transmittal and all other required documents, including delivery through DTC, are at the option and risk of the tendering stockholder, and the delivery will be deemed made only when actually received by the Depository (including, in the case of a book-entry transfer, receipt of a Book-Entry Confirmation). If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

3. *Consenting in the Tender Offer.* By tendering your shares of Series D Preferred Stock in accordance with the procedures described in the Offer to Purchase and the Letter of Transmittal, you acknowledge receipt of the Offer to Purchase. You irrevocably constitute and appoint the Depository as your agent and attorney-in-fact, with full power and authority in your name, place and stead, with full knowledge that the Depository is also acting as the agent of the Company in connection with the Tender Offer, as your true and lawful representative, attorney-in-fact and agent with respect to the tendered shares of Series D Preferred Stock, with full power of substitution, such power of attorney being deemed to be an irrevocable power coupled with an interest, subject only to the right of withdrawal described in the Offer to Purchase, to (1) deliver the tendered shares of Series D Preferred Stock to the Company, together with all accompanying evidences of transfer and authenticity, upon receipt by the Depository, as its agent, of the purchase price to be paid for the tendered shares of Series D Preferred Stock, (2) present the tendered shares of Series D Preferred Stock for transfer, and to transfer the tendered shares of Series D Preferred Stock on the account books maintained by DTC to, or upon the order of, the Company, (3) present the tendered shares of Series D Preferred Stock for transfer, and to transfer the tendered shares of Series D Preferred Stock on the books of the Company, and (4) receive all benefits and otherwise exercise all rights of ownership of the tendered shares of Series D Preferred Stock, all in accordance with the terms and conditions of the Tender Offer. Such appointment will be automatically revoked if the Company does not accept for purchase shares of Series D Preferred Stock that a holder has tendered.

4. *Withdrawal Procedures.* Holders who wish to exercise their right of withdrawal with respect to the Tender Offer must give written notice of withdrawal.

If shares of Series D Preferred Stock are held through a broker, bank or other nominee in book-entry form, a withdrawal of shares of Series D Preferred Stock will be effective if the broker, bank or other nominee complies with the appropriate procedures of DTC prior to the Expiration Date or, if the holder's shares are not previously accepted for purchase by the Company, after the expiration of 40 business days after the commencement of the Tender Offer. Any notice of withdrawal must identify the beneficial owner of the shares of Series D Preferred Stock to be withdrawn, including the beneficial owner's name and account number and the account at DTC to be credited and otherwise comply with the procedures of DTC.

If the holder's share certificates are registered in the holder's name, a withdrawal of shares of Series D Preferred Stock will be effective if the holder delivers a written notice of withdrawal to the Depository at the appropriate address specified on the front cover of this Letter of Transmittal prior to the Expiration Date or, if the holder's shares are not previously accepted for purchase by the Company, after the expiration of 40 business days after the commencement of the Tender Offer. The holder's notice of withdrawal must comply with the requirements set forth in the Tender Offer.

Any shares of Series D Preferred Stock withdrawn will be deemed not to have been validly tendered for purposes of the Tender Offer and no cash consideration will be issued in payment unless the shares of Series D Preferred Stock so withdrawn are validly re-tendered.

5. *Partial Tenders (Not Applicable to Holders Who Tender by Book-Entry Transfer).* If fewer than all the shares of Series D Preferred Stock represented by any certificate delivered to the Depository are to be tendered, fill in the number of shares which are to be tendered in the box entitled "Number of Shares of Series D Preferred Stock Tendered." In such case, a new certificate for the remainder of the shares represented by the old certificate will be sent to the registered holder(s) signing this Letter of Transmittal as promptly as practicable following the expiration or termination of the Tender Offer. All shares of Series D Preferred Stock represented by certificates delivered to the Depository will be deemed to have been tendered unless otherwise indicated.

6. *Signatures on this Letter of Transmittal; Stock Powers and Endorsements.* If this Letter of Transmittal is signed by the registered holder(s) of the shares of Series D Preferred Stock referred to in this Letter of Transmittal, the signature(s) must correspond with the name(s) as written on the face of the share certificates without alteration, enlargement or any change whatsoever. If this Letter of Transmittal is signed by a participant in DTC whose name is shown as the owner of the shares of Series D Preferred Stock tendered hereby, the signature must correspond with the name shown on the security position listing as the owner of the shares of Series D Preferred Stock.

If any of the shares of Series D Preferred Stock tendered are held of record by two or more persons, all such persons must sign the Letter of Transmittal.

If any of the shares of Series D Preferred Stock tendered are registered in different names, it will be necessary to complete, sign and submit as many separate Letters of Transmittal as there are different registrations.

If this Letter of Transmittal is signed by a person other than the registered holder(s) of the Series D Preferred Stock tendered hereby, certificates must be endorsed or accompanied by appropriate stock powers, in either case, signed exactly as the name(s) of the registered holder(s) appear(s) on the certificates for such Series D Preferred Stock. Signature(s) on any such certificates or stock powers must be guaranteed by an Eligible Institution. See Instruction 1.

If either this Letter of Transmittal or any certificate or stock power is signed by a trustee, executor, administrator, guardian, attorney-in-fact, officer of a corporation or other person acting in a fiduciary or representative capacity, such person should so indicate when signing, and proper evidence satisfactory to the Company and the Depository of the authority of such persons to act must be submitted.

Endorsements on certificates for shares of Series D Preferred Stock and signatures on stock powers provided in accordance with this Instruction 6 by holders not executing this Letter of Transmittal must be guaranteed by an Eligible Institution. See Instruction 1.

7. *Special Payment Instructions.* Tendering holders should indicate in the applicable box or boxes the name and address to which the payment of the purchase price for shares of Series D Preferred Stock accepted for purchase is to be issued ONLY if such payment is to be made to the order of someone other than the person or persons whose signature(s) appear(s) within this Letter of Transmittal or issued to an address different from that shown in the box entitled "Description of Series D Preferred Stock Tendered" within this Letter of Transmittal. In the case of issuance in a different name, the taxpayer identification or social security number of the person named must also be indicated.

8. *Transfer Taxes.* The Company will pay all transfer taxes applicable to the purchase and transfer of Series D Preferred Stock pursuant to the Tender Offer. However, if the payment of the purchase price is to be made to a person other than the person in whose name the surrendered certificate formerly evidencing the shares of Series D Preferred Stock is registered on the stock transfer books of the Company, then the certificate so surrendered must be endorsed properly or otherwise be in proper form for transfer and the person requesting such payment must have paid all transfer and other taxes required by reason of the payment to a person other than the registered holder of the certificate surrendered, or shall have established to the satisfaction of the Company that such taxes either have been paid or are not applicable.

Additionally, if the holder owns the shares of Series D Preferred Stock through a broker, dealer or other nominee, and the broker, dealer or other nominee tenders the shares on the holder's behalf, the broker, dealer or other nominee may charge the holder a fee for doing so. The holder should consult the holder's broker, dealer or nominee to determine whether any charges will apply.

9. *Requests for Assistance or Additional Copies.* Any questions or requests for assistance should be directed to the Information Agent or the Dealer Manager at the addresses and telephone numbers listed on the back cover of this Letter of Transmittal. Any requests for additional copies of the Offer to Purchase or this Letter of Transmittal should be directed to the Information Agent. Any questions relating to the tender of physical share certificates should be directed to the Depositary at the address and telephone number listed on the front cover of this Letter of Transmittal.

10. *Irregularities.* All questions as to the validity, form, eligibility (including time of receipt) and acceptance for purchase of any tender of shares of Series D Preferred Stock in the Tender Offer, will be determined by the Company, in its sole discretion, and its determination will be final and binding. The Company reserves the absolute right to reject any and all tenders of shares of Series D Preferred Stock in the Tender Offer that it determines are not in proper form or the acceptance for purchase or purchase of which may, in the opinion of the Company, be unlawful. Subject to the applicable rules and regulations of the Securities and Exchange Commission, the Company also reserves the right to waive, prior to the Expiration Date, in its sole discretion, any of the conditions to the Tender Offer, including the right to waive any defect or irregularity in the tender of any shares of Series D Preferred Stock in the Tender Offer. No tender of shares of Series D Preferred Stock will be deemed to have been made until all defects and irregularities in the tender of such shares in the Tender Offer have been cured or waived. None of the Company, the Depositary, the Dealer Manager, the Information Agent or any other person will be under any duty to give notification of any defects or irregularities in the tender of any shares of Series D Preferred Stock in the Tender Offer or will incur any liability for failure to give any such notification. The Company's interpretation of the terms of conditions of the Tender Offer (including this Letter of Transmittal) will be final and binding.

