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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2015

or

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

For the transition period from ______________ to ______________

Commission File Number: 001-31458

Newcastle Investment Corp.

(Exact name of registrant as specified in its charter)

Maryland	81-0559116
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1345 Avenue of the Americas, New York, NY	10105
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class:	Name of exchange on which registered:
Common Stock, $0.01 par value per share	New York Stock Exchange (NYSE)
9.75% Series B Cumulative Redeemable Preferred Stock, $0.01 par value per share	New York Stock Exchange (NYSE)
8.05% Series C Cumulative Redeemable Preferred Stock, $0.01 par value per share	New York Stock Exchange (NYSE)
8.375% Series D Cumulative Redeemable Preferred Stock, $0.01 par value per share	New York Stock Exchange (NYSE)

Securities registered pursuant to Section 12 (g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this form 10-K ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer ☐ Accelerated Filer ☒ Non-accelerated Filer ☐ Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). (Check One):

☐ Yes ☒ No

The aggregate market value of the common stock held by non-affiliates as of June 30, 2015 (computed based on the closing price on such date as reported on the NYSE) was: $287.9 million.

The number of shares outstanding of the registrant's common stock was 66,654,598 as ofFebruary 29, 2016.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This report contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to, among other things, the operating performance of our investments, 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:

- changes in global, national and local economic conditions, including, but not limited to, a prolonged economic slowdown and a downturn in the real estate market;
- reductions in cash flows received from our investments;
- the availability and cost of capital for future investments, particularly in a rising interest rate environment, and our ability to deploy capital accretively;
- our ability to profit from opportunistic investments, such as our investment in golf, and to mitigate the risks associated with managing operating businesses and asset classes with which we have limited experience;
- the relationship between yields on assets which are paid off and yields on assets in which such monies can be reinvested;
- changes in our asset portfolio and investment strategy, and potential changes in our ability to make distributions to our stockholders;
- adverse changes in the financing markets we access affecting our ability to finance our investments;
- changing risk assessments by lenders that potentially lead to increased margin calls, not extending our repurchase agreements or other 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 risks that default and recovery rates on our real estate securities and loan portfolios deteriorate compared to our underwriting estimates;
- 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;
- geographical concentrations with respect to our investments, including the mortgage loans underlying and collateral securing certain of our debt investments;
- legislative/regulatory changes, including but not limited to, any modification of the terms of loans;
- competition within the industries in which we have and/or may pursue additional investments;
- the impact of any current or further legal proceedings and regulatory investigations and inquiries;
- the impact of any material transactions with FIG LLC (the "Manager") or one of its affiliates, including the impact of any actual, potential or predicted conflicts of interest;
- our ability and willingness to maintain our qualification as a REIT; and
- other risks detailed from time to time below, particularly under the heading “Risk Factors,” and in our other reports filed with or furnished to the Securities and Exchange Commission (the “SEC”).

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 report. We are under no duty to update any of the forward-looking statements after the date of this report to conform these statements to actual results.

NEWCASTLE INVESTMENT CORP.
FORM 10-K

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PART I

Item 1. Business.

Overview

Newcastle Investment Corp. (“Newcastle” or the "Company") is a real estate investment trust (“REIT”) that focuses on opportunistically investing in, and actively managing, a variety of real estate related and other investments. Newcastle is externally managed and advised by an affiliate of Fortress Investment Group LLC, or Fortress (the “Manager”). Newcastle’s common stock is traded on the New York Stock Exchange ("NYSE") under the symbol “NCT.”

We currently invest in real estate related debt and golf related real estate and operations. Our investment guidelines are purposefully broad to enable us to make investments in a wide array of assets, and we actively explore new business opportunities and asset categories as part of our business strategy. Our objective is to leverage our longstanding investment expertise to drive attractive risk-adjusted returns. We target stable long-term cash flows and seek to employ appropriate capital structures to generate returns throughout different interest rate environments. We take an active approach centered around identifying and executing on opportunities, responding to the changing market environment, and dynamically managing our investment portfolio to grow investments organically and through acquisitions into standalone businesses to enhance returns.

Our debt business consists of assets of $46.4 million financed in collateralized debt obligations ("CDOs") whereby Newcastle is the manager, as well as $669.7 million of other real estate related securities and assets.

Our Golf business includes 86 properties in the United States that we lease, own or manage. Since the acquisition of our Golf business in December 2013, we have sought to enhance the value of our Golf business by hiring a new senior management team to optimize the portfolio and focus on revenues and earnings growth. We may also be able to grow the revenues and earnings of our portfolio through new investments to upgrade, reposition and repurpose some of our properties. In addition, we believe our golf portfolio and operations are highly scalable and we could potentially grow the portfolio through acquisitions of other golf properties and related businesses.

We report our business through the following segments: (i) debt investments financed with collateralized debt obligations (“CDOs”), (ii) other debt investments (“Other Debt”), (iii) investments in golf properties and facilities (“Golf”), and (iv) corporate.

The following table summarizes our segment results at December 31, 2015 (dollars in thousands):

	Debt Investments (A)				
	CDOs	Other Debt (B)	Golf	Corporate	Total
GAAP					
Investments, net	$ 46,392	$ 669,736	$ 302,379	$ —	$ 1,018,507
Cash and restricted cash	128	1,082	19,981	28,929	50,120
Other assets	77	365,104	33,765	409	399,355
Total assets	46,597	1,035,922	356,125	29,338	1,467,982
Debt, net	97,605	740,921	81,091	51,225	970,842
Other liabilities	29	107,125	166,973	12,891	287,018
Total liabilities	97,634	848,046	248,064	64,116	1,257,860
Preferred stock	—	—	—	61,583	61,583
Noncontrolling interests	—	—	(257)	—	(257)
Equity (deficit) attributable to common stockholders	$ (51,037)	$ 187,876	$ 108,318	$ (96,361)	$ 148,796

(A) Assets held within non-recourse structures, including all of the assets in the CDO segment, are not available to satisfy obligations outside of such financings, except to the extent net cash flow distributions are received from such structures. Creditors or beneficial interest holders of these structures generally have no recourse to the general credit of Newcastle. Therefore, our exposure to the economic losses from such structures generally is limited to our invested equity in them, and economically their book value cannot be less than zero. Therefore, impairment recorded in excess of our investment, which results in negative equity attributable to common stockholders for a given non-recourse financing structure, cannot economically be incurred and will eventually be reversed through amortization, sales at gains, or as gains at the deconsolidation or termination of such non-recourse financing structure.

(B) The following table summarizes the investments and debt in the Other Debt segment:

	December 31, 2015			
	Investments		Debt	
	Outstanding Face Amount	Carrying Value	Outstanding Face Amount	Carrying Value
Non-Recourse				
Subprime mortgage loans subject to call options	380,806	380,806	380,806	380,806
Other				
Unlevered real estate securities (C)	37,404	12,642	—	—
Levered real estate securities (D)	102,660	105,963	348,625	348,625
Real estate related and other loans	238,449	149,198	11,660	11,490
Other investments	N/A	20,595	—	—
Residential mortgage loans	922	532	—	—
	$ 760,241	$ 669,736	$ 741,091	$ 740,921

(C) Excludes eight securities with zero value, which had an aggregate face amount of $116.0 million.

(D) These investments represent purchases that were traded on December 31, 2015 but settled on January 13, 2016. The debts represent repurchase agreements collateralized by sold investments that were traded on December 31, 2015 and settled on January 13, 2016. See Note 5 to Part II, Item 8, "Financial Statements and Supplementary Data" for additional detail.

Further details regarding the revenues, net income (loss) and total assets of each of our segments for each of the last three fiscal years are presented in Note 4 to Part II, Item 8. "Financial Statements and Supplementary Data."

