UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): February 28, 2013

Newcastle Investment Corp.
(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of incorporation)

001-31458 **(Commission File Number)**	**81-0559116** **(IRS Employer Identification No.)**
1345 Avenue of the Americas, 46th Floor **New York, New York** **(Address of principal executive offices)**	**10105** **(Zip Code)**

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

N/A
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operation and Financial Condition.

On February 28, 2013, Newcastle Investment Corp. (the "Company") issued a press release announcing the Company's results for its fourth fiscal quarter and the full year ending December 31, 2012. A copy of the Company's press release and a copy of the transcript of the conference call are attached to this Current Report on Form 8-K (the "Current Report") as Exhibit 99.1 and Exhibit 99.2, respectively, and are incorporated herein solely for purposes of this Item 2.02 disclosure.

This Current Report, including the exhibits attached hereto, is being furnished and shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference into any of the Company's filings under the Securities Act of 1933, as amended, or the Exchange Act, unless expressly set forth as being incorporated by reference into such filing.

Item 4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review.

(a)

As described in its annual report on Form 10-K for the year ended December 31, 2012 (the "2012 10-K") filed with the Securities and Exchange Commission on February 28, 2013, Newcastle Investment Corp. ("Newcastle") has corrected an error in recording the deconsolidation of CDO V, which resulted in an understatement of net income. Accounting Codification Standard Topic 810 "*Consolidation*" ("ASC 810") requires that, when a variable interest entity is deconsolidated, the difference between the carrying amount of the noncontrolling interest in the former subsidiary and the carrying amount of the former subsidiary's assets and liabilities be recognized in net income. However, in recording the deconsolidation of CDO V, Newcastle recorded the difference between the carrying amount of its noncontrolling interest in CDO V and the carrying amount of the CDO V's assets and liabilities as a direct increase to stockholders' equity rather than an increase to net income.

As a result, the following changes to Newcastle's previously issued audited consolidated statement of income for the year ended December 31, 2011 have been made: (i) an increase in Other Income (Loss) of $45.1 million (from a loss of $8.9 million to income of $36.2 million); (ii) an increase in Total Other Income of $45.1 million; (iii) an increase in Net Income of $45.1 million (from $259.4 million to $304.5 million); (iv) an increase in Income Applicable to Common Stockholders of $45.1 million (from $253.9 million to $298.9 million) and (v) an increase in basic and diluted earnings per share of $0.56 (from $3.09 to $3.65). The increase in Net Income also has the effect of (i) increasing Total Comprehensive Income by $45.1 million (from $222.2 million to $267.3 million) in the consolidated statement of comprehensive income; (ii) removing the previously reported line item Deconsolidation of CDO V – Cumulative Net Loss in the consolidated statement of stockholders' equity and (iii) adding a line item for Gain on Deconsolidation in the consolidated statement of cash flows.

The correction had no impact on the consolidated balance sheet as of December 31, 2011. In addition, the correction had no impact on the consolidated financial statements for the prior and subsequent periods or on core earnings or cash available for distribution reported in any period.

As a result of the foregoing, the Audit Committee of the Board of Directors of Newcastle concluded, following discussion with the Company's independent accountant on February 27, 2013, that the Company's financial statements for the period ended December 31, 2011 included in Newcastle's 2012 10-K should be relied upon instead of its previously issued financial statements for such period.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
99.1	Press release, dated February 28, 2013, issued by Newcastle Investment Corp.
99.2	Transcript of conference call on February 28, 2013

SIGNATURE

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

NEWCASTLE INVESTMENT CORP.
(Registrant)

/s/ Brian C. Sigman
Brian C. Sigman
Chief Financial Officer

Date: February 28, 2013

EXHIBIT INDEX

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Contact:

Investor Relations
212-479-3195

Newcastle Announces Fourth Quarter & Full Year 2012 Results

FOURTH QUARTER 2012 HIGHLIGHTS

- GAAP income of $0.32 per diluted share
- Core Earnings of $0.19 per diluted share
- Declared common dividend of $0.22 per share
- GAAP book value increased by $0.22 per share

FOURTH QUARTER 2012 FINANCIAL RESULTS

New York, NY, February 28, 2013 – Newcastle Investment Corp. (NYSE: NCT) reported that in the fourth quarter of 2012, income available for common stockholders ("GAAP income") was $56 million, or $0.32 per diluted share, compared to $19 million, or $0.18 per diluted share, in the fourth quarter of 2011.

GAAP income of $56 million consisted of the following:

Core Earnings:

- $33 million, or $0.19 per diluted share, which is equal to net interest income and other revenues less expenses excluding depreciation and amortization, net of preferred dividends

Other Income/Loss:

- $16 million of other income primarily related to an $8 million break-up fee related to the "ResCap" transaction, $3 million related to non-cash mark-to-market gain related to interest rate derivatives in the CDOs, and $3 million related to non-cash mark-to-market gain related to excess MSRs investments
- $12 million of non-cash mark-to-market net gain on loans held for sale and impairment recorded on investments
- Less $5 million of depreciation and amortization

The Company generated $35 million of Cash Available for Distribution ("CAD"), compared to $36 million in the third quarter of 2012.

On December 18, 2012, the Board of Directors declared a quarterly dividend of $0.22 per common share, or $38 million, for the quarter. The Board of Directors also declared dividends of $0.609375, $0.503125 and $0.523438 per share on the 9.75% Series B, 8.05% Series C and 8.375% Series D preferred stock, respectively, for the period beginning November 1, 2012 and ending January 31, 2013.

As of December 31, 2012, GAAP book value was $5.86 per share, an increase of $0.22 per share from September 30, 2012.

FULL YEAR 2012 FINANCIAL RESULTS

In 2012, GAAP income was $429 million, or $2.94 per diluted share, consisted of the following:

Core Earnings:

- $150 million, or $1.03 per diluted share, which is equal to net interest income and other revenues less expenses excluding depreciation and amortization, net of preferred dividends

Other Income/Loss:

- $279 million of other income primarily related to a $224 million net gain on the sale of Newcastle's CDO X interests, a $24 million gain on extinguishment of debt, $9 million related to non-cash mark-to-market gain related to excess MSRs investments and an $8 million break-up fee related to the "ResCap" transaction.

The Company generated $112 million of Cash Available for Distribution ("CAD").

As of December 31, 2012, GAAP book value was $5.86 per share, an increase of $4.62 per share from December 31, 2011.

The following table summarizes the Company's operating results ($ in millions, except per share data):

	Three Months Ended			Year Ended
	Dec 31, 2012	Sep 30, 2012	Dec 31, 2011	December 31, 2012
Summary Operating Results:				
GAAP income	$ 56	$ 272	$ 19	$ 429
GAAP income, per diluted share	*$0.32*	*$1.63*	*$0.18*	*$ 2.94*
Non-GAAP Results:				
Core earnings	$ 33	$ 43	$ 32	$ 150
Core earnings, per diluted share	*$0.19*	*$0.26*	*$0.30*	*$ 1.03*
Cash Available for Distribution	$ 35	$ 36	$ 18	$ 112

For a reconciliation of income available for common stockholders to core earnings and net cash flow provided by operating activities to cash available for distribution, please refer to the tables following the presentation of GAAP results.

FOURTH QUARTER 2012 INVESTMENT ACTIVITY

$145 million of unrestricted cash invested primarily in the following:

$87 million: Non-Agency RMBS investments

Invested $87 million to purchase $134 million face amount of Non-Agency RMBS at an average price of 64.5% of par, with an expected unlevered yield of 6%, and a levered return of 12% assuming 65% financing.

$18 million: Bank Loan investments

Invested $18 million to purchase $52 million face amount of two bank loans in an existing investment at an average price of 34.9% of par.

$16 million: Senior Living Property investments

Invested $16 million (including working capital and transaction costs) to purchase four senior housing assets in two portfolios of $48 million financed with $32 million of non-recourse debt at a weighted average interest rate of 4.75% with a five-year maturity.