11. *Solicited Tenders.* The Company will pay to Soliciting Dealers (as defined below) designated by the beneficial owner of the shares of Series D Preferred Stock which are validly tendered and accepted for purchase pursuant to the Tender Offer a solicitation fee equal to 0.5% of the aggregate value of the shares of Series D Preferred Stock that are validly tendered and accepted for purchase, up to a maximum of \$500,000 aggregate liquidation preference per holder of shares of Series D Preferred Stock. "Soliciting Dealer" includes (i) any broker or dealer in securities, including the Dealer Manager in its capacity as dealer or broker, who is a member

of any national securities exchange or of the Financial Industry Regulatory Authority, Inc. ("FINRA"), (ii) any foreign broker or dealer not eligible for membership in FINRA who agrees to conform to the FINRA's rules on soliciting tenders outside the United States to the same extent as if it were a FINRA member, or (iii) any bank or trust company, any of whom has solicited and obtained a tender pursuant to the Tender Offer. No such fee shall be payable to a Soliciting Dealer in respect of shares of Series D Preferred Stock owned, directly or indirectly, in the name of such Soliciting Dealer unless such shares of Series D Preferred Stock are being tendered for the benefit of one or more beneficial owners identified on this Letter of Transmittal or on the Notice of Solicited Tenders (included in the materials provided to brokers and dealers).

In order to receive a solicitation fee, the Soliciting Dealer must return a Notice of Solicited Tenders to the Information Agent prior to the Expiration Date. No solicitation fee shall be payable to a Soliciting Dealer in respect of shares of Series D Preferred Stock (i) directly or indirectly owned by such Soliciting Dealer or (ii) registered in the name of such Soliciting Dealer unless such shares of Series D Preferred Stock are held by such Soliciting Dealer as nominee and such shares of Series D Preferred Stock are being tendered for the benefit of one or more beneficial owners identified on this Letter of Transmittal or the Notice of Solicited Tenders. No solicitation fee shall be payable to the Soliciting Dealer with respect to the tender of shares of Series D Preferred Stock by the holder of record, for the benefit of the beneficial owner, unless the beneficial owner has designated such Soliciting Dealer.

12. *Waiver of Conditions.* Subject to the applicable rules and regulations of the Securities and Exchange Commission, the Company reserves the right to waive certain conditions enumerated in the Offer to Purchase.

13. *Inadequate Space.* If the space provided in the above "Description of Series D Preferred Stock Tendered" box is inadequate, the number of shares of Series D Preferred Stock and any other required information should be listed on a separate signed schedule and attached to this Letter of Transmittal.

14. *Lost, Destroyed or Stolen Certificates.* If any certificate(s) representing shares of Series D Preferred Stock has been lost, stolen or destroyed, please call the Company's transfer agent, American Stock Transfer & Trust Company, LLC (the "Transfer Agent"), at 1-800-937-5449. The holder may need to complete an Affidavit of Loss with respect to the lost certificate(s) (which will be provided by the Transfer Agent) and payment of an indemnity bond premium fee may be required.

15. *Substitute Form W-9.* Under U.S. federal income tax laws, the Depository will be required to withhold a portion of the amount of any payments made to certain holders pursuant to the Tender Offer unless each tendering holder that is a United States citizen, resident or entity, and, if applicable, each other United States payee, provides the Depository (as payor) with such holder's or payee's correct taxpayer identification number ("TIN") and certifies that such holder or payee is not subject to such backup withholding by completing the attached Substitute Form W-9. Certain holders or payees (including, among others, corporations, non-resident foreign individuals and foreign entities) are not subject to these backup withholding and reporting requirements provided such holder provides a proper certificate exempting such holder from backup withholding. A tendering holder who is a foreign individual or a foreign entity should complete, sign, and submit to the Depository the appropriate Form W-8. A Form W-8BEN may be obtained from the Depository or downloaded from Internal Revenue Service's website at the following address: <http://www.irs.gov/pub/irs-pdf/fw8ben.pdf>.

All tendering holders are urged to consult their own tax advisors to determine whether they are exempt from these backup withholding and reporting requirements. For further information concerning backup withholding see the "IMPORTANT TAX INFORMATION" section below.

Failure to complete the Substitute Form W-9 will not, by itself, cause shares of Series D Preferred Stock to be deemed invalidly tendered, but may require the Depository to withhold a portion of the amount of any payments made pursuant to the Tender Offer. NOTE: FAILURE TO COMPLETE AND RETURN THE SUBSTITUTE FORM W-9 MAY RESULT IN BACKUP WITHHOLDING OF A PORTION OF ANY PAYMENT MADE TO YOU PURSUANT TO THE TENDER OFFER. PLEASE REVIEW THE "IMPORTANT TAX INFORMATION" SECTION BELOW AND THE ENCLOSED "GUIDELINES FOR CERTIFICATION OF TIN ON SUBSTITUTE FORM W-9" FOR ADDITIONAL DETAILS.

IMPORTANT TAX INFORMATION

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, YOU ARE HEREBY NOTIFIED THAT: (A) ANY FEDERAL TAX ADVICE CONTAINED HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE INTERNAL REVENUE CODE; (B) THE ADVICE IS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTION OR THE MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

If payments are to be made to anyone other than the registered holder, or if the payments are to be paid to anyone other than the person signing this Letter of Transmittal, all transfer taxes (whether imposed on the registered holder or on any other person) will be payable by the tendering holder. Payments may not be paid to such a holder unless the holder has provided satisfactory evidence of the payment of any such transfer taxes or an exemption from such transfer taxes.

To prevent backup withholding, each U.S. Holder (as defined below) should either (x) provide his, her or its correct taxpayer identification number ("TIN") by completing the copy of the substitute IRS Form W-9 attached to this Letter of Transmittal, certifying that (1) he, she or it is a "United States person" (as defined in section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "Code")), (2) the TIN provided is correct (or that such U.S. Holder is awaiting a TIN) and (3) that the U.S. Holder is exempt from backup withholding because (i) the holder has not been notified by the Internal Revenue Service (the "IRS") that he, she or it is subject to backup withholding as a result of a failure to report all interest or dividends, or (ii) the IRS has notified the U.S. Holder that he, she or it is no longer subject to backup withholding or (y) otherwise establish an exemption. If you do not provide a completed Substitute Form W-9 to the Depository, backup withholding may begin and continue until you furnish your TIN. If you do not provide the Depository with the correct TIN or an adequate basis for exemption, you may be subject to a \$50 penalty imposed by the IRS, and payments may be subject to backup withholding at a rate of 28% (until 2010, at which time the rate is currently scheduled to be 31%). If withholding results in an overpayment of taxes, a refund may be obtained.

To prevent backup withholding, a Non-U.S. Holder (as defined below) should (i) submit a properly completed IRS Form W-8 BEN or other Form W-8 to the Depository, certifying under penalties of perjury to the holder's foreign status or (ii) otherwise establish an exemption. IRS Forms W-8 may be obtained from the Depository or on the IRS website at www.irs.gov.

Certain holders (including, among others, corporations) are exempt recipients generally not subject to these backup withholding requirements. See the enclosed copy of the IRS Substitute Form W-9 and Guidelines for Request for Taxpayer Identification Number on Substitute Form W-9. To avoid possible erroneous backup withholding, exempt U.S. Holders should complete and return the Substitute Form W-9 and check the box marked "Exempt".

For the purposes of these instructions, a "U.S. Holder" is (i) an individual who is a citizen or resident alien of the United States, (ii) a corporation (including an entity taxable as a corporation) created under the laws of the United States or of any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) the trust has a valid election in effect under applicable Treasury regulations to be treated as a U.S. person. A "Non-U.S. Holder" is any holder (other than a holder that is, or holds its shares through, a partnership or other pass-through entity) that is not a U.S. Holder. The U.S. federal income tax treatment of a partner or other beneficial owner in a partnership or other flow-through entity generally will depend on the status of the partner and the activities of such partnership. Partners and partnerships (including beneficial owners of pass-through entities and such entities themselves) should consult their own tax advisors as to the particular U.S. federal income tax consequences applicable to them.

See the enclosed Guidelines for Request for Taxpayer Identification Number on Substitute Form W-9 for additional information and instructions.