Developments in 2015

Sale of Commercial Real Estate

In April 2015, Newcastle closed the sale of its commercial real estate properties in Beavercreek, OH for $7.0 million, net of closing costs, and recognized a net gain on the sale of these assets of approximately $0.3 million. In addition, Newcastle repaid the related debt on this property of $6.0 million held within CDO IX, which was eliminated in consolidation. For more information about the sale of the commercial real estate, see Note 3 to Part II, Item 8. "Financial Statements and Supplementary Data."

Investment Portfolio

The following summarizes our consolidated investment portfolio atDecember 31, 2015 (dollars in thousands):

	Outstanding Face Amount	Amortized Cost Basis (A)	Percentage of Total Amortized Cost Basis	Fair Value	Carrying Value	Number of Investments	Credit (B)	Weighted Average Life (years) (C)
Debt Investments								
Commercial Assets								
CMBS	$ 67,669	$ 23,044	3.9 %	$ 39,684	$ 39,684	16	B	2.1
Mezzanine Loans	37,200	19,433	3.2 %	19,433	19,433	3	81%	0.3
CDO Securities (D)	14,632	—	—	9,731	9,731	2	C	7.2
Other Investments (E)	20,595	20,595	3.4 %	20,595	20,595	1	—	—
Total Commercial Assets	140,096	63,072	10.5 %	89,443	89,443			2.2
Residential Assets								
Residential Loans	922	532	0.0 %	569	532	4	690	1.6
Non-Agency RMBS	16,477	2,736	0.5 %	9,619	9,619	9	CC	11.0
Real Estate ABS	8,464	—	— %	—	—	1	C	—
	25,863	3,268	0.5 %	10,188	10,151			7.1
FNMA/FHLMC	102,660	105,940	17.5 %	105,963	105,963	3	AAA	7.8
Total Residential Assets	128,523	109,208	18.0 %	116,151	116,114			7.7
Corporate Assets								
Corporate Bank Loans	201,249	129,765	21.5 %	145,837	129,765	4	NR	1.0
Total Corporate Assets	201,249	129,765	21.5 %	145,837	129,765			1.0
Total Debt Investments	469,868	302,045	50.0 %	351,431	335,322			3.3
Golf Investments								
Golf Investment (F)	370,182	302,379	50.0 %	302,379	302,379			
Total Portfolio / Weighted Average	$ 840,050	$ 604,424	100.0 %	$ 653,810	$ 637,701			
Reconciliation to GAAP total assets:								
Subprime mortgage loans subject to call option (G)					$ 380,806			
Cash and restricted cash					50,120			
Assets of discontinued operations					—			
Other					399,355			
GAAP total assets					$ 1,467,982			

WA- Weighted average, in all tables.
NR - Not rated, in all tables.

(A) Net of impairment.
(B) 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. Ratings provided above were determined by third party rating agencies, represent the most recent credit ratings available as of the reporting date and may not be current.
(C) Weighted average life is based on the timing of expected principal reduction on the asset.
(D) Represents non-consolidated CDO securities, excluding eight securities with zero value, which had an aggregate face amount of $ 116.0 million.
(E) Represents an equity investment in a real estate owned property.
(F) Face amount of the golf investment represents the gross carrying amount, including intangibles, and excludes accumulated depreciation and amortization. Basis amount of the golf investments represents carrying value including intangibles.
(G) Our subprime mortgage loans subject to call option are excluded from the statistics because they result from an option, not an obligation, to repurchase such loans, are noneconomic until such option is exercised, and are offset by an equal liability on the Consolidated Balance Sheets.

Debt Investments

The following table reflects the spread between the yield and the cost of financing on our portfolio of debt investments at December 31, 2015:

Weighted average asset yield	8.50%
Weighted average funding cost	1.14%
Net interest spread	7.36%

The net interest spread increased from 6.14% at December 31, 2014 to 7.36% at December 31, 2015 primarily due to (i) the sale and paydown of lower yielding assets, (ii) the pay down of debt obligations with higher funding costs, and (iii) the reduction in funding costs associated with the maturity of one interest rate swap and termination of two interest rate swaps during 2015.

The net interest spread of our portfolio of debt investments can be impacted by (i) the timing and extent of changes in the composition of our portfolio as a result of purchases and sales of assets or the repayment of debt, including our CDO debt, repurchase agreements and other bonds, and the incurrence of new debt, (ii) the yields on new investments, which vary depending on the credit quality of the issuer and (iii) changes in our estimates of the yields on securities acquired at a discount or premium for credit quality, which management assesses on a quarterly basis. For instance, the net interest spread of our debt investments increases if we sell assets with lower yields relative to other assets in our portfolio or repay debt (such as in connection with an asset sale or refinancing) that has a higher interest rate relative to other financing on our portfolio, assuming no other changes to the composition of our portfolio. Conversely, the net interest spread of our portfolio decreases if we sell assets with higher yields relative to other assets in our portfolio or repay debt (such as in connection with an asset sale) that has a lower interest rate relative to other financing on our portfolio, assuming no other changes to the composition of our portfolio. Management continually monitors market conditions to opportunistically effect purchases and sales of debt investments.

CMBS

Deal Vintage (A)	Average Minimum Rating (B)	Number	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Carrying Value/Fair Value	Delinquency 60+/FC/REO (C)	Principal Subordination (D)	Weighted Average Life (years) (E)
Pre 2004	CCC-	4	$ 3,046	$ 1,075	4.7%	$ 1,056	80.4%	43.0%	1.3
2004	BBB-	3	10,192	6,224	27.0%	9,594	0.0%	36.6%	5.1
2005	B-	4	39,834	11,505	49.9%	24,738	40.2%	27.2%	2.1
2006	AAA	3	4,289	4,240	18.4%	4,296	10.6%	41.2%	0.4
2007	C	2	10,308	—	—%	—	100.0%	0.0%	—
Total / WA	B	16	$ 67,669	$ 23,044	100.0%	$ 39,684	43.2%	26.1%	2.1

(A) The year in which the securities were issued.
(B) Ratings provided above were determined by third party rating agencies, represent the most recent credit ratings available as of the reporting date and may not be current. We had no CMBS assets that were on negative watch for possible downgrade by at least one rating agency as of December 31, 2015.
(C) The percentage of underlying loans that are 60+ days delinquent, in foreclosure or considered real estate owned ("REO").
(D) The percentage of the outstanding face amount of securities that is subordinate to our investments.
(E) Weighted average life is based on the timing of expected principal reduction on the asset.

See Note 5 to Part II, Item 8. "Financial Statements and Supplementary Data" for information about our CMBS activity during 2015.

Mezzanine Loans

Asset Type	Number	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Carrying Value/Fair Value	Weighted Average First Dollar Loan to Value (A)	Weighted Average Last Dollar to Loan Value (A)	Delinquency (B)
Mezzanine Loans	3	$ 37,200	$ 19,433	100.0%	$ 19,433	64.0%	81.0%	47.8%
Total/WA	3	$ 37,200	$ 19,433	100.0%	$ 19,433	64.0%	81.0%	47.8%

(A) Loan to value is based on the appraised value at the time of purchase or refinancing.
(B) The percentage of underlying loans that are non-performing, in foreclosure, under bankruptcy filing or considered real estate owned.

See Note 6 to Part II, Item 8. "Financial Statements and Supplementary Data" for information about our mezzanine loan activity during 2015.