$10 million: Non-Agency securities issued by Newcastle

Invested $10 million to purchase $12 million face amount of senior Non-Agency securities issued by Newcastle at an average price of 82.0% of par

SUBSEQUENT EVENTS & INVESTMENT ACTIVITY

$780 million of common equity raised:

Since December 31, 2012, the Company completed the sale of approximately 80.5 million shares of its common stock for gross proceeds of approximately $780 million.

$660 million of unrestricted cash invested or committed to invest primarily in the following:

$347 million: Excess MSRs investments

Invested or committed to invest approximately $320 million to purchase a 33% interest in Excess MSRs on four portfolios with a total of approximately $215 billion unpaid principal balance (“UPB”) of residential mortgage loans. The Company expects the four investments to generate an average 16% IRR and $635 million of total cash flow, or 2.0x its initial investment.

Invested $27 million to purchase a 33% interest in the Excess MSRs on a $13 billion UPB of residential mortgage loan portfolio. The Company expects the investment to generate a 16% IRR and $57 million of total cash flow, or 2.1x its initial investment.

$191 million: Non-Agency RMBS investments

Invested $191 million to purchase $322 million face amount of Non-Agency RMBS at an average price of 59.3% of par, with an expected unlevered yield of 5%, and a levered return of 11% assuming 65% financing.

$66 million: Bank Loan investments

Invested $66 million to purchase $186 million face amount of two bank loans in an existing investment at an average price of 35.5% of par.

$35 million: Non-performing loans

Invested $35 million to purchase 70% interest in a pool of non-performing loans with a total UPB of $83 million at a price of 59.7% of par, with an expected unlevered yield of 10%, and a levered return in the mid-teens assuming 50% financing.

$10 million: Newcastle CDO senior bond

Invested $10 million to repurchase $11 million face amount of a Newcastle CDO senior bond at a price of 89% of par, with an expected unlevered yield of 8%.

CASH AND RECOURSE FINANCING

As of February 27, 2013, the Company's cash and recourse financings, excluding junior subordinated notes, were as set forth below:

- Unrestricted Cash Available to Invest after commitments – The Company had $284 million of unrestricted cash available to invest after commitments.
- Recourse Financing – The Company had $924 million of financing related to FNMA and FHLMC securities with a value of $972 million and $157 million of financing related to a portion of its Non-Agency RMBS portfolio with a value of $240 million. The Company also had an additional $400 million face amount of Non-Agency RMBS with a value of approximately $235 million that was unlevered.

I. RESIDENTIAL SERVICING & SECURITIES

As of December 31, 2012, Newcastle's residential servicing and securities portfolio consisted of five Excess MSRs investments with a total carrying value of $245 million and 29 Non-Agency RMBS purchased outside of the Company's CDOs since April 2012 with a total carrying value of $290 million.

During the quarter, this portfolio generated total cash flow of $43 million, including an $8 million break-up fee related to the "ResCap" transaction, and increased in value by $14 million.

Excess MSRs

As of December 31, 2012, the total carrying value of the Company's Excess MSR investments was $245 million, representing a 65% interest in the net MSR cash flows on five loan portfolios with a total unpaid principal balance of $77 billion.

During the quarter, these investments generated $27 million of total cash flow and increased in value by $3 million.

- The average updated IRR with actual performance was 19%, compared to an initial expected IRR of 18%
- Received $55 million of life-to-date total cash flow through the end of December, or 21% of the initial investment of $262 million over an average of 7 months
- Weighted Average Constant Prepayment Rate ("CPR") life-to-date was 12% compared to the Company's initial CPR projection of 20%

Non-Agency RMBS

As of December 31, 2012, the Company's Non-Agency RMBS portfolio consisted of $434 million face amount of assets (value of 66.8% of par). During the quarter, these investments generated $8 million of total cash flow and increased in value by $11 million.

II. COMMERCIAL REAL ESTATE DEBT & OTHER ASSETS

As of December 31, 2012, the Company's commercial real estate debt and other assets portfolio consisted of $3.0 billion of diversified assets financed with $2.0 billion of primarily match funded, non-recourse debt In addition, the portfolio consisted of $188 million of senior living properties financed with $121 million of non-recourse mortgage notes. Assets included 226 commercial, residential and corporate real estate securities and loan investments with an average investment size of $12 million, 8,881 mortgage loans backed by residential real estate, and 12 senior living properties.

During the quarter, this portfolio generated total cash flow of $47 million and increased in value by $21 million. During the quarter, the weighted average carrying value of the real estate debt portfolio changed from a price of 83.9% to 84.7% of par.

Newcastle CDO financings

As of December 31, 2012, Newcastle's four CDOs consisted of $1.8 billion face amount of collateral (value of 80.3% of par) financed with $1.1 billion of non-recourse debt. During the quarter, the CDOs generated $35 million of total cash flow, which included:

- $14 million of CDO cash receipts consisting of $10 million of excess interest, $3 million of interest on retained and repurchased CDO debt, and $1 million of senior collateral management fees
- $21 million of principal repayments on repurchased CDO debt

The following table summarizes the cash receipts in the quarter from the Company's consolidated CDO financings and the results of their related coverage tests ($ in thousands):

	Primary Collateral Type	Cash Receipts (1)	Interest Coverage % Excess (Deficiency) Feb 27, 2013 (2)	Over-Collateralization Excess (Deficiency) (2)(3) February 27, 2013 %	$	December 31, 2012 %	$	September 30, 2012 %	$
CDO IV	Securities	$ 348	35.2%	-3.7%	(5,586)	-3.7%	(5,586)	0.1%	213
CDO VI	Securities	140	-206.9%	-70.5%	(171,187)	-70.4%	(171,434)	-64.8%	(176,780)
CDO VIII	Loans	5,883	369.2%	11.3%	78,506	10.6%	74,593	9.8%	70,553
CDO IX	Loans	7,622	689.9%	24.7%	139,312	23.4%	134,675	20.6%	127,199
Total		**$13,993**							

(1) Cash receipts exclude $21 million of principal repayments from repurchased bonds. Cash receipts for the quarter ended December 31, 2012 may not be indicative of cash receipts for subsequent periods. See Forward-Looking Statements below for risks and uncertainties that could cause cash receipts for subsequent periods to differ materially from these amounts.

(2) Represents the excess or deficiency under the applicable interest coverage or over-collateralization test to the first threshold at which cash flow would be redirected. The Company generally does not receive material interest cash flow from a CDO until a deficiency is corrected. The information regarding coverage tests is based on data from the most recent remittance date on or before February 27, 2013, December 31, 2012 or September 30, 2012, as applicable. The CDO IV test is conducted only on a quarterly basis (December, March, June and September).

(3) As of the February 2013 remittance, the face amount of assets on negative watch for possible downgrade by at least one rating agency (Moody's, S&P, or Fitch) for CDOs VIII and IX was zero.

Other Real Estate Related Investments

As of December 31, 2012, other real estate related investments consisted of $1.3 billion face amount of assets (value of 91.1% of par) financed with $1.0 billion of debt. During the quarter, these investments generated $9 million of total cash flow which included:

- $8 million of excess interest and interest on retained debt
- $1 million of principal repayments

Senior Living Property Investments

As of December 31, 2012, the Company owned 12 senior living properties consisting of $188 million of assets financed with $121 million of debt.

During the quarter, the investments generated $2.1 million of total cash flow, $0.4 million more than projected.