REQUESTER'S NAME: American Stock Transfer & Trust, LLC

<p>SUBSTITUTE FORM W-9</p> <p>Department of the Treasury Internal Revenue Service (IRS)</p> <p>Payer's Request for Taxpayer Identification Number (TIN)</p> <p>Please fill in your name and address below.</p> <hr/> <p>Name</p> <hr/> <p>Business Name</p> <hr/> <p>Address (number and street)</p> <hr/> <p>City, State and Zip Code</p>	<p>Part 1 — PLEASE PROVIDE YOUR TIN IN THE BOX AT THE RIGHT OR, IF YOU DO NOT HAVE A TIN, WRITE "APPLIED FOR" AND SIGN THE CERTIFICATION BELOW.</p> <hr/> <p align="center">Social Security Number</p> <p align="center">OR</p> <hr/> <p align="center">Taxpayer Identification Number</p> <p align="center"><input type="checkbox"/> Exempt</p>	<p>Check appropriate box: <input type="checkbox"/> Disregarded Entity <input type="checkbox"/> Individual/Sole Proprietor</p> <p><input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Other _____</p> <p><small>(If you are an LLC, check the box marked "Other", write "LLC", and also check one of the other boxes to indicate your tax status (e.g., disregarded entity, individual/sole proprietor, corporation, partnership).)</small></p>
	<p>Part 2 — Certification — Under penalties of perjury, I certify that:</p> <p>(1) The number shown on this form is my correct Taxpayer Identification Number (or I am waiting for a number to be issued to me),</p> <p>(2) I am not subject to backup withholding either because (a) I am exempt from backup withholding, (b) I have not been notified by the IRS that I am subject to backup withholding as a result of failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and</p> <p>(3) I am a U.S. person (as defined for U.S. federal income tax purposes).</p>	
	<p>Certification Instructions — You must cross out item (2) in Part 2 above if you have been notified by the IRS that you are subject to backup withholding because of under reporting interest or dividends on your tax return. However, if after being notified by the IRS that you were subject to backup withholding, you received another notification from the IRS that you are no longer subject to backup withholding, do not cross out item (2). If you are exempt from backup withholding, check the box in Part 1 and see the enclosed "Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9".</p> <p>Signature: _____ Date: _____</p>	

YOU MUST COMPLETE THE FOLLOWING CERTIFICATION IF YOU WROTE "APPLIED FOR" ON SUBSTITUTE FORM W-9.

CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER

I certify under penalties of perjury that a taxpayer identification number has not been issued to me, and either (a) I have mailed or delivered an application to receive a taxpayer identification number to the appropriate Internal Revenue Service Center or Social Security Administration Office or (b) I intend to mail or deliver an application in the near future. I understand that until I provide a taxpayer identification number, all reportable payments made to me will be subject to backup withholding, but will be refunded if I provide a certified taxpayer identification number within 60 days.

Signature: _____ Date: _____

THE IRS DOES NOT REQUIRE YOUR CONSENT TO ANY PROVISION OF THIS DOCUMENT OTHER THAN THE CERTIFICATIONS REQUIRED TO AVOID BACKUP WITHHOLDING

Any questions and requests for assistance may be directed to the Information Agent or the Dealer Manager at the addresses and telephone numbers set forth below. Additional copies of the Offer to Purchase or this Letter of Transmittal may be obtained from the Information Agent at the address and telephone numbers set forth below. Holders of Series D Preferred Stock may also contact their broker, dealer or other nominee for assistance concerning the Tender Offer.

The Information Agent for the Tender Offer is:

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, NY 10005

Collect: (212) 269-5550

Toll free: (800) 488-8075

The Dealer Manager for the Tender Offer is:

UBS Securities LLC
Attention: Liability Management
677 Washington Boulevard
Stamford, CT 06901

Collect: (203) 719-4210

Toll free: (888) 719-4210

NEWCASTLE INVESTMENT CORP.

Offer to Purchase up to
2,000,000 shares of 9.75% Series B Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 20 7)
1,100,000 shares of 8.05% Series C Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 30 6) and
1,500,000 shares of 8.375% Series D Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 40 5)

THE TENDER OFFER WILL EXPIRE AT MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 17, 2009, UNLESS EXTENDED OR TERMINATED BY NEWCASTLE INVESTMENT CORP. THE TERM "EXPIRATION DATE" MEANS MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 17, 2009, UNLESS WE EXTEND THE PERIOD OF TIME FOR WHICH THE TENDER OFFER IS OPEN, IN WHICH CASE THE TERM "EXPIRATION DATE" MEANS THE LATEST TIME AND DATE ON WHICH THE TENDER OFFER, AS SO EXTENDED, EXPIRES. TENDERS OF PREFERRED STOCK MAY BE VALIDLY WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE.

To Brokers, Dealers and Other Nominees:

Newcastle Investment Corp. (the "Company") is offering to purchase for cash (i) up to 2,000,000 shares of the Company's outstanding 9.75% Series B Cumulative Redeemable Preferred Stock, par value \$0.01 per share ("Series B Preferred Stock"), (ii) up to 1,100,000 shares of the Company's outstanding 8.05% Series C Cumulative Redeemable Preferred Stock, par value \$0.01 per share ("Series C Preferred Stock"), and (iii) up to 1,500,000 shares of the Company's outstanding 8.375% Series D Cumulative Redeemable Preferred Stock, par value \$0.01 per share ("Series D Preferred Stock," and, together with Series B Preferred Stock and Series C Preferred Stock, the "Preferred Stock"), upon the terms and subject to the conditions set forth in the Offer to Purchase, dated November 18, 2009 (the "Offer to Purchase") and in the related Letters of Transmittal (which together, as amended, supplemented or otherwise modified from time to time, collectively constitute the "Tender Offer").

If, at the expiration of the Tender Offer, more than 2,000,000 shares of Series B Preferred Stock, 1,100,000 shares of Series C Preferred Stock or 1,500,000 shares of Series D Preferred Stock, respectively, have been validly tendered and not withdrawn, and all other conditions are satisfied or waived, the Company will purchase 2,000,000 shares of Series B Preferred Stock, 1,100,000 shares of Series C Preferred Stock or 1,500,000 shares of Series D Preferred Stock, as the case may be, on a pro rata basis from all tendering holders of such series, disregarding fractions, according to the number of shares of such series tendered by each holder.

The Tender Offer is subject to certain conditions, including there being validly tendered and not withdrawn at least 2,135,000 shares of Preferred Stock in the aggregate for all three series. **If the Company does not satisfy certain distribution requirements at the Expiration Date, then the Tender Offer will be terminated and the Company will not be obligated to purchase any Preferred Stock.** See "The Tender Offer—Conditions to the Tender Offer" in the Offer to Purchase.

In connection with the Tender Offer, please forward copies of the enclosed materials to your clients for whom you hold Preferred Stock registered in your name or in the name of your nominee. For your information and for forwarding to your clients, we are enclosing the following documents:

1. Offer to Purchase, dated November 18, 2009;
2. a Letter of Transmittal for each series of Preferred Stock for your use and for the information of your clients, together with a Substitute Form W-9 and Guidelines for Certification of Taxpayer Identification Number on Substitute Form W-9 providing information relating to U.S. federal income tax backup withholding; and
3. a printed form of letter that may be sent to your clients for whose accounts you hold shares of Preferred Stock registered in your name or in the name of your nominee, with space provided for obtaining such clients' instructions with regard to the Tender Offer.

DTC participants will be able to execute tenders through the DTC Automated Tender Offer Program.

WE RECOMMEND THAT YOU CONTACT YOUR CLIENTS AS PROMPTLY AS POSSIBLE IN ORDER TO OBTAIN THEIR INSTRUCTIONS.

If the Tender Offer is successfully completed, the Company will pay to Soliciting Dealers (as defined below) designated by the beneficial owner of the shares of Preferred Stock which are validly tendered and accepted for purchase pursuant to the Tender Offer a solicitation fee equal to 0.5% of the aggregate value of the shares of Preferred Stock that are validly tendered and accepted for purchase, up to a maximum of \$500,000 aggregate liquidation preference per holder for each series of Preferred Stock tendered. "Soliciting Dealer" includes (i) any broker or dealer in securities, including UBS Securities LLC in its capacity as dealer or broker, who is a member of any national securities exchange or of the Financial Industry Regulatory Authority, Inc. ("FINRA"), (ii) any foreign broker or dealer not eligible for membership in FINRA who agrees to conform to the FINRA's rules on soliciting tenders outside the United States to the same extent as if it were a FINRA member, or (iii) any bank or trust company, any of whom has solicited and obtained a tender pursuant to the Tender Offer. No such fee shall be payable to a Soliciting Dealer in respect of shares of Preferred Stock owned, directly or indirectly, in the name of such Soliciting Dealer unless such shares of Preferred Stock are being tendered for the benefit of one or more beneficial owners identified on the applicable Letter of Transmittal or on the Notice of Solicited Tenders (attached to this letter).

In order to receive a solicitation fee, the Soliciting Dealer must return a Notice of Solicited Tenders to the Information Agent prior to the Expiration Date. No solicitation fee shall be payable to a Soliciting Dealer in respect of shares of Preferred Stock (i) directly or indirectly owned by such Soliciting Dealer or (ii) registered in the name of such Soliciting Dealer unless such shares of Preferred Stock are held by such Soliciting Dealer as nominee and such shares of Preferred Stock are being tendered for the benefit of one or more beneficial owners identified on the Letter of Transmittal or the Notice of Solicited Tenders. No solicitation fee shall be payable to the Soliciting Dealer with respect to the tender of shares of Preferred Stock by the holder of record, for the benefit of the beneficial owner, unless the beneficial owner has designated such Soliciting Dealer.