CDO Securities (A)

Collateral Manager	Primary Collateral Type	Number	Average Minimum Rating (B)	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Carrying Value/Fair Value	Principal Subordination (C)
Newcastle	CMBS	2	C	$ 14,632	$ —	—%	$ 9,731	25.1%
TOTAL/WA		2	C	$ 14,632	$ —	—%	$ 9,731	25.1%

(A) Represents non-consolidated CDO securities, excluding eight securities with zero value, which had an aggregate face amount of $ 116.0 million.
(B) Ratings provided above were determined by third party rating agencies, represent the most recent credit ratings available as of the reporting date and may not be current. We had no CDO assets that were on negative watch for possible downgrade by at least one rating agency as of December 31, 2015.
(C) The percentage of the outstanding face amount of securities that is subordinate to our investments.

Residential Loans

Deal	Number	Average FICO Score (A)	Outstanding Face Amount	Amortized Cost Basis (B)	Percentage of Total Amortized Cost Basis	Fair Value	Carrying Value	Average Loan Age (years)	Original Balance	Delinquency 90+/FC/REO (B)	Cumulative Loss to Date
Residential Loans	4	690	$ 922	$ 532	100.0%	$ 569	$ 532	1.6	$ 1,100	83.1%	—%

(A) Based on original FICO scores for the residential loan portfolios as the loan servicers of the residential loan portfolios do not provide updated FICO scores.
(B) Amortized cost basis and carrying value excludes negligible interest receivable for the residential housing loans.
(C) The percentage of loans that are 90+ days delinquent or in foreclosure or considered REO.

See Note 6 to Part II, Item 8. “Financial Statements and Supplementary Data” for information about our residential loan activity during 2015.

Non-Agency RMBS (A)

	Security Characteristics							
Vintage (B)	Average Minimum Rating (C)	Number of Securities	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Carrying Value/Fair Value	Principal Subordination (D)	Excess Spread (E)
2004	B+	2	1,726	678	24.8%	1,536	6.5%	0.9%
2005	C	5	8,752	176	6.4%	4,019	6.2%	3.3%
2006	C	1	4,000	655	23.9%	2,911	23.7%	4.2%
2007	CC	1	1,999	1,227	44.9%	1,153	0.0%	3.5%
Total / WA	CC	9	$ 16,477	$ 2,736	100.0%	$ 9,619	9.7%	3.3%

	Collateral Characteristics				
Vintage (B)	Average Loan Age (years)	Collateral Factor (F)	3 Month CPR (G)	Delinquency (H)	Cumulative Losses to Date
2004	11.7	0.10	19.4%	5.8%	1.8%
2005	11.1	0.08	10.4%	15.4%	8.3%
2006	10.5	0.18	10.8%	25.9%	19.0%
2007	9.4	0.23	9.0%	23.7%	39.1%
Total / WA	10.8	0.13	11.3%	18.0%	13.9%

(A) This includes subprime retained securities in the securitizations of Subprime Portfolios I. For further information on this securitization, see Note 6 to our Consolidated Financial Statements included in this report.
(B) The year in which the securities were issued.
(C) Ratings provided above were determined by third party rating agencies, represent the most recent credit ratings available as of the reporting date and may not be current. We had no ABS assets that were on negative watch for possible downgrade by at least one rating agency as of December 31, 2015.

(D) The percentage of the outstanding face amount of securities and residual interests that is subordinate to our investments.
(E) The annualized amount of interest received on the underlying loans in excess of the interest paid on the securities, as a percentage of the outstanding collateral balance.
(F) The ratio of original unpaid principal balance of loans still outstanding.
(G) Three month average constant prepayment rate.
(H) The percentage of underlying loans that are 90+ days delinquent, or in foreclosure or considered REO.

See Note 5 to Part II, Item 8. "Financial Statements and Supplementary Data" for information about non-Agency RMBS activity during 2015.

Agency RMBS (FNMA/FHLMC Securities)

See Note 5 to Part II, Item 8. "Financial Statements and Supplementary Data" for information about Agency RMBS activity during 2015.

Corporate Bank Loans

Industry	Average Minimum Rating (A)	Number	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Fair Value	Carrying Value
Resorts	NR	3	187,552	125,793	96.9 %	$ 141,865	$ 125,793
Restaurant	NR	1	13,697	3,972	3.1 %	3,972	3,972
Total / WA	NR	4	201,249	129,765	100.0 %	$ 145,837	$ 129,765

(A) Ratings provided above were determined by third party rating agencies, represent the most recent credit ratings available as of the reporting date and may not be current. We had no corporate assets that were on negative watch for possible downgrade by at least one rating agency as of December 31, 2015.

Intrawest Loan (included in the Resorts section of the table above)

In April 2010, we made a cash investment of $75.0 million through two of our CDOs in a new loan to Intrawest Cayman L.P. and its subsidiaries ("Intrawest"), which is a portfolio company of a private equity fund managed by an affiliate of our Manager. In addition, Mr. Edens is a director of Intrawest and has an indirect ownership interest in Intrawest. Interest on the loan is accrued and deferred until maturity in 2019. As of December 31, 2013, the face amount of this investment was $185.6 million. In December 2013, we consented to a modification of the loan for our investment in order to facilitate an initial public offering of Intrawest. In January 2014, Intrawest completed a $37.5 million primary offering and a $150.0 million secondary offering. Following Intrawest's public offerings, we received total cash of $83.3 million, which reduced the face amount of our loan to $99.4 million. In accordance with the loan agreement, as of April 24, 2015, the accrued and deferred interest rate stepped-up from 15.55% to 22.50%. As a result of the accrued and deferred interest, the face amount of the loan has increased to $141.9 million as of December 31, 2015.

Credit Risk Management – Debt Investments

Credit risk refers to the ability of each individual borrower under our loans and securities to make required interest and principal payments on the scheduled due dates. We strive to reduce credit risk by actively monitoring our asset portfolio and the underlying credit quality of our holdings and, where feasible and appropriate, repositioning our investments to upgrade their credit quality and yield. A portion of our investments are financed with collateralized debt obligations, known as CDOs. Our CDO financings offer us the structural flexibility to currently sell certain investments to manage risk and, subject to certain limitations, to optimize returns.

Further, while the expected yield on our real estate securities is sensitive to the performance of the underlying loans, the first risk of default and loss–referred to as a "first loss" position–is borne by the more subordinated securities or other features of the securitization transaction, in the case of commercial mortgage and asset backed securities, and the issuer's underlying equity and subordinated debt, in the case of senior unsecured REIT debt securities.

We also invest in loans and securities which represent "first loss" positions; in other words, these positions do not benefit from credit support although we believe at acquisition these positions predominantly benefit from underlying collateral value in excess of their carrying amounts.

Golf Investments

In December 2013, we restructured an investment in mezzanine debt issued by NGP Mezzanine, LLC ("NGP"), the indirect parent of NGP Realty Sub, L.P. ("National Golf"). National Golf owns 27 golf properties across 8 states, and leases these properties to American Golf Corporation ("American Golf"), an affiliated operating company. As of December 31, 2015, American Golf also leased an additional 49 golf properties and managed 10 golf properties owned by third parties. As part of the transaction, we acquired the equity of NGP and American Golf's indirect parent, AGC Mezzanine Pledge LLC ("AGC"), and therefore consolidated these entities as of December 31, 2013. We categorize our owned and leased golf properties as public or private. Set forth below is additional information about our golf properties.

Public Properties. Public properties generate revenues principally through daily green fees, golf cart rentals and food, beverage and merchandise sales. Amenities at these properties generally include practice facilities and pro shops with food and beverage facilities. In some cases, our public properties have small clubhouses with banquet facilities. In addition, The Players Club is a monthly membership program offered at most of our public properties, with membership benefits ranging from daily range access to ability to participate in golf clinics, in return for a monthly membership fee.