- Average occupancy rate was 87.4%, compared to 86.0% in the Company's initial projection
- Average monthly revenue per occupied unit was $3,845, compared to $3,874 initially projected
- Total operating expenses were $6.9 million, compared to $7.1 million initially projected

INVESTMENT PORTFOLIO

The following table describes the investment portfolio as of December 31, 2012 ($ in millions):

	Face Amount $	Basis Amount $ (6)	% of Basis	Carry Value Amount $	Number of Investments	Credit (7)	Weighted Average Life (years) (8)
I. Residential Servicing & Securities							
Excess MSRs Investments	$ 245	$ 236	7.4%	$ 245	5	—	5.4
Non-Agency RMBS (1)	434	275	8.7%	290	29	CC	6.8
Total Residential Servicing & Securities Assets	679	511	16.1%	535			6.3
II. Commercial Real Estate Debt & Other Assets							
Commercial Assets							
CMBS	475	337	10.6%	376	76	BB-	3.2
Mezzanine Loans	528	443	13.9%	443	17	77%	2.2
B-Notes	171	162	5.1%	162	6	68%	2.1
Whole Loans	30	30	0.9%	30	3	48%	1.1
Third-Party CDO Securities (2)	96	67	2.1%	71	5	BB	3.3
Other Investments (3)	25	25	0.8.%	25	1	—	—
Total Commercial Assets	1,325	1,064	33.4%	1,107			2.6
Residential Assets							
MH and Residential Loans	332	290	9.1%	290	8,881	705	6.1
Subprime Securities	124	47	1.5%	66	40	CCC	5.0
Real Estate ABS	10	2	0.1%	1	3	CCC-	4.7
	466	339	10.7%	357			5.8
FNMA/FHLMC Securities	769	811	25.5%	813	58	AAA	3.5
Total Residential Assets	1,235	1,150	36.2%	1,170			4.4
Corporate Assets							
REIT Debt	63	62	2.0%	66	10	BBB-	1.8
Corporate Bank Loans	392	209	6.6%	209	7	CC	3.6
Total Corporate Assets	455	271	8.6%	275			3.3
Senior Living Property Investments (4)	188	182	5.7%	182	12	—	—
Total Commercial Real Estate Debt & Other Assets	3,203	2,667	83.9%	2,734			3.4
Total/Weighted Average (5)	**$ 3,882**	**$ 3,178**	**100.0%**	**$ 3,269**			**4.0**

(1) Represents Non-Agency RMBS purchased outside of the Company's CDOs since April 2012.
(2) Represents non-consolidated CDO securities, excluding eight securities with a zero value that had an aggregate face amount of $107 million.
(3) Relates to an equity investment in a REO property.
(4) Face amount of Senior Living Property Investments represents the gross carrying amount, which excludes accumulated depreciation and amortization.
(5) Excludes an investment in real estate of $7 million and loans subject to a call option with a face amount of $406 million.
(6) Net of impairment.
(7) Credit represents the weighted average of minimum ratings for rated assets, the Loan to Value ratio (based on the appraised value at the time of purchase or refinancing) for non-rated commercial assets, or the FICO score for non-rated residential assets and an implied and assumed AAA rating for FNMA/FHLMC securities. Ratings provided herein were determined by third-party rating agencies as of a particular date, may not be current and are subject to change at any time.
(8) Weighted average life is an estimate based on the timing of expected principal reduction on the asset.

ADDITIONAL INFORMATION

For additional information that management believes to be useful for investors, please refer to the "Quarterly Supplement – Fourth Quarter 2012" presentation posted to the Investor Relations section of Newcastle's website, www.newcastleinv.com. For consolidated investment portfolio information, please refer to the Company's Quarterly Report on Form 10-Q, which are also available on the Company's website, www.newcastleinv.com.

CONFERENCE CALL

Newcastle's management will conduct a live conference call on Thursday, February 28, 2013 at 8:30 A.M. Eastern Time to review the financial results for the fourth quarter and full year 2012. A copy of the earnings press release is posted to the Investor Relations section of Newcastle's website, www.newcastleinv.com.

All interested parties are welcome to participate on the live call. The conference call may be accessed by dialing 1-888-243-2046 (from within the U.S.) or 1-706-679-1533 (from outside of the U.S.) ten minutes prior to the scheduled start of the call; please reference "Newcastle Fourth Quarter 2012 Earnings Call."

A simultaneous webcast of the conference call will be available to the public on a listen-only basis at http://www.newcastleinv.com. Please allow extra time prior to the call to visit the site and download the necessary software required to listen to the internet broadcast.

A telephonic replay of the conference call will also be available two hours following the completion of the call through 11:59 P.M. Eastern Time on Friday, March 8, 2013 by dialing 1-855-859-2056 (from within the U.S.) or 1-404-537-3406 (from outside of the U.S.); please reference access code "13755210".

ABOUT NEWCASTLE

Newcastle Investment Corp. focuses on opportunistically investing in, and actively managing, real estate related assets. The Company primarily invests in two distinct areas: (1) Residential Servicing and Securities and (2) Commercial Real Estate Debt and Other Assets. The Company is organized and conducts its operations to qualify as a real estate investment trust (REIT) for federal income tax purposes. The Company is managed by an affiliate of Fortress Investment Group LLC, a global investment management firm.

FORWARD-LOOKING STATEMENTS

Certain items in this press release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, the average life of an investment, the expected returns, or expected yield on an investment, 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 market conditions cause downgrades of a significant number of our securities or the recording of additional impairment charges or reductions in shareholders' equity; the risk that we can find additional suitably priced investments; the risk that investments made or committed to be made cannot be financed on the basis and for the term at which we expect; the relationship between yields on assets which are paid off and yields on assets in which such monies can be reinvested; actual recapture rates with respect to any Excess MSR investment; and the relative spreads between the yield on the assets we invest in and the cost and availability of debt and equity financing. 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 or Quarterly Report on Form 10-Q, which is 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.

CAUTIONARY NOTE REGARDING EXPECTED RETURNS AND EXPECTED YIELDS PRESENTED IN THIS PRESS RELEASE

Expected returns and expected yields are estimates of the annualized effective rate of return that we presently expect to be earned over the expected average life of an investment (i.e., IRR), after giving effect, in the case of returns, to existing leverage, and calculated on a weighted average basis. Expected returns and expected yields reflect our estimates of an investment's coupon, amortization of premium or discount, and costs and fees, and they contemplate our assumptions regarding prepayments, defaults and loan losses, among other things. In the case of Excess MSRs, these assumptions include, but are not limited to, the recapture rate. Income recognized by the Company in future periods may be significantly less than the income that would have been recognized if an expected return or expected yield were actually realized, and the estimates we use to calculate expected returns and expected yields could differ materially from actual results.

Statements about expected returns and expected yields in this press release are forward-looking statements. You should carefully read the cautionary statement above under the caption "Forward-looking Statements," which directly applies to our discussion of expected returns and expected yields.

Newcastle Investment Corp.
Consolidated Statements of Income
(dollars in thousands, except share data)

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Year Ended December 31, 2012
	(unaudited)	*(unaudited)*	
Interest income	$ 70,272	$ 73,557	$ 310,459
Interest expense	21,886	31,533	109,924
Net interest income	48,386	42,024	200,535
Impairment (Reversal)			
Valuation allowance (reversal) on loans	(16,427)	23,055	(24,587)
Other-than-temporary impairment on securities	2,853	(1,478)	19,359
Impairment of long-lived assets	—	—	—
Portion of other-than-temporary impairment on securities recognized in other comprehensive income (loss), net of reversal of other comprehensive loss into net income (loss)	1,477	3,723	(436)
	(12,097)	25,300	(5,664)
Net interest income after impairment	60,483	16,724	206,199
Other Revenues			
Rental income	9,397	488	17,081
Care and ancillary income	1,583	—	2,994
Total other revenues	10,980	488	20,075
Other Income (Loss)			
Gain (loss) on settlement of investments, net	12	2,847	232,897
Gain on extinguishment of debt	958	5,708	24,085
Change in fair value of investments in excess mortgage servicing rights	2,510	367	9,023
Other income (loss), net	12,062	3,708	13,712
	15,542	12,630	279,717
Expenses			
Loan and security servicing expense	1,004	1,191	4,260
Property operating expenses	7,443	306	12,943
General and administrative expense	9,739	2,654	22,942
Management fee to affiliate	7,234	4,976	24,693
Depreciation and amortization	4,586	1	6,975
	30,006	9,128	71,813
Income from continuing operations	56,999	20,714	434,178
Income (loss) from discontinued operations	(20)	(18)	(68)
Net Income	56,979	20,696	434,110
Preferred dividends	(1,395)	(1,395)	(5,580)
Income Available for Common Stockholders	$ 55,584	$ 19,301	$ 428,530
Income Per Share of Common Stock			
Basic	$ 0.32	$ 0.18	$ 2.97
Diluted	$ 0.32	$ 0.18	$ 2.94
Income from continuing operations per share of common stock, after preferred dividends			
Basic	$ 0.32	$ 0.18	$ 2.97
Diluted	$ 0.32	$ 0.18	$ 2.94
Income (loss) from discontinued operations per share of common stock			
Basic	$ —	$ —	$ —
Diluted	$ —	$ —	$ —
Weighted Average Number of Shares of Common Stock Outstanding			
Basic	172,518,808	105,175,323	144,146,370
Diluted	175,413,251	105,175,323	145,766,413
Dividends Declared per Share of Common Stock	$ 0.22	$ 0.15	$ 0.84