UBS Securities LLC is acting as Dealer Manager in connection with the Tender Offer. In its role as Dealer Manager, the Dealer Manager may contact brokers, dealers and other nominees and may provide information regarding the Tender Offer to those that they contact or persons that contact them. The Dealer Manager will receive, for these services, a reasonable and customary fee. The Company also has agreed to reimburse the Dealer Manager for reasonable out-of-pocket expenses incurred in connection with the Tender Offer, including reasonable fees and expenses of counsel, and to indemnify the Dealer Manager against certain liabilities in connection with the Tender Offer, including certain liabilities under the federal securities laws.

D.F. King & Co., Inc. is acting as Information Agent and American Stock Transfer and Trust Company, LLC is acting as Depositary in connection with the Tender Offer. The Information Agent may contact holders of Preferred Stock by mail, telephone, facsimile and personal interviews and may request brokers, dealers and other nominee stockholders to forward materials relating to the Tender Offer to beneficial owners. The Information Agent and the Depositary will each receive reasonable and customary compensation for their respective services and will be reimbursed by us for reasonable out-of-pocket expenses. The Information Agent will be indemnified against certain liabilities in connection with the Tender Offer, including certain liabilities under the federal securities laws.

The Company will not pay any fees or commissions to brokers, dealers, other nominees or other persons (other than as described above) for soliciting tenders of Preferred Stock in connection with the Tender Offer. The Company will, however, upon request, reimburse brokers, dealers and other nominees for customary clerical and mailing expenses incurred by them in forwarding materials to their customers. The Company will pay all stock transfer taxes applicable to its repurchase of Preferred Stock pursuant to the Tender Offer, subject to Instruction 8 of the Letter of Transmittal.

Soliciting Dealers should take care to ensure proper record-keeping to document their entitlement to any solicitation fee.

Any inquiries you may have with respect to the Tender Offer may be directed to the Information Agent or the Dealer Manager at the addresses and telephone numbers set forth on the back cover of the Offer to Purchase. Beneficial owners may also contact their broker, dealer or other nominee. Any requests for additional copies of the Offer to Purchase and the Letters of Transmittal may be directed to the Information Agent.

Sincerely,

NEWCASTLE INVESTMENT CORP.

NOTHING CONTAINED HEREIN OR IN THE ENCLOSED DOCUMENTS SHALL RENDER YOU THE AGENT OF THE COMPANY, THE DEALER MANAGER, THE INFORMATION AGENT OR THE DEPOSITARY, OR AUTHORIZE YOU OR ANY OTHER PERSON TO USE ANY DOCUMENT OR MAKE ANY STATEMENT ON BEHALF OF ANY OF THEM IN CONNECTION WITH THE TENDER OFFER NOT CONTAINED IN THE OFFER TO PURCHASE OR THE LETTERS OF TRANSMITTAL.

NOTICE OF SOLICITED TENDERS

NEWCASTLE INVESTMENT CORP.

With respect to the:

Offer to Purchase up to

**2,000,000 shares of 9.75% Series B Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 20 7)
1,100,000 shares of 8.05% Series C Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 30 6) and
1,500,000 shares of 8.375% Series D Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 40 5)**

The Tender Offer will expire at midnight, New York City Time, on December 17, 2009 unless extended or terminated by Newcastle Investment Corp. (the "Company")

Please deliver completed forms to:

D.F. King & Co., Inc.
48 Wall Street, 22nd Floor
New York, NY 10005
Facsimile: (212) 809-8838

Call to Confirm:
Attn: Elton Bagley
Telephone: (212) 493-6996

THIS FORM MUST BE DELIVERED TO THE ADDRESS, OR TRANSMITTED VIA FACSIMILE, AS SET FORTH ABOVE. THE INSTRUCTIONS CONTAINED HEREIN SHOULD BE READ CAREFULLY BEFORE THIS FORM IS COMPLETED.

In order to be eligible to receive the Soliciting Dealer Fee (as defined below), a properly completed soliciting dealer form must be received by the Information Agent prior to the Expiration Date. The Company shall, in its sole discretion, determine whether a soliciting dealer has satisfied the criteria for receiving a Soliciting Dealer Fee (including, without limitation, the submission of the appropriate documentation without defects or irregularities and in respect of bona fide tenders).

DTC PARTICIPANT NUMBER: _____

Beneficial Owners	Number of shares of Series B Preferred Stock Requested for Payment	Number of shares of Series C Preferred Stock Requested for Payment	Number of shares of Series D Preferred Stock Requested for Payment	VOI Ticket Number

Attach additional sheets, if necessary

The undersigned hereby represents, confirms and agrees that: (i) it has complied with the applicable requirements of the Securities Exchange Act of 1934, as amended, and the applicable rules and regulations thereunder, in connection with such solicitation; (ii) it is entitled to such compensation for such solicitation under the terms and conditions of the Offer to Purchase (unless the undersigned is not being compensated for such solicitation), has not received any other fees or compensation in connection with the Tender Offer (except UBS Securities LLC in its role as Dealer Manager), and will provide satisfactory evidence of such entitlement upon request; (iii) in soliciting a tender, it has used no solicitation materials other than those furnished by the Company; (iv) each holder of Preferred Stock that it has solicited has received a copy of the Offer to Purchase and each amendment thereto; (v) it is either (a) a broker or dealer in securities which is a member of any national securities exchange in the United States or of FINRA or (b) a bank or trust company located in the United States; (vi) it is not an affiliate of the Company or any officer, director or 5% or greater shareholder of the Company; and (vii) no Soliciting Dealer Fee has been requested or paid with respect to Preferred Stock tendered for its own account.

Name of Firm: _____
Attention: _____
Address: _____
City, State, Zip Code: _____
Phone Number: _____
Taxpayer Identification: _____
Signature: _____

(Medallion Stamp Required)

SOLICITATION FEE PAYMENT INSTRUCTIONS

ISSUE CHECK TO: _____
Firm: _____
Address: _____
(Please Print)
Attention: _____
Address: _____
(Include Zip Code)
Phone Number (including Area Code): _____
Taxpayer Identification or Social Security No. _____
Applicable VOI Number: _____ Number of Shares: _____

If solicitation fees are to be paid to another Eligible Institution(s), please complete the following:

ISSUE CHECK TO: _____
Firm: _____
Address: _____
(Please Print)
Attention: _____
Address: _____
(Include Zip Code)
Phone Number (including Area Code): _____
Taxpayer Identification or Social Security No. _____
Applicable VOI Number: _____ Number of Shares: _____

NOTE: IF ADDITIONAL PAYMENT INSTRUCTIONS, PLEASE COPY AND ATTACH.

Offer to Purchase up to

2,000,000 shares of 9.75% Series B Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 20 7) 1,100,000 shares of 8.05% Series C Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 30 6) and

1,500,000 shares of 8.375% Series D Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 40 5)

of

NEWCASTLE INVESTMENT CORP.

THE TENDER OFFER WILL EXPIRE AT MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 17, 2009, UNLESS EXTENDED OR TERMINATED BY NEWCASTLE INVESTMENT CORP. THE TERM "EXPIRATION DATE" MEANS MIDNIGHT, NEW YORK CITY TIME, ON DECEMBER 17, 2009, UNLESS WE EXTEND THE PERIOD OF TIME FOR WHICH THE TENDER OFFER IS OPEN, IN WHICH CASE THE TERM "EXPIRATION DATE" MEANS THE LATEST TIME AND DATE ON WHICH THE TENDER OFFER, AS SO EXTENDED, EXPIRES. TENDERS OF PREFERRED STOCK MAY BE VALIDLY WITHDRAWN AT ANY TIME PRIOR TO THE EXPIRATION DATE.

To Our Clients:

Enclosed for your consideration is an Offer to Purchase, dated November 18, 2009 (as amended, supplemented or otherwise modified from time to time, the "Offer to Purchase"), the related Letter of Transmittal, and an Instructions From Beneficial Owner form relating to the offer of Newcastle Investment Corp. (the "Company") to purchase for cash (i) up to 2,000,000 shares of the Company's outstanding 9.75% Series B Cumulative Redeemable Preferred Stock, par value \$0.01 per share ("Series B Preferred Stock"), (ii) up to 1,100,000 shares of the Company's outstanding 8.05% Series C Cumulative Redeemable Preferred Stock, par value \$0.01 per share ("Series C Preferred Stock"), and (iii) up to 1,500,000 shares of the Company's outstanding 8.375% Series D Cumulative Redeemable Preferred Stock, par value \$0.01 per share ("Series D Preferred Stock," and, together with Series B Preferred Stock and Series C Preferred Stock, the "Preferred Stock"), upon the terms and subject to the conditions set forth in the Offer to Purchase (the "Tender Offer").

We are the holder of record (directly or indirectly) of shares of Preferred Stock held for your account. A tender of such shares can be made only by us pursuant to your instructions. PLEASE DO NOT COMPLETE THE LETTER OF TRANSMITTAL. The enclosed Letter of Transmittal is furnished to you for your information only and cannot be used by you to tender shares of Preferred Stock held by us for your account.