Private Properties. Private properties are open to members only and generate revenues principally through initiation fees, membership dues, guest fees, and food, beverage and merchandise sales. Amenities at these courses typically include practice facilities, full service clubhouses with a pro shop, locker room facilities and multiple food and beverage outlets, including grills, restaurants and banquet facilities.

Managed Properties. Our 10 managed properties are properties that American Golf manages pursuant to a management agreement with the owner. We recognize revenue from these properties in an amount equal to the respective management fee.

In March 2015, our Golf business entered into a lease for a 27-hole municipal golf property owned by Los Angeles County, California. The lease is for a term of 21 years and encompasses the golf course, a driving range, food and beverage facilities and a pro shop. In August 2015, the lease on a golf property in Hawaii expired and the lease was not renewed for such property. In October 2015, the owner of a managed golf property in Oregon sold it to a third party who terminated the management agreement on such property.

The following table summarizes certain information about our golf properties as ofDecember 31, 2015.

Property Type	Number of Properties	Number of Golf Holes
Leased:		
Public	43	801
Private	6	162
Total Leased	49	963
Owned:		
Public	12	234
Private	15	306
Total Owned	27	540
Managed:	10	162
Total	86	1,665
Location by State		
California	53	1,017
Florida	1	54
Georgia	10	171
Idaho	1	18
Michigan	1	18
New Jersey	2	36
New Mexico	1	27
New York	5	108
Oklahoma	3	54
Oregon	3	54
Tennessee	2	36
Texas	3	54
Washington	1	18
Total	86	1,665

Our Financing And Hedging Activities

We employ leverage as part of our investment strategy. We do not have a predetermined target debt to equity ratio as we believe the appropriate leverage for the particular assets we are financing depends on the credit quality of those assets. As of December 31, 2015 and as of the date of this Annual Report, we have complied with the general investment guidelines adopted by our board of directors that limit total leverage. We utilize leverage for the sole purpose of financing our portfolio and not for the purpose of speculating on changes in interest rates.

We strive to maintain access to a broad array of capital resources in an effort to insulate our business from potential fluctuations in the availability of capital. We utilize multiple forms of financing, including common and preferred stock offerings, CDOs, other securitizations, term loans, and trust preferred securities, as well as short-term financing in the form of loans and repurchase agreements. Additionally, the Manager as defined in "– The Management Agreement" may elect for us to bear a level of refinancing risk on a short-term or longer term basis, such as is the case with investments financed with repurchase agreements, when, based on all of the relevant factors, the Manager determines that bearing such risk is advisable or unavoidable. Further details regarding the forms of financing that are currently utilized are presented in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources.”

We attempt to reduce refinancing and interest rate risks through the use of match funded financing structures, when appropriate and available, whereby we seek (i) to match the maturities of our debt obligations with the maturities of our assets and (ii) to match the interest rates on our investments with like-kind debt financing (i.e., floating rate assets are financed with floating rate debt and fixed rate assets are financed with fixed rate debt), directly or through the use of interest rate swaps, interest rate caps or other financial instruments, or through a combination of these strategies. We believe this allows us to reduce the risk that we have to refinance our liabilities prior to the maturities of our assets and to reduce the impact of changing interest rates on our earnings.

We enter into hedging transactions to manage our exposure to fluctuations in interest rates and other changes in market conditions, and we may continue to do so, when feasible and appropriate. These transactions predominantly include interest rate swaps, interest rate caps and may include the purchase or sale of To Be Announced MBS ("TBA") contracts, interest rate collars, caps or floors, options, mortgage derivatives and other hedging instruments that may be subject to margin calls. These instruments may be used to hedge as much of the interest rate risk as our Manager determines is in the best interest of our stockholders, given the cost of such hedges and the need to maintain our status as a REIT. Our Manager elects to have us bear a level of interest rate risk that could otherwise be hedged when our Manager believes, based on its analysis, that bearing such risks is advisable or unavoidable. We engage in hedging for the purpose of protecting against interest rate risk and not for the purpose of speculating on changes in interest rates. We note that new hedging transactions with respect to many types of hedging instruments may impose liquidity constraints on us or may be uneconomical for us to obtain.

Further details regarding our hedging activities are presented in Part II, Item 7A. “Quantitative and Qualitative Disclosures About Market Risk – Interest Rate and Credit Spread Sensitive Instruments and Fair Value.”

Debt Obligations

The following table presents certain summary information regarding our debt obligations and related hedges as ofDecember 31, 2015 (dollars in thousands):

						Collateral				
Debt Obligation	Outstanding Face Amount	Carrying Value	Weighted Average Funding Cost (A)	Weighted Average Life (Years)	Face Amount of Floating Rate Debt	Outstanding Face Amount (B)	Amortized Cost Basis (B)	Carrying Value (B)	Weighted Average Life (Years)	Floating Rate Face Amount (B)
CDO Bonds Payable	$ 92,933	$ 92,933	1.1%	4.1	$ 89,183	$ 69,838	$ 25,124	$ 46,392	3.3	$ 12,477
Other Bonds and Notes Payable	16,644	16,162	10.8%	0.7	16,644	19,433	19,433	19,433	0.5	19,433
Repurchase Agreements	418,625	418,458	1.5%	0.2	70,000	350,280	365,265	365,265	7.7	—
Golf Credit Facilities	11,258	11,258	6.4%	4.9	200	N/A	N/A	N/A	N/A	N/A
Junior Subordinated Notes Payable	51,004	51,225	7.4%	19.3	—	N/A	N/A	N/A	N/A	N/A
Subtotal debt obligations	$ 590,464	$ 590,036	2.3%	2.6	$ 176,027	$ 439,551	$ 409,822	$ 431,090	6.6	$ 31,910
Financing on Subprime Mortgage Loans Subject to Call Option	380,806	380,806								
Total debt obligations	$ 971,270	$ 970,842								

(A) Including deferred financing costs.
(B) Excluding restricted cash held in CDOs to be used for principal and interest payments of CDO debt.

Further details regarding our debt obligations are presented in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources,” as well as Note 11 to Part II, Item 8. “Financial Statements and Supplementary Data.”

Our Investment Guidelines

Our investment guidelines are purposefully broad to enable us to make investments in a wide array of assets, including, but not limited to, any assets that can be held by REITs. Our investment guidelines state:

- no investment is to be made which would cause us to fail to qualify as a REIT;
- no investment is to be made which would cause us to be regulated as an investment company;
- no more than 20% of our total equity, determined as of the date of such investment, is to be invested in any single asset;
- our leverage (as defined in our governing documents) is not to exceed 90% of the sum of our total debt and our total equity; and
- we are not to co-invest with the Manager or any of its affiliates unless (i) our co-investment is otherwise in accordance with these guidelines and (ii) the terms of such co-investment are at least as favorable to us as to the Manager or such affiliate (as applicable) making such co-investment.

These investment guidelines may be changed by our board of directors without the approval of our stockholders. We do not have specific policies as to the allocation among type of real estate related assets or investment categories since our investment decisions depend on changing market conditions. Instead, we focus on relative value and in-depth risk/reward analysis. Our focus on relative value means that assets which may be unattractive under particular market conditions may, if priced appropriately to compensate for risks such as projected defaults and prepayments, become attractive relative to other available investments. We generally utilize a match funded financing strategy, when appropriate and available, and active management as part of our investment strategy.

The Management Agreement

We are party to an amended and restated management agreement with FIG LLC, our Manager and an affiliate of Fortress Investment Group LLC, dated April 25, 2013 (the "Management Agreement"), pursuant to which our Manager provides for a management team and other professionals who are responsible for implementing our business strategy, subject to the supervision of our board of directors. Our Manager is responsible for, among other things, (i) setting investment criteria in accordance with broad investment guidelines adopted by our board of directors, (ii) sourcing, analyzing and executing acquisitions, (iii) providing financial and accounting management services and (iv) performing other duties as specified in the Management Agreement.