Newcastle Investment Corp.
Consolidated Balance Sheets
(dollars in thousands)

	December 31, 2012	December 31, 2011
Assets		
Real estate securities, available-for-sale	$1,691,575	$ 1,731,744
Real estate related loans, held-for-sale, net	843,132	813,580
Residential mortgage loans, held-for-investment, net	292,461	331,236
Residential mortgage loans, held-for-sale, net	2,471	2,687
Investments in excess mortgage servicing rights at fair value	245,036	43,971
Subprime mortgage loans subject to call option	405,814	404,723
Investments in real estate, net of accumulated depreciation	169,473	—
Intangibles, net of accumulated amortization	19,086	—
Operating real estate, held-for-sale	—	7,741
Other investments	24,907	24,907
Cash and cash equivalents	231,898	157,356
Restricted cash	2,064	105,040
Derivative assets	165	1,954
Receivables and other assets	17,230	26,860
Total Assets	$3,945,312	$ 3,651,799
Liabilities and Stockholders' Equity		
Liabilities		
CDO bonds payable	$1,091,354	$ 2,403,605
Other bonds and notes payable	183,390	200,377
Repurchase agreements	929,435	239,740
Mortgage notes payable	120,525	—
Financing of subprime mortgage loans subject to call option	405,814	404,723
Junior subordinated notes payable	51,243	51,248
Derivative liabilities	31,576	119,320
Dividends payable	38,884	16,707
Due to affiliates	3,620	1,659
Purchase price payable on investments in excess mortgage servicing rights	59	3,250
Accrued expenses and other liabilities	16,352	19,081
Total Liabilities	2,872,252	3,459,710
Stockholders' Equity		
Preferred stock, $0.01 par value, 100,000,000 shares authorized, 1,347,321 shares of 9.75% Series B Cumulative Redeemable Preferred Stock 496,000 shares of 8.05% Series C Cumulative Redeemable Preferred Stock, and 620,000 shares of 8.375% Series D Cumulative Redeemable Preferred Stock, liquidation preference $25.00 per share, issued and outstanding as of December 31, 2012 and December 31, 2011	61,583	61,583
Common stock, $0.01 par value, 500,000,000 shares authorized, 172,525,645 and 105,181,009 shares issued and outstanding at December 31, 2012 and 2011, respectively	1,725	1,052
Additional paid-in capital	1,710,083	1,275,792
Accumulated deficit	(771,095)	(1,073,252)
Accumulated other comprehensive income (loss)	70,764	(73,086)
Total Equity	1,073,060	192,089
Total Liabilities and Stockholders' Equity	$3,945,312	$ 3,651,799

Newcastle Investment Corp.
Consolidated Statements of Cash Flows
(dollars in thousands)

	Three Months Ended December 31 2012 (unaudited)	Three Months Ended December 31 2011 (unaudited)	Year Ended December 31 2012
Cash flows From Operating Activities			
Net income	56,979	20,696	434,110
Adjustment to reconcile net income to net cash provided by (used in) operating activities (inclusive of amounts related to discontinued operations):			
Depreciation and amortization	4,750	87	7,451
Accretion of discount and other amortization	(6,659)	(11,572)	(45,582)
Interest income in CDOs redirected for reinvestment or CDO bond paydown	(2,540)	(1,298)	(5,484)
Interest income on investments accrued to principal balance	(6,076)	(5,204)	(22,835)
Interest expense on debt accrued to principal balance	109	109	437
Non-cash directors' compensation	60	27	280
Reversal of valuation allowance on loans	(16,427)	23,055	(24,587)
Other-than-temporary impairment on securities	4,330	2,245	18,923
Change in fair value on investments in excess mortgage servicing rights	(2,510)	(367)	(9,023)
Gain on settlement of investments (net) and real estate held-for-sale	(12)	(2,847)	(232,897)
Unrealized loss on non-hedge derivatives and hedge ineffectiveness	(3,048)	(2,911)	(2,547)
Gain on extinguishment of debt	(958)	(5,708)	(24,085)
Change in:			
Restricted cash	482	(88)	2,223
Receivables and other assets	(2,790)	(1,870)	(1,702)
Due to affiliates	269	127	1,961
Accrued expenses and other liabilities	(359)	929	1,259
Payment of Deferred Interest	—	—	(568)
Net cash provided by (used in) operating activities	25,600	15,410	97,334
Cash Flows From Investing Activities			
Principal repayments from repurchased CDO debt	21,488	8,804	42,835
Principal repayments from CDO securities	568	894	2,014
Principal repayments from non-Agency RMBS	8,289	11	20,729
Return of investment in excess mortgage servicing rights	15,840	760	29,167
Principal repayments from loans and non-CDO securities (excluding non-Agency RMBS)	55,727	17,140	126,125
Purchase of real estate securities	(391,940)	(30,794)	(989,709)
Purchase of real estate loans	(18,010)	—	(27,226)
Proceeds from sale of investments	—	—	127,000
Acquisition of investments in excess mortgage servicing rights	(3,190)	(40,492)	(221,832)
Acquisition of investments in real estate	(44,110)	—	(185,686)
Additions to investments in real estate	(270)	—	(296)
Deposit paid on investments	—	—	(25,857)
Return of deposit paid on investments	25,582	—	25,582
Net cash provided by (used in) investing activities	(330,026)	(43,677)	(1,077,154)
Cash flows From Financing Activities			
Repurchases of CDO bonds payable	(53)	(10,915)	(35,748)
Repayments of other bonds payable	(9,266)	(9,772)	(42,443)
Borrowings under repurchase agreements	374,871	29,202	782,749
Repayments of repurchase agreements	(50,763)	(10,390)	(93,054)
Margin deposits under repurchase agreement	(43,935)	(10,270)	(87,895)
Return of margin deposits under repurchase agreements	44,448	10,270	87,895
Borrowings under mortgage notes payable	32,125	—	120,525
Issuance of common stock	—	—	435,821
Costs related to issuance of common stock	(243)	(437)	(1,083)
Common Stock dividends paid	(37,947)	(15,776)	(104,196)
Preferred Stock dividends paid	(1,395)	(1,395)	(5,580)
Payment of deferred financing costs	(554)	—	(2,385)
Purchase of derivative instruments	—	—	(244)
Restricted cash returned from refinancing activities	—	(74)	—
Net cash provided by (used in) financing activities	307,288	(19,557)	1,054,362
Net Increase (Decrease) in Cash and Cash Equivalents	2,862	(47,824)	74,542
Cash and Cash Equivalents, Beginning of Period	229,036	205,180	157,356
Cash and Cash Equivalents, End of Period	$ 231,898	$ 157,356	$ 231,898
Supplemental Disclosure of Cash Flow Information			
Cash paid during the period for interest expense	12,011	22,366	$ 71,395
Supplemental Schedule of Non-Cash Investing and Financing Activities			
Preferred stock dividends declared but not paid	$ 930	$ 930	$ 930
Common stock dividends declared but not paid	$ 37,954	$ 15,776	$ 37,954
Purchase price payable on investments in excess mortgage servicing rights	$ —	$ —	$ 59
Re-issuance of other bonds and notes payable to third parties upon deconsolidation of CDO	$ 29,959	$ 5,751	$ 29,959

Newcastle Investment Corp.
Reconciliation of Core Earnings
(dollars in thousands)

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Year Ended December 31, 2012
Income (loss) applicable to common stockholders	$ 55,584	$ 19,301	$ 428,530
Add (Deduct):			
Impairment (Reversal)	(12,097)	25,300	(5,664)
Other income	(15,542)	(12,630)	(279,717)
(Income) loss from discontinued operations	20	18	68
Depreciation and amortization	4,586	1	6,975
Core earnings	$ 32,551	$ 31,990	$ 150,192

Core Earnings

Core earnings is used by management to gauge the current performance of Newcastle without taking into account of gains and losses, which, although they represent a part of our recurring operations, are subject to significant variability and are only a potential indicator of future economic performance. Management views this measure as Newcastle's "core" current earnings, while gains and losses (including impairment) are simply a potential indicator of future earnings. It also excludes the effect of depreciation and amortization charges, which, in the judgment of management, are not indicative of operating performance.