We, as holders of Preferred Stock on your behalf, are being requested to tender shares of Preferred Stock for purchase by the Company pursuant to the terms and conditions of the Offer to Purchase, as described in the Offer to Purchase.

We, as holders of Preferred Stock on your behalf, cannot tender your shares of Preferred Stock unless you instruct us to take such actions by completing, executing and returning to us the Instructions From Beneficial Owner form enclosed herein. Accordingly, we request instructions as to whether you wish us to tender on your behalf the Preferred Stock held by us for your account, pursuant to the terms and conditions set forth in the enclosed Offer to Purchase. Your instructions should be forwarded to us as promptly as possible in order to permit us to tender the Preferred Stock on your behalf in accordance with the terms and conditions of the Offer to Purchase.

The Tender Offer is subject to certain conditions, including there being validly tendered and not withdrawn at least 2,135,000 shares of Preferred Stock in the aggregate for all three series. **If the Company does not satisfy certain distribution requirements at the Expiration Date, then the Tender Offer will be terminated and the Company will not be obligated to purchase any Preferred Stock.** See "The Tender Offer—Conditions to the Tender Offer" in the Offer to Purchase.

Your attention is directed to the following:

1. If you desire to tender any shares of Preferred Stock pursuant to the Tender Offer and receive the Tender Offer consideration, we must receive your instructions in ample time to permit us to effect a tender of the shares on your behalf on or prior to midnight, New York City time, on the Expiration Date.
2. The Company's obligation to accept for payment, purchase or pay for, shares of Preferred Stock validly tendered in the Tender Offer is subject to certain conditions, including the following:
 - there being validly tendered and not withdrawn at least 2,135,000 shares of Preferred Stock in the aggregate for all three series; and
 - the other conditions set forth in the section captioned "The Offer to Purchase—Conditions of the Offer to Purchase" in the Offer to Purchase.
3. If, at the expiration of the Tender Offer, more than 2,000,000 shares of Series B Preferred Stock, 1,100,000 shares of Series C Preferred Stock or 1,500,000 shares of Series D Preferred Stock, respectively, have been validly tendered and not withdrawn, and all other conditions are satisfied or waived, the Company will purchase 2,000,000 shares of Series B Preferred Stock, 1,100,000 shares of Series C Preferred Stock or 1,500,000 shares of Series D Preferred Stock, as the case may be, on a pro rata basis from all tendering holders of such series, disregarding fractions, according to the number of shares of such series tendered by each holder.
4. Any transfer taxes incident to the transfer of shares of Preferred Stock from the tendering holder will be paid by the Company, except as otherwise provided in the Offer to Purchase and the applicable Letter of Transmittal.

If you wish to have us tender your Preferred Stock, please so instruct us by completing, executing and returning to us the Instructions From Beneficial Owner form on the back of this letter.

PLEASE RETURN THIS FORM TO THE BROKERAGE FIRM MAINTAINING YOUR ACCOUNT

INSTRUCTIONS FROM BENEFICIAL OWNER
WITH RESPECT TO

the

Offer to Purchase up to

2,000,000 shares of 9.75% Series B Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 20 7) 1,100,000 shares of 8.05% Series C Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 30 6) and

1,500,000 shares of 8.375% Series D Cumulative Redeemable Preferred Stock (CUSIP No. 65105M 40 5)

of

NEWCASTLE INVESTMENT CORP.

The undersigned acknowledge(s) receipt of your letter and the enclosed materials referred to therein relating to the Tender Offer made by the Company with respect to its outstanding shares of Preferred Stock.

Instruction to tender shares: This will instruct you to tender number of shares of Preferred Stock set forth below held by you for the account of the undersigned, upon and subject to the terms and conditions set forth in the Offer to Purchase.

The undersigned expressly agrees to be bound by the terms of the Offer to Purchase as set forth in the Offer to Purchase and such terms may be enforced against the undersigned.

9.75% Series B Cumulative Redeemable Preferred Stock

Please tender _____ shares of 9.75% Series B Cumulative Redeemable Preferred Stock, \$0.01 par value per share, held by you for my account as indicated below in the Tender Offer.

8.05% Series C Cumulative Redeemable Preferred Stock

Please tender _____ shares of 8.05% Series C Cumulative Redeemable Preferred Stock, \$0.01 par value per share, held by you for my account as indicated below in the Tender Offer.

8.375% Series D Cumulative Redeemable Preferred Stock

Please tender _____ shares of 8.375% Series D Cumulative Redeemable Preferred Stock, \$0.01 par value per share, held by you for my account as indicated below in the Tender Offer.

If no amount is provided above with respect to the number of share of any or all series of Preferred Stock and this Instruction Form is signed in the space provided below, we are authorized to tender with respect to the entire amount of such each series of Preferred Stock in which we hold an interest through DTC for your account.

Signature(s) of Holder(s):

Name(s) of beneficial holder(s) (Please Print)

Capacity (full title)

Dated:

Address

City

Zip Code

Area Code and Telephone No.

Tax ID No. or Social Security No.

NONE OF THE PREFERRED STOCK HELD BY US FOR YOUR ACCOUNT WILL BE TENDERED UNLESS WE RECEIVE WRITTEN INSTRUCTIONS FROM YOU TO DO SO.

**GUIDELINES FOR REQUEST FOR TAXPAYER IDENTIFICATION
NUMBER ON SUBSTITUTE FORM W-9**

General Instructions. All section references are to the Internal Revenue Code unless otherwise stated.

U.S. person. Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee.

For federal tax purposes you are considered a U.S. person if you are:

1. An individual who is a citizen or resident of the United States,
2. A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States, or
3. Any estate (other than a foreign estate) or domestic trust. See Regulations sections 301.7701-6(a) and 7(a) for additional information.

Partners and partnerships must consult their own tax advisors regarding the application of these rules to them.

Foreign person. If you are a foreign person, do not use Substitute Form W-9. Instead, use the appropriate Form W-8 (see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

Nonresident alien who becomes a resident alien.

Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a "saving clause." Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the recipient has otherwise become a U.S. resident alien for tax purposes. If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Substitute Form W-9 that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.

2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

Example. Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Substitute Form W-9 a statement that includes the information described above to support that exemption. If you are a nonresident alien or a foreign entity not subject to backup withholding, give the requester the appropriate completed Form W-8.

What is backup withholding? Persons making certain payments to you must under certain conditions withhold and pay to the IRS 28% of such payments. This is called "backup withholding." Payments that may be subject to backup withholding include interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester,

2. You do not certify your TIN when required (see the Part II instructions below for details).

3. The IRS tells the requester that you furnished an incorrect TIN.

4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or

5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only). Certain payees and payments are exempt from backup withholding. See the instructions below and the separate Instructions for the Requester of Form W-9.

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

Specific Instructions

Name

If you are an individual, you must generally enter the name shown on your income tax return. However, if you have changed your last name, for instance, due to marriage without informing the Social Security Administration of the name change, enter your first name, the last name shown on your social security card, and your new last name. If the account is in joint names, list first, and then circle, the name of the person or entity whose number you entered in Part I of the form.

Sole proprietor. Enter your individual name as shown on your income tax return on the "Name" line. You may enter your business, trade, or "doing business as (DBA)" name on the "Business name" line.

Limited liability company (LLC). If you are a single-member LLC (including a foreign LLC with a domestic owner) that is disregarded as an entity separate from its owner under Treasury regulations section 301.7701-3, enter the owner's name on the "Name" line. Enter the LLC's name on the "Business name" line. Check the appropriate box for your filing status (sole proprietor, corporation, etc.), then check the box for "Other" and enter "LLC" in the space provided.

Other entities. Enter your business name as shown on required Federal tax documents on the "Name" line. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on the "Business name" line.

Note: Check the appropriate box for your status (individual/sole proprietor, corporation, etc.).

Exempt From Backup Withholding

If you are exempt, enter your name as described above and check the appropriate box for your status, then check the "Exempt" box under the taxpayer identification number and sign and date the form.

Generally, individuals (including sole proprietors) are not exempt from backup withholding. Corporations are exempt from backup withholding for certain payments, such as interest and dividends.

Note: If you are exempt from backup withholding, you should still complete this form to avoid possible erroneous backup withholding.

Exempt payees. Backup withholding is not required on any payments made to the following payees:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2),
2. The United States or any of its agencies or instrumentalities,
3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities,
4. A foreign government or any of its political subdivisions, agencies, or instrumentalities, or
5. An international organization or any of its agencies or instrumentalities.

Other payees that may be exempt from backup withholding include:

6. A corporation,
7. A foreign central bank of issue,
8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States,
9. A futures commission merchant registered with the Commodity Futures Trading Commission,
10. A real estate investment trust,
11. An entity registered at all times during the tax year under the Investment Company Act of 1940,
12. A common trust fund operated by a bank under section 584(a),
13. A financial institution,
14. A middleman known in the investment community as a nominee or custodian, or
15. A trust exempt from tax under section 664 or described in section 4947.