The Management Agreement provides for automatic one year extensions. Our independent directors review our Manager's performance annually and the management agreement may be terminated annually upon the affirmative vote of at least two-thirds of our independent directors, or by a vote of the holders of a majority of the outstanding shares of our common stock, based upon unsatisfactory performance that is materially detrimental to us or a determination by our independent directors that the management fee earned by our Manager is not fair, subject to our Manager's right to prevent such a management fee compensation termination by accepting a mutually acceptable reduction of fees. Our Manager must be provided with 60 days' prior notice of any such termination and would be paid a termination fee equal to the amount of the management fee earned by our Manager during the twelve month period preceding such termination, which may make it difficult and costly for us to terminate the management agreement. Following any termination of the Management Agreement, we shall be entitled to purchase our Manager's right to receive the Incentive Compensation at a price determined as if our assets were sold for cash at their then current fair market value (as determined by an appraisal, taking into account, among other things, the expected future value of the underlying investments) or otherwise we may continue to pay the Incentive Compensation to our Manager. In addition, if we do not purchase our Manager's Incentive Compensation, our Manager may require us to purchase the same at the price discussed above. In addition, the Management Agreement may be terminated by us at any time for cause.

See Note 13 to Part II, Item 8. "Financial Statements and Supplementary Data" for further information related to the terms of the management agreement.

Policies with Respect to Certain Other Activities

Subject to the approval of our board of directors, we have the authority to offer our common stock or other equity or debt securities in exchange for property and to repurchase or otherwise reacquire our shares or any other securities and may engage in such activities in the future.

We also may make loans to, or provide guarantees of certain obligations of, our subsidiaries.

Subject to the percentage ownership and gross income and asset tests necessary for REIT qualification, we may invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers, including for the purpose of exercising control over such entities.

We may engage in the purchase and sale of investments.

Our officers and directors may change any of these policies and our investment guidelines without a vote of our stockholders.

In the event that we determine to raise additional equity capital, our board of directors has the authority, without stockholder approval (subject to certain NYSE requirements), to issue additional common stock or preferred stock in any manner and on such terms and for such consideration it deems appropriate, including in exchange for property.

Decisions regarding the form and other characteristics of the financing for our investments are made by our Manager subject to the general investment guidelines adopted by our board of directors.

Competition

We operate in a highly competitive industry, and compete primarily on the basis of reputation, location and the perceived value of our product offering. Our ability to compete with other golf facilities directly affects our ability to succeed.

In addition, we are subject to significant competition in seeking investments. We compete with other companies, including publicly traded golf and leisure companies, REITs, private equity firms and other investors including funds and companies affiliated with our Manager. Some of our competitors have greater resources than we possess, or have greater access to capital or various types of financing than are available to us, and we may not be able to compete successfully for investments or provide attractive investments returns relative to our competitors. In addition, we cannot assure you that we will be able to identify opportunities or complete transactions on commercially reasonable terms or at all, or that we will actually realize any targeted benefits from such acquisitions, investments or alliances.

For more information about the competition we face generally and in our Golf business specifically, see Part I, Item 1A. "Risk Factors—Risks Related to Our Business—We are subject to significant competition, and we may not compete successfully."

Government Regulation of Our Golf Business

Our golf facilities and operations are subject to a number of environmental laws. As a result, we may be required to incur costs to comply with the requirements of these laws, such as those relating to water resources, discharges to air, water and land, the handling and disposal of solid and hazardous waste, and the cleanup of properties affected by regulated materials. Under these and other environmental requirements, we may be required to investigate and clean up hazardous or toxic substances or chemical releases from currently owned, formerly owned or operated facilities.

Environmental laws typically impose cleanup responsibility and liability without regard to whether the relevant entity knew of or caused the presence of the contaminants. We may use certain substances and generate certain wastes that may be deemed hazardous or toxic under such laws, and from time to time have incurred, and in the future may incur, costs related to cleaning up contamination resulting from historic uses of certain of our current or former properties or our treatment, storage or disposal of wastes at facilities owned by others. Our facilities are also subject to risks associated with mold, asbestos and other indoor building contaminants. The costs of investigation, remediation or removal of regulated materials may be substantial, and the presence of those substances, or the failure to remediate a property properly, may impair our ability to use, transfer or obtain financing for our property. We may be required to incur costs to remediate potential environmental hazards, mitigate environmental risks in the future, or comply with other environmental requirements.

In addition, in order to improve, upgrade or expand some of our facilities, we may be subject to environmental review under the National Environmental Policy Act and, for projects in California, the California Environmental Quality Act. Both acts require that a specified government agency study any proposal for potential environmental impacts and include in its analysis various alternatives. Any improvement proposal may not be approved or may be approved with modifications that substantially increase the cost or decrease the desirability of implementing the project.

We are also subject to regulation by the United States Occupational Safety and Health Administration and similar health and safety laws in other jurisdictions. These regulations impact a number of aspects of operations, including golf course maintenance and food handling and preparation.

The ownership and operation of our facilities subjects us to federal, state and local laws regulating zoning, land development, land use, building design and construction, and other real estate-related laws and regulations.

Our facilities and operations are subject to the Americans with Disabilities Act of 1990, as amended by the ADA Amendments Act of 2008 (the "ADA"). The rules implementing the ADA have been further revised by the ADA Amendments Act of 2008, which included additional compliance requirements for golf facilities and recreational areas. The ADA generally requires that we remove architectural barriers when readily achievable so that our facilities are made accessible to people with disabilities. Noncompliance could result in imposition of fines or an award of damages to private litigants. Federal legislation or regulations may further amend the ADA to impose more stringent requirements with which we would have to comply.

We are also subject to various local, state and federal laws, regulations and administrative practices affecting our business. For instance, we must comply with provisions regulating equal employment, minimum wages, and licensing requirements and regulations for the sale of food and alcoholic beverages.

Taxation

We have elected to be taxed as a real estate investment trust, or REIT, under the Internal Revenue Code of 1986, as amended (the "Code"). Our current and continuing qualification as a REIT depends on our ability to meet various tax law requirements, including, among others, requirements relating to the sources of our income, the nature of our assets, the composition of our stockholders, and the timing and amount of distributions that we make. A portion of the REIT distribution requirements may be able to be satisfied through stock dividends rather than cash, subject to limitations based on the value of the stock.

As a REIT, we will generally not be subject to U.S. federal corporate income tax on that portion of our income that is distributed to stockholders if we distribute at least 90% of our REIT taxable income to our stockholders by prescribed dates and comply with various other requirements. We may, however, nevertheless be subject to certain state, local and foreign income and other taxes, and to U.S. federal income and excise taxes and penalties in certain situations, including taxes on our undistributed income. In addition, our stockholders may be subject to state, local or foreign taxation in various jurisdictions, including those in which they transact business or reside. The state, local and foreign tax treatment of us and our stockholders may not conform to the U.S. federal income tax treatment. Taxable income generated by our taxable REIT subsidiaries ("TRS") is generally subject to regular corporate income tax.

If, in any taxable year, we fail to satisfy one or more of the various tax law requirements, we could fail to qualify as a REIT. If we fail to qualify as a REIT for a particular tax year, our income in that year would be subject to U.S. federal corporate income tax (including any applicable alternative minimum tax), and we may need to borrow funds or liquidate certain investments in order to pay the applicable tax, or we may not be able to pay it. Unless entitled to relief under certain statutory provisions, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost. Moreover, if we fail to qualify as a REIT, we would be delisted from the NYSE.