Management believes that this measure provides investors with useful information regarding Newcastle's "core" current earnings, and it enables investors to evaluate Newcastle's current performance using the same measure that management uses to operate the business. Core earnings does not represent cash generated from operating activities in accordance with GAAP and therefore should not be considered an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of its liquidity and is not necessarily indicative of cash available to fund cash needs. The Company's calculation of core earnings may be different from the calculation used by other companies and, therefore, comparability may be limited.

Newcastle Investment Corp.
Reconciliation of Cash Available for Distribution
(dollars in thousands)

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Year Ended December 31, 2012
Reconciliation of Cash Available for Distribution:			
Net cash provided by operating activities	25,600	15,410	97,334
Principal repayments bought at a discount[1]	30,345	9,698	65,578
Less: Return of capital included above[2]	(19,305)	(5,608)	(45,522)
Subtotal	36,640	19,500	117,390
Preferred dividends[3]	(1,395)	(1,395)	(5,580)
Cash Available for Distribution	**$ 35,245**	**$ 18,105**	**$ 111,810**
Other data from the Consolidated Statements of Cash Flows:			
Net cash provided by (used in) investing activities	$ (330,026)	$ (43,677)	$ (1,077,154)
Net cash provided by (used in) financing activities	307,288	(19,557)	1,054,362
Net increase (decrease) in cash and cash equivalents	2,862	(47,824)	74,542

(1) Excludes principal repayments on assets purchased at par or assets where the principal received is required to pay down Newcastle's debt (assets held in its CDO's, MH loans and Agency securities).
(2) Represents the portion of principal repayments from repurchased CDO debt, CDO securities, and Non-Agency RMBS computed based on the ratio of Newcastle's purchase price of such debt or securities to the aggregate principal payments expected to be received from such debt or securities.
(3) Represents preferred dividends to be paid on an accrual basis (payments are made at the end of Jan, Apr, Jul and Oct).

Cash Available for Distribution ("CAD")

- *Management believes that CAD is useful for investors because it is a meaningful measure of the Company's operating liquidity. It represents GAAP net cash provided by operating activities adjusted for two factors:*
  1. *Principal payments received in excess of the portion which represents a return of Newcastle's invested capital in certain of Newcastle's investments, which were acquired at a significant discount to par. These investments include repurchased CDO debt, CDO securities and Non-Agency RMBS. Although these net principal repayments are reported as investing activities for GAAP purposes, they actually represent a portion of Newcastle's return on these investments (or yield), rather than a return of Newcastle's invested capital.*
  2. *Preferred dividends. Although these dividends are reported as financing activities for GAAP purposes, they represent a recurring use of Newcastle's operating cash flow similar to interest payments on debt.*
- *Management uses CAD as an important input in determining cash available to pay dividends to Newcastle's common stockholders.*
- *CAD excludes principal repayments on assets purchased at par or assets where the principal received is required to pay down Newcastle's debt (assets held in the its CDOs, MH loans and Agency securities). Furthermore, net cash provided by operating activities, a primary element of CAD, includes timing differences based on changes in accruals. CAD does not represent cash generated from operating activities in accordance with GAAP and should not be considered an alternative to net income as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of the Company's liquidity and is not necessarily indicative of cash available to fund cash needs. The Company's calculation of CAD may be different from the calculation used by other companies and therefore comparability may be limited.*

NEWCASTLE INVESTMENT CORP.

DRAFT TRANSCRIPT OF EARNINGS CALL

Moderator: Sarah Watterson
February 28, 2013
8:30 a.m. ET

Operator:	Good morning. My name is (Stephanie) and I will be your conference operator today. At this time, I would like to welcome everyone to the Newcastle Fourth Quarter 2012 Earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. If you would like to ask a question during this time, simply press star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key. Thank you. I would now like to turn the conference over to Sarah Watterson from Investor Relations.
Sarah Watterson:	Thank you, (Stephanie), and good morning. I'd like to welcome you all today, February 28, 2013, to Newcastle's Fourth Quarter and Full Year 2012 Earnings call. Joining us today are (Wes Edens, Chairman of the Board of Directors, (Ken Riis), CEO and President, (Brian Sigman), CFO, and (Greg Finck), Managing Director. Before I turn the call over to (Wes), I would like to point out certain statements made today may be forward-looking statements. Forward-looking statements are not statements of fact. Instead, these statements describe the company's current beliefs regarding events that by their nature are uncertain and outside of the company's control.

The company's actual results may differ materially from the estimates or expectations expressed in any forward-looking statements. So you should not place under reliance on any of the forward-looking statements.

I encourage you to review the disclaimers in our earnings release regarding forward-looking statements and expected returns and to review the risk factors contained in our annual and quarterly reports filed with the SEC. Thank you.

And I would now like to turn the call over to (Wes Edens).

(Wes Edens): Great. Thanks, Sarah, and welcome, everyone. Well, let's start with the financial results. You know, the quarter which we have previewed to people, so I think the numbers are very much in the market, (inaudible) 19 cents per share in the fourth quarter, net income, 32 cents, CAD, 20 cents, and a paid dividend of 22 cents.

Obviously, there's a bit of noise in the financials as we've been in the ramp-up phase of raising capital and trying to time that appropriately to that investment capital. We had average invested cash in the quarter of $245 million.

The big news actually in terms of the company happened right after the end of the quarter actually, or in early January, we announced two things: One that we had been the successful winner of a large chunk of the servicing, we being (Nationstar), our servicer, and Newcastle, through the excess MSR.

We raised a bunch of capital at that time and announced that we're going to split the company. And so the split is very much on track. I think that our thoughts at the time were that we would get it done through the SEC by about the end of the quarter, you know, plus or minus April 1st and it looks very much like that's the case. I think our goal - I think I first mentioned this on the earnings call last summer is that once we got the residential business to a scale and a size that we thought it would be viewed as a viable standalone candidate that we would split it off because we thought that the results into valuation for both the old company, Newcastle, as well as the new company, New Residential, could lead to a materially higher price and then they could collectively trade it.

And, in fact, subsequent to the announcement, that is in part of what has happened. So that's all good news. In addition, a second update for the quarter is that we raised capital just a few weeks ago kind of mid-quarter really reflecting a flurry of activity in the first part of the year on virtually every front; on the MSR front and on the agency, then in the core business and the senior housing stuff and there's a bunch of debt purchases that have gone on. So all in all it's been a very, very busy and very productive quarter.

There are a handful of new asset classes, which we're looking at that I'll talk about in a little bit of detail when we get to it, but so far so good.

So maybe what I'll do is take a pause now in terms of talking about the new business and turn it over to (Ken) to talk about the activities of Newcastle and its core business. (Ken)?

(Ken Riis): Thanks, a lot. So today, I'll talk about the commercial real estate debt portfolio and our senior living investments that we've made to-date. At quarter end, we've owned one $3 billion of real estate securities and loans, financed with $2 billion of primarily non-recourse debt. So net of, our financings are direct holdings equals $1 billion in our commercial real estate debt portfolio.