The chart below shows types of payments that may be exempt from backup withholding. The chart applies to the exempt recipients listed above, 1 through 15.

IF the payment is for...	THEN the payment is exempt for...
Interest and dividend payments	All exempt recipients except for 9
Broker transactions	Exempt recipients 1 through 13. Also, a person registered under the Investment Advisers Act of 1940 who regularly acts as a broker
Barter exchange transactions and patronage dividends	Exempt recipients 1 through 5
Payments over \$600 required to be reported and direct sales over \$5,000 (1)	Generally, exempt recipients 1 through 7 (2)

(1) See Form 1099-MISC, Miscellaneous Income, and its instructions.

(2) However, the following payments made to a corporation (including gross proceeds paid to an attorney under section 6045(f), even if the attorney is a corporation) and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees; and payments for services paid by a Federal executive agency.

Part I. Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do

not have an ITIN, see *How to get a TIN* below. If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN. However, the IRS prefers that you use your SSN.

If you are a single-owner LLC that is disregarded as an entity separate from its owner, enter your SSN (or EIN, if the owner has one). If the LLC is a corporation, partnership, etc., enter the entity's EIN. **Note.** See the chart below for further clarification of name and TIN combinations.

How to get a TIN. If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local Social Security Administration office or get this form online at www.socialsecurity.gov/online/ss-5.pdf. You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at www.irs.gov/businesses/ and clicking on Employer Identification Numbers (EIN) under Starting a Business. You can get Forms W-7 and SS-4 from the IRS by visiting www.irs.gov or by calling 1-800-TAX-FORM (1-800-829-3676). If you are asked to complete Substitute Form W-9 but do not have a TIN, fill out the box entitled "CERTIFICATE OF AWAITING TAXPAYER IDENTIFICATION NUMBER."

Caution: *A disregarded domestic entity that has a foreign owner must use the appropriate Form W-8.*

Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Substitute Form W-9. For a joint account, only the person whose TIN is shown in Part I should sign (when required). Exempt recipients, see *Exempt From Backup Withholding* above.

Signature requirements. Complete the certification as indicated in 1 through 4 below.

1. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983. You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

2. Real estate transactions. You must sign the certification. You may cross out item 2 of the certification.

3. Other payments. You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

4. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions. You must give your correct TIN, but you do not have to sign the certification.

What Name and Number To Give the Requester

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account (1)
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor (2)
4. a. The usual revocable savings trust (grantor is also trustee)	The grantor-trustee (1)
b. So-called trust account that is not a legal or valid trust under state law	The actual owner (1)
5. Sole proprietorship or single-owner LLC	The owner (3)
For this type of account:	Give name and EIN of:
6. Sole proprietorship or single-owner LLC	The owner (3)
7. A valid trust, estate, or pension trust	Legal entity (4)
8. Corporate or LLC electing corporate status on Form 8832	The corporation
9. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
10. Partnership or multi-member LLC	The partnership
11. A broker or registered nominee	The broker or nominee
12. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity

(1) List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

(2) Circle the minor's name and furnish the minor's SSN.

(3) You must show your individual name and you may also enter your business or "DBA" name on the second name line. You may use either your SSN or EIN (if you have one). If you are a sole proprietor, IRS encourages you to use your SSN.

(4) List first and circle the name of the legal trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.)

Note. If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons who must file information returns with the IRS to report interest, dividends, and certain other income paid to you, mortgage interest you paid, the acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA, or Archer MSA or HSA. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. The IRS may also provide this information to the Department of Justice for civil and criminal litigation, and to cities, states, and the District of Columbia to carry out their tax laws. The IRS may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Payers must generally withhold 28% of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to a payer. Certain penalties may also apply.


NEWCASTLE INVESTMENT CORP.
Contact:

Lilly H. Donohue
 Director of Investor Relations
 212-798-6118

Nadean Finke
 Investor Relations
 212-479-5295

Newcastle Announces Cash Tender Offer for Its Preferred Stock

New York, NY, November 18, 2009 – Newcastle Investment Corp. (NYSE: NCT) (the “Company” or “Newcastle”) announced today that it has commenced a cash tender offer to purchase (the “Tender Offer”) (i) up to 2,000,000 shares of its outstanding 9.75% Series B Cumulative Redeemable Preferred Stock (“Series B Preferred Stock”), (ii) up to 1,100,000 shares of its outstanding 8.05% Series C Cumulative Redeemable Preferred Stock (“Series C Preferred Stock”), and (iii) up to 1,500,000 shares of its outstanding 8.375% Series D Cumulative Redeemable Preferred Stock (“Series D Preferred Stock,” and, together with Series B Preferred Stock and Series C Preferred Stock, the “Preferred Stock”) for the total payment amounts set forth in the table below:

	Purchase Price	Accumulated and Unpaid Dividends ⁽¹⁾	Total Payment
Series B Preferred Stock (NCT.PRB)	\$ 4.75	\$ 2.78	\$ 7.53
Series C Preferred Stock (NCT.PRC)	\$ 4.75	\$ 2.30	\$ 7.05
Series D Preferred Stock (NCT.PRD)	\$ 4.75	\$ 2.39	\$ 7.14

- (1) The amount of accumulated and unpaid dividends assume a Tender Offer payment date of December 22, 2009. If the expiration date, and therefore the Tender Offer payment date, is extended, the amount of accumulated and unpaid dividends for each series of Preferred Stock will be increased accordingly.

The Tender Offer will expire at midnight, New York City Time, on December 17, 2009, unless extended or terminated by us. If, at the expiration of the Tender Offer, more than 2,000,000 shares of Series B Preferred Stock, 1,100,000 shares of Series C Preferred Stock or 1,500,000 shares of Series D Preferred Stock, respectively, have been validly tendered and not withdrawn, and all other conditions are satisfied or waived, the Company will purchase 2,000,000 shares of Series B Preferred Stock, 1,100,000 shares of Series C Preferred Stock or 1,500,000 shares of Series D Preferred Stock, as the case may be, on a pro rata basis from all tendering holders of such series, disregarding fractions, according to the number of shares of such series tendered by each holder.

The board of directors of Newcastle has authorized the payment of accumulated and unpaid dividends on the Preferred Stock through the Tender Offer payment date. This dividend is contingent, and will only be paid if Newcastle accepts for purchase shares of Preferred Stock in the Tender Offer. If paid, this dividend will be paid to all holders of Preferred Stock, whether or not they tender their shares in the Tender Offer. The board of directors of Newcastle has established December 11, 2009 as the date for determination of holders of record who will be

entitled to these dividends if they are paid. In addition, if we accept shares for purchase in the Tender Offer, we will also set aside a sum sufficient for payment of accumulated and unpaid dividends on the Preferred Stock for the period from the Tender Offer payment date through January 31, 2010. We intend to authorize payment of these additional dividends at a future date and only with respect to shares of Preferred Stock that remain outstanding after completion of the Tender Offer. A record date has not yet been established for payment of these additional dividends.

The Tender Offer is only being made upon the terms and subject to the conditions set forth in the Offer to Purchase dated November 18, 2009 (the "Offer to Purchase"), and the related letters of transmittal, including the condition that at least 2,135,000 shares of Preferred Stock in the aggregate for all three series be validly tendered and not withdrawn prior to the expiration date. The Offer to Purchase and related letters of transmittal contain important information and should be read carefully before making any decision with respect to the Tender Offer.

Holders who tender their shares of Preferred Stock may withdraw such shares at any time prior to the expiration of the Tender Offer. In addition, after the expiration of the Tender Offer, holders may withdraw any shares of Preferred Stock that were tendered but not accepted for purchase within 40 business days after the commencement of the Tender Offer.

We have retained UBS Investment Bank to act as the Dealer Manager, and D.F. King & Co., Inc. to serve as Information Agent, in connection with the Tender Offer. Request for documents may be directed to D.F. King & Co. Inc. at (800) 488-8075. Questions regarding the Tender Offer may be directed to UBS Investment Bank at (888) 719-4210.

This release is for informational purposes only and is neither an offer to purchase or a solicitation of an offer to sell any shares of Preferred Stock, nor a recommendation regarding the Tender Offer. The Tender Offer is not being made to holders of the Preferred Stock in any jurisdiction in which the making or acceptance thereof would not be in compliance with the securities, blue sky or other laws of such jurisdiction. Holders should seek advice from an independent financial advisor as to the suitability of the transaction described in the Offer to Purchase for the individual concerned.

About Newcastle

Newcastle Investment Corp. owns and manages a portfolio of diversified, credit sensitive real estate debt that is primarily financed with match funded debt. Newcastle is organized and conducts its operations to qualify as a real estate investment trust (REIT) for federal income tax purposes. Newcastle is managed by an affiliate of Fortress Investment Group LLC, a global alternative asset manager. For more information regarding Newcastle Investment Corp. or to be added to our e-mail distribution list, please visit www.newcastleinv.com.