Although we currently intend to operate in a manner designed to qualify as a REIT, it is possible that economic, market, legal, tax or other developments may cause us to fail to qualify as a REIT, or may cause our board of directors to revoke the REIT election, including certain potential developments discussed in Part I, Item 1A. "Risk Factors."

Employees

As described above under "– The Management Agreement," we are managed by FIG LLC, an affiliate of Fortress Investment Group LLC. As a result, except in our golf operations which are discussed below, we have no employees. The employees of FIG LLC are not a party to any collective bargaining agreements.

Golf

As of December 31, 2015, there were approximately 4,400 employees at our golf facilities, consisting primarily of hourly employees. Other than a small group of golf course maintenance staff at one of our clubs, our employees are not unionized. We believe we have a good working relationship with our employees, and the Golf business has not experienced interruptions as a result of labor disputes.

Corporate Governance and Internet Address; Where Readers Can Find Additional Information

We emphasize the importance of professional business conduct and ethics through our corporate governance initiatives. Our board of directors consists of a majority of independent directors; the Audit, Compensation and Nominating and Corporate Governance committees of our board of directors are composed exclusively of independent directors. We have adopted corporate governance guidelines, and our Manager has adopted a code of business conduct and ethics, which delineate our standards for our officers and directors, and employees of our Manager.

Newcastle files annual, quarterly and current reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the ''Exchange Act''), with the SEC. Readers may read and copy any document that Newcastle files at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Our SEC filings are also available to the public from the SEC's internet site at http://www.sec.gov. Copies of these reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, U.S.A.

Our internet site is http://www.newcastleinv.com. We make available free of charge through our internet site our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also posted on our website in the ‘‘Investor Relations—Corporate Governance” section are charters for the Company’s Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee as well as our Corporate Governance Guidelines and our Code of Business Conduct and Ethics governing our directors, officers and employees. Information on, or accessible through, our website is not a part of, and is not incorporated into, this report.

Item 1A. Risk Factors

Before you invest in our common stock, you should carefully consider the risks involved, including the risks set forth below.

Risks Related to the Financial Markets

Market conditions could negatively impact our business, results of operations and financial condition.

The markets in which we operate are affected by a number of factors that are largely beyond our control but can nonetheless have a potentially significant, negative impact on us. These factors include, among other things:

- Interest rates and credit spreads;
- The availability of credit, including the price, terms and conditions under which it can be obtained;
- The quality, pricing and availability of suitable investments and credit losses with respect to our investments;
- The ability to obtain accurate market-based valuations;
- Loan values relative to the value of the underlying real estate assets;
- Default rates on both residential and commercial mortgages and the amount of the related losses;
- Prepayment speeds;
- The actual and perceived state of the real estate markets, market for dividend-paying stocks and the U.S. economy and public capital markets generally;
- Unemployment rates; and
- The attractiveness of other types of investments relative to investments in real estate or REITs generally.

Changes in these factors are difficult to predict, and a change in one factor can affect other factors. For example, during 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, reducing liquidity and price transparency of real estate related assets, resulting in difficulty in obtaining accurate mark-to-market valuations, and causing a negative perception of the state of the real estate markets and of REITs generally. These conditions worsened during 2008, and intensified meaningfully during the fourth quarter of 2008 as a result of the global credit and liquidity crisis, resulting in extraordinarily challenging market conditions. Since then, despite recent market volatility, market conditions have generally improved, but they could deteriorate in the future for a variety of reasons.

A prolonged economic slowdown, a lengthy or severe recession, or declining real estate values could harm our results of operations.

We believe the risks associated with our business are more severe during periods in which an economic slowdown or recession is accompanied by declining real estate values. Declining real estate values generally reduce the level of new mortgage loan originations, since borrowers often use increases in the value of their existing properties to support the purchase of, or investment in, additional properties. Borrowers may also be less able to pay principal and interest on our loans, and the loans underlying our securities, if the economy weakens. Further, declining real estate values significantly increase the likelihood that we will incur losses on our loans and securities in the event of default because the value of our collateral may be insufficient to cover our basis. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect our net interest income from loans and securities in our portfolio, as well as our ability to sell and securitize loans, which would significantly harm our revenues, results of operations, financial condition, liquidity, business prospects and our ability to make distributions to our stockholders. For more information on the impact of market conditions on our business and results of operations generally, see Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations–Market Considerations."

In our Golf business, a substantial portion of our revenue is derived from discretionary or leisure spending by our members and guests, and such spending can be particularly sensitive to changes in general economic conditions. An economic downturn, whether local, regional, national or global, may lead to increases in unemployment, loss of consumer confidence and a reduction in discretionary spending, which would likely result in increased attrition (i.e., resignations of members of our private properties), a decrease in the rate of new memberships, a decrease in rounds played at our daily fee properties and reduced spending by our members and guests. As a result, our Golf business, financial condition and results of operations may be materially adversely affected by an economic downturn.

We do not know what impact the Dodd-Frank Act will have on our business.

On July 21, 2010, the U.S. enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The Dodd-Frank Act affects almost every aspect of the U.S. financial services industry, including certain aspects of the markets in which we operate. The Dodd-Frank Act may impose new regulations on us and how we conduct our business. As we describe in more detail below, it potentially affects our business in many ways but it is difficult at this time to know exactly how or what the cumulative impact will be.

First, generally the Dodd-Frank Act strengthens the regulatory oversight of securities and capital markets activities by the SEC and empowers the newly-created Consumer Financial Protection Bureau to enforce laws and regulations for consumer financial products and services. It requires market participants to undertake additional record-keeping activities and imposes many additional disclosure requirements for public companies.

Moreover, the Dodd-Frank Act contains a risk retention requirement for all asset-backed securities. We have issued, and may issue in the future, asset-backed securities. In October 2014, final rules were promulgated by a consortium of regulators implementing the final credit risk retention requirements of Section 941(b) of the Dodd-Frank Act. Under these "Risk Retention Rules," sponsors of both public and private securitization transactions or one of their majority owned affiliates are required to retain at least 5% of the credit risk of the assets collateralizing such securitization transactions. These regulations generally prohibit the sponsor or its affiliate from directly or indirectly hedging or otherwise selling or transferring the retained interest for a specified period of time, depending on the type of asset that is securitized. Sponsors securitizing residential mortgages must comply with the Risk Retention Rules beginning in December 2015, while sponsors securitizing other types of assets will be required to comply with such rules beginning in December 2016. The Risk Retention Rules provide for limited exemptions for certain types of assets, however, these exemptions may be of limited use under our current market practices. In any event, compliance with these new Risk Retention Rules will likely increase the administrative and operational costs of asset securitization.

Further, the Dodd-Frank Act imposes mandatory clearing and exchange-trading requirements on many derivatives transactions (including formerly unregulated over-the-counter derivatives) in which we may engage. In addition, the Dodd-Frank Act is expected to increase the margin requirements for derivatives transactions that are not subject to mandatory clearing requirements, which may impact our activities. The Dodd-Frank Act also creates new categories of regulated market participants, such as "swap-dealers," "security-based swap dealers," "major swap participants" and "major security-based swap participants," and subjects or may subject these regulated entities to significant new capital, registration, recordkeeping, reporting, disclosure, business conduct and other regulatory requirements that will give rise to new administrative costs.

Also, under the Dodd-Frank Act, financial regulators belonging to the Financial Stability Oversight Council are required to name financial institutions that are deemed to be systemically important to the economy and which may require closer regulatory supervision. Such systemically important financial institutions, or "SIFIs", may be required to operate with greater safety margins, such as higher levels of capital, and may face further limitations on their activities. The determination of what constitutes a SIFI is evolving, and in time SIFIs may include large investment funds and even asset managers. There can be no assurance that we will not be deemed to be a SIFI and thus subject to further regulation.