In the fourth quarter, it generated $45 million of cash flow and the value of the portfolio increased, like, $21 million to an average price of 85 percent of par. The $1 billion difference between the face amount of our assets and liabilities represents the total principle recovery Newcastle would realize if held to maturity and all our assets and liabilities were paid off at par.

At quarter end, we expected to recover $725 to $750 million at the $1 billion principal amount over an average life of 5 years, but this assumes we don't buy back anymore of our liabilities at a discount or collapse any of our CDOs. I think this is conservative. We are actively looking to buy back our liabilities at a discount and in addition, shorten our recovery time by collapsing CDOs.

And as we covered this principal, our plans to reinvest in senior housing properties, this is something that we're very excited about. Fortress is very experienced in managing senior housing - senior housing assets, and, you know, the opportunity is big because it's a - it's a big market and a lot of the assets are held by moms and pops. So there are a lot of individual asset owners or small portfolio owners and we have to grind through to make the acquisitions, but we're pretty excited about the opportunity.

Currently, our short-term actionable pipeline is about $400 million and it's growing. We currently own $200 million of senior living properties financed with $120 million of mortgage debt resulting in a net investment of $80 million.

In the fourth quarter, this investment generated a 13.4 percent IRR, $2.1 million in earnings, $400,000 more than we projected at the time of purchase. So we've done a good job with our initial investments we made in the sector and we're really excited about our opportunity to grow it. And our strategy remains the same.

Find properties that are underperforming in the market overlay institutional asset management to increase occupancy and rents to market levels and lower operating costs. That's it.

(Wes Eden): Great. And so at the time of the split we detailed, there's actually a good supplement that was posted online that I hope that you guys have taken a look at where we detailed the two companies and what their investment focus and activities will be.

In Newcastle, which (Ken) just went through, you've got the Legacy CDO business, senior housing, other real estate debt and a handful of opportunistic restructuring, which will hopefully have some good news on in the next quarter or so because there's a lot of activity on that side.

The new company, New Residential, NRZ will be the ticker symbol focused on kind of core residential focus activities. So excess MSRs, which have been, you know, a very, very productive form of investment for us, and I'll talk about kind of what's happened with our portfolio and how things are going there.

The RMBS, the non-agency RMBS stuff, which (Greg Finck), one of my colleagues, will talk about our activities there. Since Nationstar has become a very large servicer of the non-residential securities business to roll their acquisitions, we really started focusing our activities on buying and making an investment in securities that those guys are services of.

In total, that non-agency market is around a trillion dollars. Just under a trillion dollars. And Nationstar as a servicer or a special - or a master servicer, was just over 20 percent of it. So it's a big address for the universe for us. We've done some good work there. (Greg)'s had a very good year on it so far.

Two other areas of focus that are not currently on the books, but things that we think are actionable and would be interesting, the non-performing loan market, which we think there's actually a robust pipeline that exists in the country and it seems like this could be the year where a lot of that does break loose.

You know, you have the agencies that own, you know, many hundreds of billions of dollars of non-performing loans. There's a lot of NPL, you know, books of business out there. Actually, the pipeline in the first quarter here looks robust and we've got very, very specific costs about that. That could be interesting.

And then what I would call adjacent assets, as I mentioned to folks when we talked a couple of weeks ago when we were raising capital, there are similar assets. The consumer debt market in particular, there's some transactions we have looked at that we think could be productive.

And so hopefully, we'll have some good news for you there as well. So on the excess MSR portfolio, you know, we have invested in, you know, just over $300 billion size of servicing. So it's quite a - quite a large investment, with many numbers of pools.

We detail on the performance of them in our public filings in great detail and transparency to you all, and, you know, the news across the board has been uniformly positive.

In general, prepayment speeds of these assets have been modestly lower than what our expectations were, number one. Number two, especially on the stuff that we have owned for some time, the recapture rates, which is really our defense against our prepayment speeds inching up here, have gotten better and better over time. So the Nationstar folks are doing a good job there.

The net result to us is we've invested over $600 million in capital. We've got an IRR that just on an unleveraged basis, is just under 20 percent. So in a zero interest rate environment, that has been a spectacular return.

One - just a few comments on the market and what we see, where last year I think was characterized with very large episodic transactions of a handful of banks or liquidations, we had the Lehman Brothers transaction where the estate was sold in a bankruptcy sale at about this time last year, obviously, the big news at the end of the year was dominated by the ResCap portfolio on the one hand, you know, and Bank of America being a large portfolio, on the other.

We think that there are still a handful of these episodic transactions on the horizon. There's one in particular that we are very focused on with our Nationstar folks, but I think you're going to see a migration into more of the flow basis.

If you put some numbers around that, if the - if the total amount of mortgage originations this year are something between, you know, $1 and $1.5 trillion, those are big ranges, but to give it some sense, and the average value of the - of the total servicing is around 3 percent, let's say, on the origination. At $1.5 trillion, that would be $4 and a half billion of kind of addressable investment need.

Figure as much as half of that could be sold on kind of a one-by-one basis, right? You still have a couple of the big money center banks that are adding to their portfolio, but there's a lot of the servicing in bits and pieces that are being sold.

Our real focus of our activities is to try and capture, you know, some substantial portion of that. So maybe not as exciting or the same kind of announcements that you've seen from some of the large transactions, but robust activity nonetheless and something that we're very focused on and think that we can generate some meaningful investments and investment returns in it.

So with that, let me take a pause and turn it over to (Greg) to talk about the non-agency market. (Greg)?

(Greg Finck): Thanks, (Wes). We purchased $134 million current phase of non-agency RMBS in the fourth quarter, an average price of 65 percent of par, investing approximately $87 million. We received roughly $9 million principal and interest cash flow in the quarter and the portfolio increased in value by $11 million.

In total in 2012, we purchased $456mm face amount of RMBS at an average price of 63% of par, for a total investment of $288mm. We applied $151mm debt against the portfolio for a net investment of $138mm. As of year-end, the RMBS portfolio had a market value of $290mm and had received $22mm in cash flow distributions.

In 2013, we have invested an additional $191mm to purchase $322mm face amount of non-agency RMBS at an average purchase price of 59% of par.

RMBS prices increased significantly in the 4th quarter, but we believe these securities still offer attractive investment opportunities given the recovery in the housing market and fundamental performance improvements in the mortgage market. Home prices rose 7% in 2012, and market conditions remain ripe for further price appreciation given low mortgage rates and positive supply/demand dynamics. Mortgage delinquencies have been declining for several years now, and we believe the recent improvements in the housing market will lead to further declines in default rates, lower loss severities on defaulting loans, and potentially increases in prepayment rates. Many non-agency borrowers have been unable to refinance their mortgages at today's low mortgage rates due to home price depreciation and resulting negative equity. Rising home prices should slowly allow more of these "underwater" borrowers the opportunity to refinance. Our RMBS portfolio would benefit from increases in prepayments due to the discount price of the securities.

We expect these RMBS investments to generate 5% to 7% annualized returns on an unlevered basis which translates into 10% to 15% returns on a levered basis. We have primarily invested in current-pay Subprime and Alt-A RMBS serviced by Nationstar. We believe Nationstar has been very effective at modifying and curing delinquent loans, thus reducing defaults and losses.

We also continue to believe that there are potential arbitrage opportunities by collapsing RMBS securitizations back into the underlying loans to add incremental value to the portfolio. In many cases, we believe the loans can trade at 10-15% higher prices than the securities. We are working to aggregate concentrated positions in select deals in order to most effectively take advantage of this pricing differential. Over two-thirds of our RMBS portfolio is concentrated in 10 specific deals. We hope to complete our first deal collapse in the first half of 2013.

With that, I'll turn it back over to (Brian).

(Brian Sigman): Thanks, (Greg). In the quarter, we had GAAP income of 32 cents per share. This included core earnings of 19 cents while the remainder is primarily due to a one-time breakup fee related to the ResCap transaction and mark-to-market net gains on our loan's held for sale and our excess MSRs.

We generated $35 million of Cash Available Distribution, or CAD, in the quarter, and $112 million for 2012. Our common dividend for the quarter was 22 cents per share, which we paid back in January.