Safe Harbor

Certain items in this press release may constitute forward-looking statements including, but not limited to, statements relating to our liquidity, future losses and impairment charges, our ability to acquire assets with attractive returns and the delinquent and loss rates on our subprime portfolios. These statements are based on management's current expectations and beliefs and are subject to a number of trends and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, many of which are beyond our control. Newcastle can give no assurance that its expectations will be attained. Factors that could cause actual results to differ materially from Newcastle's expectations include, but are not limited to, the risk that the conditions to the Tender Offer are not satisfied or waived by the expiration date, our ability to pay the amounts necessary to consummate the Tender Offer and the other risks discussed in the Offer to Purchase and our annual and quarterly filings with the Securities Exchange Commission. Accordingly, you should not place undue reliance on any forward-looking statements contained in this press release. For a discussion of some of the risks and important factors that could affect such forward-looking statements, see the sections entitled "Risk Factors" and

“Management’s Discussion and Analysis of Financial Condition and Results of Operation” in the Company’s Annual Report on Form 10-K and Quarterly Report on Form 10-Q, which are available on the Company’s website (www.newcastleinv.com). In addition, new risks and uncertainties emerge from time to time, and it is not possible for the Company to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. Such forward-looking statements speak only as of the date of this press release. Newcastle expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company’s expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

November 18, 2009

VIA EDGAR

Mr. David L. Orlic
Office of Mergers and Acquisitions
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

**Re: Newcastle Investment Corp.
Schedule TO-C
Filed on October 8, 2009
File No. 005-78539**

Dear Mr. Orlic:

On behalf of Newcastle Investment Corp. (the "Company"), in connection with the Company's proposed offer to purchase (the "Tender Offer") the Company's 9.75% Series B Cumulative Redeemable Preferred Stock, 8.05% Series C Cumulative Redeemable Preferred Stock and 8.375% Series D Cumulative Redeemable Preferred Stock (collectively, the "Preferred Stock"), we have electronically transmitted under separate cover, pursuant to Regulation S-T promulgated by the Securities and Exchange Commission (the "SEC"), the Company's Schedule TO-I (File No. 005-78539), including exhibits, for filing under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

We have revised the Offering Circular (now the Offer to Purchase) filed with the Company's Schedule TO-C on October 8, 2009, to reflect changes made in response to the comments of the Staff of the SEC set forth in the Staff's comment letter dated October 26, 2009, as well as other changes and updates. In particular, the Company has determined not to proceed with the proposed solicitations with respect to amendments to the terms of the Preferred Stock. As a result, the Company will not be holding a special meeting of stockholders, or soliciting

consents from holders of Preferred Stock, to approve such amendments. In addition, the Company will limit the number of shares of Preferred Stock to be purchased in the proposed tender offer to a maximum of 2.0 million shares of the Series B Preferred Stock, 1.1 million shares of the Series C Preferred Stock and 1.5 million shares of the Series D Preferred Stock.

As we explain in more detail in Annex A hereto, the Tender Offer neither has a reasonable likelihood nor a purpose of producing, either directly or indirectly, any of the effects described in paragraph (a)(3)(ii) of Rule 13e-3 under the Exchange Act, nor is the Tender Offer the first step in a series of transactions intended to have any such effects. The Company has no present plans or intentions to effect any subsequent transaction relating to the Preferred Stock. As a result, the Tender Offer is not a Rule 13e-3 transaction, and we have removed the disclosure required by Schedule 13E-3 from the Offer to Purchase.

Set forth below are the Company's responses to the comments raised in your letter. For your convenience, we have repeated each of your numbered comments followed by our responses. For the convenience of the Staff, we have also sent to you paper copies of this letter and copies of the Schedule TO-I, including exhibits. All references in this letter to page numbers and captions correspond to the page numbers and captions in the revised Offer to Purchase. References throughout this letter to "we," "us," "our" and "the Company" are to Newcastle Investment Corp.

General

- 1. Please file the Schedules TO-I and 13E-3 with your next amended filing in response to our comments. We may have further comment. Please provide us supplementally with copies of your forms of letters of transmittal and consent.**

We have filed Schedule TO-I with our amended filing. Schedule 13E-3 is not applicable because Rule 13e-3 no longer applies to the modified Tender Offer as reflected in the Offer to Purchase. We have filed the form of each of our letters of transmittal as an exhibit to the Schedule TO-I. As we are no longer seeking any consents from holders of Preferred Stock, we have not provided a letter of consent.

- 2. You do not appear to have provided the information required by Item 1003(c) of Regulation M-A for the persons specified in Instruction C to Schedule 13E-3. Please disclose this information, or advise.**

Not applicable because Rule 13e-3 no longer applies to the Tender Offer.

- 3. Please provide us with your analysis as to whether the proposed amendments to the terms of your preferred stock would result in the issuance of a new security to holders who do not participate in the offer.**

Not applicable because the Company no longer proposes to amend the terms of the Preferred Stock.

4. **In the Offering Circular, please disclose that the tender offer is a Rule 13e-3 transaction and identify the filing persons on the Schedule 13E-3.**

Not applicable because Rule 13e-3 no longer applies to the Tender Offer.

Cover Page

5. **Please confirm supplementally that the offer will be open for at least 20 full business days to ensure compliance with Rules 14e-1(a) and 13e-4(a)(3).**

We hereby confirm that the Tender Offer will be open for at least 20 full business days to ensure compliance with Rules 14e-1(a) and 13e-4(a)(3).

When and how will I be paid for tendered shares of Preferred Stock?, page 5

6. **You state that you will pay for tendered shares “promptly,” but go on to state that you expect the payment date to be five to ten business days after expiration. Please advise us as to how you are complying with the requirement to pay promptly under Rules 13e-4(f)(5) and 14e-1(c). Refer to Section II.D. of Release No. 34-43069 (July 24, 2000).**

We will pay for tendered shares within three business days of the expiration of the Tender Offer. We have revised the disclosure accordingly. Please see pages 7 and 22.

Do I have to deliver my consent in the Consent Solicitation in order to tender.... page 11

7. **While we recognize that holders of preferred stock are highly unlikely to consent without tendering in the offer, please nevertheless make clear, if true, that holders of preferred stock may not consent without tendering in the offer.**

Not applicable because the Company no longer proposes to amend the terms of the Preferred Stock.

Summary, page 15

8. **Your summary term sheet should appear on the first or second page of the document. See Instruction 2 to Item 1001 of Regulation M-A. Please revise.**

We have revised the document as requested. Please see page 1.

If the Offer to Purchase and Consent Solicitation are successful and you do not tender your shares, you will remain subject to the ownership restrictions in our Charter, page 21

9. **Please disclose the consequences to a holder if the act of not tendering causes that holder to cross the applicable ownership restriction thresholds.**

We have revised the disclosure as requested. Please see page 14.

Special Factors, page 27

10. **This section must appear at the front of the disclosure document. Please relocate this disclosure accordingly. See Rule 13e-3(e)(1)(ii).**

Not applicable because Rule 13e-3 no longer applies to the Tender Offer.

11. **Please describe each contact, meeting, or negotiation that took place with respect to the transaction and the substance of the discussions or negotiations at each meeting. Please identify any advisors or other counsel and the members of management who were present at each meeting. Refer to Item 1005(c) of Regulation M-A.**

Not applicable because Rule 13e-3 no longer applies to the Tender Offer.

Considerations in Determining the Purchase Price, page 30

12. **Please set forth the actual analyses performed by the board of directors and/or management in determining the purchase price. Your current disclosure merely states which analyses were performed, but does not provide the actual analyses.**

Not applicable because Rule 13e-3 no longer applies to the Tender Offer.

13. **You state that you do not believe that the completion of the transaction will result in a material change to net book value or net earnings and, accordingly, you did not take these factors into account in determining the purchase price. Please disclose how the lack of a material change in these figures as a result of the offer precludes an analysis as to whether the consideration you are offering constitutes fair value in relation to these measures.**

Not applicable because Rule 13e-3 no longer applies to the Tender Offer.

14. **Your board of directors does not appear to have considered whether the consideration offered to unaffiliated security holders constitutes fair value in relation to going concern value. Please revise your disclosure to address this factor. See Instruction 2(iv) to Item 1014.**

Not applicable because Rule 13e-3 no longer applies to the Tender Offer.

- 15. Please disclose how the board of directors considered the fairness of the transaction to unaffiliated holders of Preferred Stock who tender their shares and those unaffiliated holders of Preferred Stock who do not tender their shares.**

Not applicable because Rule 13e-3 no longer applies to the Tender Offer.

Fairness, page 31

- 16. We note your statement that the board approved the offer to purchase and consent solicitation as fair. Please revise to specifically state whether the board on behalf of the issuer and any other filing person believes that the Rule 13e-3 transaction is fair with respect to each group of unaffiliated holders of Preferred Stock: those who tender their shares in the offer and those who continue to hold their shares. Refer to Item 1014(a) of Regulation M-A and Q&A No. 19 in Release No. 34-17719 (April 13, 1981).**

Not applicable because Rule 13e-3 no longer applies to the Tender Offer.