Even if certain of the new requirements of the Dodd-Frank Act are not directly applicable to us, they may still increase our costs of entering into transactions with the parties to whom the requirements are directly applicable. For instance, the exchange-trading and trade reporting requirements may lead to reductions in the liquidity of derivative transactions, causing higher pricing or reduced availability of derivatives, or the reduction of arbitrage opportunities for us, which could adversely affect the performance of certain of our trading strategies. Importantly, many key aspects of the changes imposed by the Dodd-Frank Act will continue to be established by various regulatory bodies and other groups over the next several years. As a result, we do not know how significantly the Dodd-Frank Act will affect us. It is possible that the Dodd-Frank Act could, among other things, increase our costs of operating as a public company, impose restrictions on our ability to securitize assets and reduce our investment returns on securitized assets.

We do not know what impact certain U.S. government programs intended to stabilize the economy and the financial markets will have on our business

In recent years, the U.S. government has taken a number of steps to attempt to strengthen the financial markets and U.S. economy, including direct government investments in, and guarantees of, troubled financial institutions as well as government-sponsored programs such as the Term Asset-Backed Securities Loan Facility program (TALF) and the Public Private Investment Partnership Program (PPIP). The U.S. government continues to evaluate or implement an array of other measures and programs intended to help improve U.S. financial and market conditions. While conditions appear to have improved relative to the depths of the global financial crisis, it is not clear whether this improvement is real or will last for a significant period of time. It is not clear what impact the government's future actions to improve financial and market conditions will have on our business. To date, we have not benefited in a direct, material way from any government programs, and we may not derive any meaningful benefit from these programs in the future. Moreover, if any of our competitors are able to benefit from one or more of these initiatives, they may gain a significant competitive advantage over us.

Legislation that permits modifications to the terms of outstanding loans has negatively affected our business, financial condition and results of operations and may continue to do so.

The U.S. government has enacted legislation that enables government agencies to modify the terms of a significant number of residential and other loans to provide relief to borrowers without the applicable investor's consent. These modifications allow for outstanding principal to be deferred, interest rates to be reduced, the term of the loan to be extended or other terms to be changed in ways that can permanently eliminate the cash flows (principal and interest) associated with a portion of the loan. These modifications are currently reducing, or in the future may reduce, the value of a number of our current or future investments, including investments in mortgage-backed securities. As a result, such loan modifications could negatively affect our business, results of operations and financial condition. Additional legislation intended to provide relief to borrowers may be enacted and could further harm our business, results of operations and financial condition.

Risks Related to Our Manager

We are dependent on our Manager and may not find a suitable replacement if our Manager terminates the management agreement.

None of our officers or other senior employees who perform services for us is an employee of Newcastle. Instead, these individuals are employees of our Manager. Accordingly, we are completely reliant on our Manager, which has significant discretion as to the implementation of our operating policies and strategies, to conduct our business. Furthermore, we are dependent on the services of certain key employees of our Manager whose compensation is partially dependent upon the amount of incentive or management compensation earned by our Manager and whose continued service is not guaranteed, and the loss of such services could adversely affect our operations. We are subject to the risk that our Manager will terminate the management agreement and that we will not be able to find a suitable replacement for our Manager in a timely manner, at a reasonable cost or at all. We may also be adversely affected by operational risks, including cyber security attacks, that could disrupt our Manager's financial, accounting and other data processing systems.

There are conflicts of interest in our relationship with our Manager.

There are conflicts of interest inherent in our relationship with our Manager. Actual, potential or perceived conflicts have given, and may in the future give, rise to investor dissatisfaction, litigation or regulatory inquiries or enforcement actions. Appropriately dealing with conflicts of interest is complex and difficult, and our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential, actual or perceived conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation, which could materially adversely affect our business in a number of ways, including causing an inability to raise additional funds, a reluctance of counterparties to do business with us, a decrease in the prices of our common and preferred securities and a resulting increased risk of litigation and regulatory enforcement actions.

Our management agreement with our Manager was not negotiated between unaffiliated parties, and its terms, including fees payable, although approved by our independent directors as fair, may not be as favorable to us as if they had been negotiated with an unaffiliated third party. Our management agreement, as amended, does not limit or restrict our Manager or its affiliates from engaging in any business or managing other pooled investment vehicles that make investments that meet our investment objectives. Entities managed by our Manager or its affiliates- including investment funds, private investment funds, or businesses managed by our Manager-have investment objectives that overlap with our investment objectives. Certain investments appropriate for us may also be appropriate for one or more of these other investment vehicles. These entities may invest in assets that meet our investment objectives, including real estate securities, real estate related and other loans, and other operating real estate, and other assets. Our Manager or its affiliates may have investments in and/or earn fees from such other investment vehicles that are higher than their economic interests in us and which may therefore create an incentive to allocate investments to such other investment vehicles. Our Manager or its affiliates may determine, in their discretion, to make a particular investment through an investment vehicle other than us and have no obligation to offer to us the opportunity to participate in any particular investment opportunity.

Certain members of our board of directors, including our chairman, are officers of our Manager. Certain employees of our Manager who perform services for us also perform services for companies and funds that compete with us. These employees may serve as officers and/or directors of these other entities. The ability of our Manager and its officers and employees to engage in other business activities may reduce the amount of time our Manager, its officers or other employees spend managing us.

In addition, we have engaged or may engage (subject to our investment guidelines) in material transactions with our Manager or an entity managed by our Manager or one of its affiliates, including, but not limited to, certain financing arrangements, purchases of debt and co-investments, that present an actual, potential or perceived conflict of interest. We may invest in portfolio companies of private equity funds managed by our Manager (or an affiliate thereof). We currently have debt investments in a portfolio company of private equity funds managed by our Manager (or an affiliate thereof). All investments, including investments in or involving affiliates or portfolio companies of affiliates are subject to an array of risks, including the risk that the investment is ultimately less profitable than the prior estimates or not profitable at all.

The management compensation structure that we have agreed to with our Manager, as well as compensation arrangements that we may enter into with our Manager in the future (in connection with new lines of business or other activities), may incentivize our Manager to invest in high risk investments or to pursue separation transactions, such as the spin-offs of New Residential, New Media and New Senior. See "–Risks Related to Our Business–Our agreements with New Residential and New Senior may not reflect terms that would have resulted from arm's-length negotiations among unaffiliated third parties, and we have agreed to indemnify New Residential and New Senior for certain liabilities." In addition to its management fee, our Manager is entitled to receive incentive compensation based in part upon our achievement of targeted levels of funds from operations (as defined in the management agreement). In evaluating investments and other management strategies, the opportunity to earn incentive compensation based on funds from operations or, in the case of any future incentive compensation arrangement, other financial measures on which incentive compensation may be based, may lead our Manager to place undue emphasis on the maximization of such measures at the expense of other criteria, such as preservation of capital, in order to achieve higher incentive compensation, particularly in light of the fact that our Manager has not received any incentive compensation from us since 2008. Investments with higher yield potential are generally riskier or more speculative than lower-yielding investments.

Our Manager is eligible to receive compensation in the form of options in connection with the completion of our common equity offerings. Therefore, our Manager may be incentivized to cause us to issue additional common stock, which could be dilutive to existing stockholders. On April 16, 2015, our board of directors adopted the 2015 Newcastle Investment Corp. Nonqualified Option and Incentive Award Plan (the "2015 Plan"), as amended, which was approved by our stockholders provides for 300,000 shares of our common stock to be available for grants of equity awards thereunder, as increased on the date of any equity issuance by us during the one-year term of the 2015 Plan by ten percent of the equity securities issued by us in such equity issuance. In addition to the shares available for issuance under the 2012 Newcastle Nonqualified Stock Option and Incentive Plan, the 2014 Newcastle Nonqualified Stock Option and Incentive Plan, the 2015 Plan or any successor plan thereto (collectively, the "Option Plans"), our board of directors may also determine to grant options to our Manager that are not issued pursuant to the Option Plans, provided that the number of shares underlying any options granted to our Manager in connection with any capital raising efforts will not exceed 10% of the shares sold in such offering and would be subject to NYSE rules.