Our fourth quarter financial results were affected by having approximately $245 million of average uninvested capital in the quarter, including $160 million of average uninvested cash and $85 million of potential financing from our unlevered non-agency RMBS.

If this capital was fully invested in the quarter, our earnings would've increased by 5 to 6 cents per share. As we continue to fund our commitments and make new investments in the quarter, our earnings will continue to grow.

Additionally, you'll notice our G&A expenses were higher relative to previous quarters as a result of the expenses associated with the res cap transaction and the plan spinoff of New Residential.

This morning, we posted our Q4 supplement, and as you can see from our disclosures, we've been breaking out our results by our two business lines to give transparency into what the companies will look like after the spin.

We saw full quarter from our MSRs that we purchased in July and with that, the residential business generated close to 50 percent of our total cash flow. We currently have $285 million of unrestricted cash to invest and at $400 million face or $235 million value of non-agency RMBS that are currently unlevered in addition to our MSR book, which is completely unlevered. As (Wes) and (Ken) mentioned, we are seeing a lot of opportunities to invest the capital and expect to be fully invested in the near-term.

That ends our prepared remarks. We'll now take your questions.

Operator?

Operator: At this time, I would like to remind everyone in order to ask a question, please press star, then the number one on your telephone keypad. Again, star, then the number one to ask your questions.

Your first question comes from the line of (Matthew Howlett) with UBS.

(Matthew Howlett): Just on, you know, the servicing deals, they're all performing above your initial expectations. Have you adjusted the recapture rate on those deals? I mean, clearly Nationstar is running at a much, much higher pace than the 30, 35 percent you had modeled it at.

(Wes Edens): You know, we haven't really changed the initial assumptions. They are what they are and we think that - I mean, there is - I think it's their stable ambition to be north of 50 percent on the loans they service.

You know, the ideal profile of an MSR from our standpoint are loans that are largely performing, but have some degree of credit impairment in the form of higher LTV or whatnot that make it a little harder for them to refinance.

So those are - that's the nature of a lot of the servicing that has been sold coincidentally and it is also the stuff that we think, you know, offers the most value, but puts a tremendous effort into it, and I won't speak on their behalf, but they - you know, the results of that have been excellent and I feel great about it.

So that's the existing book and, of course, you know, the loans that are - that are refinanced in this environment, you know, three and a quarter, three and a half, three and three quarters percent, you know, gross mortgage rates, I think, are going to prove to be very sticky loans indeed.

So from an MSR standpoint, that's a - that's also an attractive profile, but…

(Matthew Howlett): Right. So as - I guess you're saying as time goes on, I mean, we've seen on your first pool, your first acquisition of MSRs and the second one, the recapture rate moves up significantly. Is that because Nationstar just sort of goes out and really mods the high LTV stuff, does it in-house with modifications and that sort of takes them off of the loans to board and then go after it? Is that sort of how you envision the portfolio shaping up?

(Wes Edens): Yes. You know what? What happens I think as a practical matter is that when the loans are boarded, it's a new relationship, right? So that - the borrower/servicer relationship begins new when you first move it, so the recapture rates are obviously very low on day one because they don't really know their servicer.

You know, Nationstar makes a great effort both with technology and with people to be — have a very collegial relationship, a good relationship with the borrowers and thus identify people that are in the process are looking to refinance and can refinance and then capture a higher percentage of that.

So it's by design and I think empirically it would show that it's working well. So I think over time we would expect the recapture rates to get better on existing tools and I think for the most part that they have.

So obviously there's a lot to assimilate now with some of these larger, you know, transactions that they are in the process of closing, but, you know, so far so good.

(Matthew Howlett): Great. And you said - on that note, you said there was - there was at least one large transaction that you're looking at and after that will be more MSR acquisitions on a flow basis based on their originations?

(Wes Edens): Yes, I think - obviously, the big episodic trades you can't predict, right? You need someone to decide to do something. We - you know, I think that the - you know, the same market, you know, conditions that were present to encourage the banks to be sellers of this in terms of, you know, regulatory capital issues and just their costs of dealing with the regulatory pressures, et cetera, those still exist.

So I think it's entirely possible and, in fact, likely that you will see other large transactions in the future, but given the pipeline that we see now, it's a very robust pipeline, but it's a much more diverse one.

There's a handful of significant ones, one in particular as I mentioned, but then there's just a lot of kind of singles as it were.

(Matthew Howlett): Great. Thanks, (Wes).

(Wes Edens): You bet.

Operator: Your next question comes from (Jasper Burch) with (Macquarie).

(Jasper Burch): Hey. Good morning, guys. I was just wondering if you could give us a little more color on sort of - for forecasting, the NRZ versus NCT going forward.

So if you have earmarked the $280 million, sort of which sides of the business are you going to expect it to go to?

(Wes Edens): There's a little bit of flexibility about where that's going to end up. I think the lion's share is going to end up in NRZ. We think that the — kind of — obviously the final numbers won't be done until the split is completed, but I think the bulk of that is going to end up on that side.

Having said that, one of the reasons we raised capital here recently is that the investment activity both on (Greg)'s side in his non-agency and (Kenny) with some of the senior housing stuff has been actually very robust.

So it's not one-sided, but I'd say it's more tilted towards the NRZ side of the table.

(Jasper Burch): OK. And then on the sort of IRR compression or the expectation of IRRs on the new MSR acquisitions, you know, sort of meaningfully lower than what's already on your books. What's driving that? I guess, one reason, is it competitive landscape?

(Wes Eden): Well, I think our expectations — return expectations when we got into the MSR investing business were to generate kind of mid teens unleveraged returns. I think as it turns out, they have outperformed that a bit because some of our expectations ended up being a little bit conservative, but I'd say the core, you know, assumption about what we expected to generate was actually quite consistent with that.

And, you know, the more recent transactions are recent and it's a little hard to devise in the first month or two along the way what the returns will actually, but I think the portfolio in the aggregate has been just under 20 percent unleveraged and I think, you know, with mid-teens as kind of a baseline, it's a good place to start and let's see where it goes.

Any meaningful change in interest rates higher would change those numbers, you know, dramatically obviously.

(Jasper Burch): You know, it was actually — that was actually — my next question was if you guys have — I mean, have you guys provided an interest rate sensitivity for how, you know, let's say, 100bps or 200bps move in the long end would increase those IRRs?

(Wes Edens): Yes, I think the most constructive way to think about it, and it's easy for us to put disclosure in around this, is just look at it at different static prepayment rates to give you some measure of it and then you can determine or other people can determine what they think will be the prepayment rates as rates move fairly higher.

It would obviously dramatically slow both the existing book and then the new stuff that we had originated, I think, would prepay at a very, very slow rate.

And, you know, those are - those are very, very good financial results. You know, I don't - I don't spend a lot of time thinking about what happens with a portfolio if everything goes right. It's quite the opposite, but I'm confident when you look at the numbers you'll see the magnitude of order shift if rates were to move much higher. It has a traumatic impact in a positive way on the portfolio.

(Jasper Burch): OK. And then I guess just lastly, you know, you gave the little new commentary on flow - on, you know, trying to inquire MSRs through a flow business. What sort of customers would you be buying from?

I mean, is that — it probably wouldn't be people who are selling into correspondent networks. Would it be — just be — I mean, originators who are signed to the GSEs, but don't want to maintain the servicing, sort of what types of banks would you be — sort of be targeting or able to acquire those from?

(Wes Edens): Yes, I think the target would be people that are doing a meaningful amount that for whatever reason don't want to be servicer, but the bar to be a servicer from a capital standpoint, from a regulatory standpoint has gone up dramatically over the last couple of years and I think it's, you know, very, very kind of productive mortgage bankers that in the past might've held onto their servicing books are kind of moving out as they go along.

So the focus obviously is the gaps of the people who have had the most production that we think are the highest quality folks, which is above the level of a lot of the correspondence which also may be higher quality, but they're just smaller players.

So the priority would be first that, you know — that tier on the top, you know, 20 or 30 or 40 folks that are — that are originating.