- 17. Please revise to more clearly and consistently articulate whether the going private transaction is both substantively and procedurally fair. Refer to Item 1014(a) of Regulation M-A and Q&A No. 21 in Release No. 34-17719 (April 13, 1981).**

Not applicable because Rule 13e-3 no longer applies to the Tender Offer.

- 18. State the benefits and detriments of the transaction to your company, its affiliates and unaffiliated security holders, quantified to the extent practicable. See Item 1013(d) of Regulation M-A and Instruction 2 to Item 1013.**

Not applicable because Rule 13e-3 no longer applies to the Tender Offer.

- 19. Describe any provision you have made in connection with the transaction to grant unaffiliated security holders access to your corporate files or to obtain counsel at your expense. If none, so state. See Item 1004(e) of Regulation M-A.**

Not applicable because Rule 13e-3 no longer applies to the Tender Offer.

- 20. Disclose with greater specificity why, after thorough consideration, the board of directors rejected the alternatives of repurchasing some of your CDO debt obligations at discounted prices or making new investments. Also, briefly describe these alternatives. See Item 1013(b) or Regulation M-A.**

Not applicable because Rule 13e-3 no longer applies to the Tender Offer.

- 21. Please revise to describe how each filing person determined that the transaction was procedurally fair to each group of unaffiliated shareholders despite the absence of an unaffiliated representative. Refer to Item 1014(d) of Regulation M-A.**

Not applicable because Rule 13e-3 no longer applies to the Tender Offer.

Security Ownership, page 45

- 22. Please revise to include the information required by Item 1005(a) and (e) of Regulation M-A, or advise us.**

The information required by Item 1005(a) of Regulation M-A is not applicable because Rule 13e-3 no longer applies to the Tender Offer. We have included the information required by Item 1005(e) of Regulation M-A under Item 5 of the Schedule TO-I.

- 23. Please disclose whether the investment fund affiliated with your manager intends to participate in the offer and the reasons for the intended action, or advise. See Item 1004(b) and 1012(d) of Regulation M-A.**

The Company does not know whether the investment fund affiliated with our manager intends to participate in the Tender Offer. The investment manager of the fund has informed the Company that it has not made a decision as to whether it will participate in the Tender Offer, and we do not have any right to require such fund to inform us of its intentions with respect to the Tender Offer. We have revised the disclosure accordingly. Please see page 26.

- 24. Footnote 1 to your beneficial ownership table provides the address of each of your executive officers and directors as in the care of Fortress Investment Group LLC. Please revise the table to include any shares beneficially owned by Fortress, or advise us. Please tell us in greater detail the relationship of this entity to your company. We may have further comment upon review of your response.**

The business and affairs of the Company are managed under the direction of its board of directors. The Company's board of directors is comprised of six directors, two of which are employees of Fortress Investment Group LLC ("Fortress"). As the Company discloses in each of its periodic reports and annual proxy statements, the Company is party to a management agreement with FIG LLC, which is an affiliate of Fortress. Pursuant to the terms of the management agreement, FIG LLC manages the Company's daily operations and provides it with office space and personnel.

Fortress beneficially owns, through its indirect subsidiaries Fortress Operating Entity I LP ("FOE I") and Fortress Operating Entity II LP ("FOE II"), the following shares of the Company's common stock: 1,025,729 shares of common held by FOE II and 1,686,447 shares of common stock issuable upon the exercise of options held by FOE I. Based on

52,905,335 shares of common stock outstanding as of November 4, 2009 as disclosed in the Company's most recent Quarterly Report on Form 10-Q, Fortress beneficially owns 4.97% of the Company's common stock. As a result, we believe that the beneficial ownership table is not required to include the shares of common stock beneficially owned by Fortress.

Subsequent Repurchases of Shares of Preferred Stock, page 47

- 25. Please revise to address how you will comply with Rule 13e-4(f)(6) and Rule 13e-3(a)(3)(i)(A).**

We have revised the disclosure as requested. Please see page 28.

Expenses, page 48

- 26. You state that you may employ a variety methods to solicit consents. Please be advised that all written soliciting materials, including any scripts to be used in soliciting consents over the telephone, must be filed under cover of Schedule 14A. Refer to Rule 14a-6(b) and (c). Please confirm your understanding.**

Not applicable because the Company no longer proposes to amend the terms of the Preferred Stock.

Series D Preferred Stock, page 50

- 27. You appear to have made an underwritten public offering of the Series D Preferred Stock within the past three years. If true, disclose the information required by Item 1002(e) of Regulation M-A.**

Not applicable because Rule 13e-3 no longer applies to the Tender Offer.

Certain Federal Income Tax Considerations, page 62

- 28. State the tax effects of the transaction on the company and its affiliates. See Item 1013(d) of Regulation M-A.**

Not applicable because Rule 13e-3 no longer applies to the Tender Offer.

* * *

As requested, on behalf of the Company we hereby acknowledge that:

- the Company is responsible for the adequacy and accuracy of the disclosure in the filing;
- Staff comments or changes to disclosure in response to Staff comments do not foreclose the Commission from taking any action with respect to the filing; and
- the Company may not assert Staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

Please contact me at (213) 687-5396 should you require further information.

Very truly yours,

/s/ Jonathan Friedman

Jonathan Friedman

cc: Securities and Exchange Commission
Peggy Kim

Newcastle Investment Corp
Randal A. Nardone
Cameron MacDougall

Skadden, Arps, Slate, Meagher & Flom LLP
Joseph A. Coco

Annex A

The Tender Offer does not constitute a “Rule 13e-3 transaction,” as defined in Rule 13e-3 of the Exchange Act (“Rule 13e-3”), because it neither has a reasonable likelihood nor a purpose of producing, either directly or indirectly, any of the effects described in paragraph (a)(3)(ii) of Rule 13e-3.

Paragraph (a)(3)(ii)(A) of Rule 13e-3

As of November 12, 2009, there were 60, 43 and 46 holders of record of the Series B, C and D Preferred Stock, respectively. Because each series of Preferred Stock is already held of record by less than 300 persons, the Tender Offer will not cause any of the series of Preferred Stock to become eligible for termination of registration under Rule 12g-4 or cause the reporting obligations with respect to such series to become eligible for suspension under Rule 12h-3 or Section 15(d) of the Exchange Act.

Paragraph (a)(3)(ii)(B) of Rule 13e-3

All three series of Preferred Stock are listed on the New York Stock Exchange (the “NYSE”). The Company intends to maintain such listing after completion of the Tender Offer, and has structured the Tender Offer so that it is not likely to result in delisting of any Preferred Stock. The NYSE indicates that it will give consideration to suspension and delisting of a preferred stock if (i) the aggregate market value of publicly-held shares is less than \$2 million or (ii) the number of publicly-held shares is less than 100,000. Pursuant to the terms of the Tender Offer, the Company will not purchase more than 2.0 million shares of the Series B Preferred Stock, 1.1 million shares of the Series C Preferred Stock or 1.5 million shares of the Series D Preferred Stock. As a result, after the consummation of the Tender Offer, at least 500,000 shares of each series of Preferred Stock will remain outstanding.

It is highly unlikely that the aggregate market value of any series of Preferred Stock will fall below \$2.0 million after the Tender Offer. The terms of the outstanding shares of Preferred Stock will remain unchanged, including the preferential right to cumulative dividends each quarter. Consequently, although the Company cannot predict future share price movements, and it is possible that market prices may decline, the Company expects that the market prices of shares of the Preferred Stock will remain generally consistent with their recent trading prices. As of November 16, 2009, the closing prices for the Series B, C and D Preferred Stock were \$8.39, \$7.59 and \$7.64, respectively. Even if the maximum number of shares are purchased in the Tender Offer, these market prices would imply aggregate market values of \$4.195 million, \$3.795 million and \$3.820 million, respectively, each far in excess of the NYSE requirement. In addition, historical trading prices for the Preferred Stock make it unlikely that the aggregate market value of any series of Preferred Stock will fall below \$2.0 million. The average closing price of a share of each series of the Preferred Stock over each of the 30, 60 and 90 day periods ended on November 9, 2009 is presented below.

	30 Days	60 Days	90 Days
Series B Preferred Stock	\$7.14	\$6.51	\$5.49
Series C Preferred Stock	\$6.71	\$6.45	\$5.28
Series D Preferred Stock	\$6.80	\$6.51	\$5.13

Based on the foregoing, the Company believes there is not a reasonable likelihood that the Tender Offer will result in the delisting of any series of Preferred Stock from the NYSE. Therefore, the Tender Offer will not cause the effect referred to in Rule 13e-3(a)(3)(ii)(B) of the Exchange Act.