(Jasper Burch): And then, I mean, do you have an agreement in place with Nationstar for - to sort of help, you know, co-invest and purchase those loans?

(Wes Edens): Had lots of dialogue with them. There's - we bought some MSR that has been on a flow basis that I expect we'll end up buying, you know, a lot more, and my expectation and their expectations and we'll sort out how to do this on a flow basis that works for both of us.

(Jasper Burch): Great. Well, thank you guys a lot. Very helpful and good color.

Operator: Your next question comes from the line of (Bose George) with KBW.

(Bose George): Hey. Good morning. Just following up on the flow servicing. Are the returns on investing in more prime MSRs, which I assume those are going to be similar to, you know, what you're getting on this stuff that you're investing in?

(Wes Edens): They are. They are and the model returns are similar. The profile — the — of the MSR I think is meaningfully different though in that just by virtue of the fact that somebody has refinanced, they have ended — they've, you know — they've demonstrated the ability to refinance.

So I expect that there's more prepayment sensitivity on them. The good news is is that you're actually starting from a very low level interest rate. When you look at the — at the behavior of prime borrowers versus some of the less prime, maybe not even sub-prime, but just less prime borrowers, is that they definitely are part of the recapture and they are more likely to prepay because they've got more options.

That's why we like the MSRs that have some credit impairment. But that said, when you're starting with, you know, base mortgage rates of — with a three-handle, you know, you're in such a good, you know, point of entry that there is much, much more upside in terms of the rates going higher than there is in rates going lower.

So…

(Bose George): OK. That makes sense. And — actually, in terms of the — this opportunity, is there something that's exclusively with Nationstar or just given the big portfolios of the banks, et cetera, could this be something you, you know, work with others as well?

(Wes Edens): Yes. You know, we've said before that we would be — we'd be happy to and we've, in fact, talked — had conversations with a number of folks about having a similar relationship we have with Nationstar. It's just that the bar to sort out that relationship is a high one, right?

We want someone who is a very high-quality servicer. We want someone who is a very high-quality originator that also has a significant amount of co-investment capital.

So those are the — those are the hallmarks of what we think makes a great relationship and I think there are a handful of situations that could be prospectively interesting and maybe, you know, one in particular of those will come to pass in another way that's meaningful, but there hasn't been any to-date and I think because it's legitimately hard.

(Bose George): That makes sense. And then actually, just switching to the issue of leverage on the MSR, you know, is there much asset-specific, you know, financing you can get on the MSR? Is leverage something we could see kind of at the corporate level or, you know, how are we kind of thinking about that?

(Wes Edens): Yes. I mean, the — you know, the asset based financing markets have improved dramatically over the last 12 months and they seem to be getting better every day. There is no doubt that you could get asset level finance on the MSR book that would be attractive from a financial standpoint.

I think one of the challenge of it is that even though it would show economically to be a good result because the IRR would go up and be leveraged higher obviously, it pushes out the receipt of cash flow, you know, fairly significantly, and it just increases the risk of the -– of the investment, I think, a fair bit.

We have not leveraged and we don’t intend to be leveraging. That’s something we could always, you know, readdress as (Brian) mentioned. One of the things I’m very focused on is to keep lots of balance sheet flexibility so that, you know, if there was a period of high volatility, which might be a hard market to raise a lot of equity capital, it would be great to have the balance sheet flexibility to be able to borrow and be able to take advantage of those things, right?

The markets that we’re in right now are very good in terms of getting leverage and they’re good in terms of equity valuations. They’re a little harder from the acquisition standpoint. The inverse is also true, right? The periods of higher volatility can be great acquisition opportunities, but you have to have access to capital and I think having a very, very low leveraged company gives you a lot of flexibility around that. But…

(Bose George): OK. Great. And then just one last thing. In the presentation, you guys note, a run rate earnings of 26 cents if the capitals deployed. I mean, should we — is that number potentially higher just given that their expense is related to the spin or is that a reasonable run rate number?

Brian: Well, there were some other expenses as well and we only put in the one cent, but that was really the fourth quarter. So that kind of took our 19 cents for Q4 added in to average on invested capital. Since then, we’ve obviously done the two raises, which have been accretive as well.

So I don’t think that’s a perfect example of the go-forward, but it’s approximation.

(Wes Edens): Yes, you're going — you're going to get the benefit of the bulk of the settlement — of the economic settlement as of the end of the second quarter on the North Star side.

Brian 1: Yes. Yes.

(Wes Edens): It'll be between the first quarter and the second quarter.

Brian 1: Yes.

(Wes Edens): So you'll see — I think the third quarter will be a very clean quarter right now. There's a — there's a handful of other significant investments that we think will close both during this quarter. So I think that the second quarter will be a very good proxy for what it is and you'll finally get to see, you know, the benefit of being fully invested, which we think is material obviously.

(Bose George): OK. Great. Thanks a lot.

Operator: Again, if you would like to ask a question, please press star, then the number one on your telephone keypad. That is star, then the number one. Your next question comes from the line of (Douglas Harter) with Credit Suisse.

(Douglas Harter): Can you talk about the bank — the two bank loan investments that you made both in the fourth quarter and the first quarter? Obviously, at pretty low prices at par. Just give a little more color on that.

(Ken Riis): Yes, those are — those are opportunistic investments that we're looking at and their potential restructure opportunities and, you know, we like the, you know — obviously we're buying the assets at big discounts and there's — we think there's, you know, a good return if nothing happens, but a much better return if we can sort of use our debt investment to restructure and turn into a higher yielding investment over the long-term.

So it's sort of a specific. Can't get into all the details, but, you know, it's something that I'm excited about.

(Douglas Harter): Is there — is — I mean, are those real estate-backed? I mean, is that kind of why it falls under the commercial — you know, the commercial real estate bucket or not?

(Ken Riis): No, it's not real estate-backed.

(Douglas Harter): OK. And is that something that, you know — that, you know, obviously they're opportunistic, but something that, you know, you would continue to pursue?

(Wes Edens): Yes, I think that (Kenny's) trying to be very careful about this because it's a — it's a public situation. It is something that we think has great merits. It's a very interesting situation and we have added to the position here in the quarter.

And I think that there's, you know, in the next — certainly in the next quarter or two, there'll be, you know, some meaningful discussion about it, but right now, it's a — it's a — it's a public situation I'd rather not comment on.

(Douglas Harter): All right. That's fair. Thank you.

(Wes Edens): (Inaudible).

Operator: Your next question comes from the line of (Jackie Earl) with Compass Point.

(Jackie Earl): Good morning. Thanks for taking the question. I noticed from your February 13th presentation, you guys under the opportunities for growth you guys mentioned (Springleaf Financial) and C.W. Financial Services.

I'm not sure if you had spoken about this publically, but was wondering if you could provide any color on how you guys expect to work with these companies.

(Wes Eden): Well, you know, if you step back in the — in the Fortress family of investments and companies that we have relationships with, we have — we have made it a focus for the firm to have big vendor relationships and the asset classes, I think, are interesting.

So Nationstar is that counterparty in the residential servicing space. Springleaf, which is the old American General Finance that we made the investment in about two and a half years ago, is a very large and very capable consumer finance company. C.W. is the largest special servicer in the commercial servicing space.

So very, very large vendor relationships, really, really qualified companies all of which we think have got similar, but different opportunities for us to work with them. Obviously, what we would be focused on where we're to do business with either of those companies is something that is in their line of business.

So in the case of C.W., again, the commercial side, something that Springleaf that would be on the consumer side just as we've done with the residential business with Nationstar and, you know, the circumstances would dictate the specifics of any given transaction and obviously, if and when we did something, we would, you know, give you great detail on it.

(Jackie Earl): Thank you. I'll go mute.

Operator: Thank you. I would now like to turn it back over to (Wes Edens) for closing remarks.

(Wes Edens): Great. Well, thanks, everyone, for calling in and the questions and exciting times for us here. We look forward to having a good quarter and we'll be back talking with you soon. Thanks so much.

Operator: Thank you. This concludes today's conference call. You may now disconnect.

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