It would be difficult and costly to terminate our management agreement with our Manager.

It would be difficult and costly for us to terminate our management agreement with our Manager. The management agreement may only be terminated annually upon (i) the affirmative vote of at least two-thirds of our independent directors, or by a vote of the holders of a simple majority of the outstanding shares of our common stock, that there has been unsatisfactory performance by our Manager that is materially detrimental to us or (ii) a determination by a simple majority of our independent directors that the management fee payable to our Manager is not fair, subject to our Manager's right to prevent such a termination by accepting a mutually acceptable reduction of fees. Our Manager will be provided 60 days' prior notice of any such termination and will be paid a termination fee equal to the amount of the management fee earned by the Manager during the twelve-month period preceding such termination. In addition, following any termination of the management agreement, the Manager may require us to purchase its right to receive incentive compensation at a price determined as if our assets were sold for their fair market value (as determined by an appraisal, taking into account, among other things, the expected future value of the underlying investments) or otherwise we may continue to pay the incentive compensation to our Manager. These provisions may increase the effective cost to us of terminating the management agreement, thereby adversely affecting our ability to terminate our Manager without cause.

Our directors have approved very broad investment guidelines for our Manager, and we are not required to obtain stockholder consent to change our investment strategy or asset portfolio.

Our Manager is authorized to follow very broad investment guidelines, and our directors do not approve each investment decision made by our Manager. Our investment guidelines are purposefully broad to enable our Manager to make investments in a wide array of assets, including, but not limited to, any type of assets that can be held by a REIT. Our Manager's investment decisions are based on a variety of factors, such as changing market conditions, perceived investment opportunities and available capital. Investment opportunities that present unattractive risk-return profiles relative to other available investment opportunities under particular market conditions may become relatively attractive under changed market conditions, and changes in market conditions may therefore result in changes in the investments we target. We do not have policies requiring the allocation of equity to different investment categories, although our investment guidelines do restrict investments of more than 20% of our total equity (as determined on the date of such investment) in any single asset. Consequently, our Manager has great latitude in determining which investments are appropriate for us, including the latitude to build concentrations in certain positions and to invest in asset classes that may differ significantly from those in our existing portfolio. Our directors periodically review our investment guidelines and our investment portfolio. However, our directors rely primarily on information provided to them by our Manager, and they do not review or pre-approve each proposed investment or the related financing arrangements. A transaction entered into by our Manager that contravenes the terms of our management agreement may be difficult or impossible to unwind by the time it is reviewed by our directors. In addition, we are not required to obtain stockholder consent in order to change our investment strategy and asset portfolio, which may result in making investments that are different, riskier or less profitable than our current investments.

Our investment strategy and asset portfolio have undergone meaningful changes in recent years through spin-offs and other strategic transactions and will continue to evolve in light of existing market conditions and investment opportunities. See "-Risks Related to Our Business-We are actively exploring new business opportunities and asset categories, which could entail significant risks and adversely affect our financial condition, results of operations and liquidity" and "We recently acquired a Golf business, which is subject to various risks that could have a negative impact on our financial results."

Our Manager will not be liable to us for any acts or omissions performed in accordance with the management agreement, including with respect to the performance of our investments.

Pursuant to our management agreement, our Manager will not assume any responsibility other than to render the services called for thereunder and will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Under the terms of our management agreement, our Manager, its officers, partners, members, managers, directors, personnel, other agents, any person controlling or controlled by our Manager and any person providing sub-advisory services to our Manager will not be liable to us, any subsidiary of ours, our directors, our stockholders or any subsidiary's stockholders or partners for acts or omissions performed in accordance with and pursuant to our management agreement, except because of acts constituting bad faith, willful misconduct or gross negligence, as determined by a final non-appealable order of a court of competent jurisdiction. In addition, we have agreed to indemnify our Manager, its officers, partners, members, managers, directors, personnel, other agents, any person controlling or controlled by our Manager and any person providing sub-advisory services to our Manager with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of our Manager not constituting bad faith, willful misconduct or gross negligence, pursuant to our management agreement.

Our Manager's due diligence of investment opportunities or other transactions may not identify all pertinent risks, which could materially affect our business, financial condition, liquidity and results of operations.

Our Manager intends to conduct due diligence with respect to each investment opportunity or other transaction it pursues. It is possible, however, that our Manager's due diligence processes will not uncover all relevant facts, particularly with respect to any assets we acquire from third parties. In these cases, our Manager may be given limited access to information about the investment and will rely on information provided by the target of the investment. In addition, if investment opportunities are scarce, the process for selecting bidders is competitive, or the time-frame in which we are required to complete diligence is short, our ability to conduct a due diligence investigation may be limited, and we would be required to make investment decisions based upon a less thorough diligence process than would otherwise be the case. Accordingly, investments and other transactions that initially appear to be viable may prove not to be over time due to the limitations of the due diligence process or other factors.

Risks Related to Our Business

We are actively exploring new business opportunities and asset categories, which could entail a meaningful change in our investment focus and operations and pose significant risks to our financial condition, results of operations and liquidity.

Consistent with our broad investment guidelines and our investment objectives, we have acquired and/or are pursuing a variety of assets that differ from the assets in our legacy portfolio, such as a Golf business (which we acquired in December 2013), excess mortgage servicing rights ("Excess MSRs") (which we spun-off in May 2013), media assets (which we spun-off in February 2014) and senior housing properties (which we spun-off in November 2014). Although we currently believe that we will have significant investment opportunities in the future, these opportunities may not materialize. In addition, our ability to act on new investment opportunities may be constrained by the requirements of the Investment Company Act of 1940, as amended (the “1940 Act”), or federal tax law. See “–Risks Related to Our REIT Status and the 1940 Act.”

New investments may not be profitable (or as profitable as we expect), may increase our exposure to certain industries (such as the golf industry), may increase our exposure to interest rate, foreign currency, real estate market or credit market fluctuations, may divert managerial attention from more profitable opportunities, and may require significant financial resources. A change in our investment strategy may also increase our use of non-match-funded financing, increase the guarantee obligations we agree to incur or increase the number of transactions we enter into with affiliates. Moreover, new investments may present risks that are difficult for us to adequately assess, given our lack of familiarity with a particular asset class or other reasons. The risks related to new asset categories or the financing risks associated with such assets could adversely affect our results of operations, financial condition and liquidity, and could impair our ability to pay dividends on both our common stock and preferred stock. In addition, our ability to invest in or finance new investments, including our Golf business, may be dependent upon our ability to monetize our real estate debt portfolio. See “-Risks Related to Our Manager-Our directors have approved very broad investment guidelines for our Manager, and we are not required to obtain stockholder consent to change our investment strategy or asset portfolio.”

Our Golf business is subject to various risks that could have a negative impact on our financial results.

In December 2013, we completed a restructuring of an investment in mezzanine debt issued by NGP, the indirect parent of National Golf. National Golf owns 27 golf properties across 8 states, and leases these properties to American Golf, an affiliated operating company. American Golf also leases an additional 49 golf properties and manages 10 properties owned by third parties, respectively. As part of the restructuring, we acquired the equity of NGP and American Golf’s indirect parent, AGC, and therefore began consolidating these entities as of December 31, 2013.

We have not previously owned or operated a golf business, and there can be no assurance that we will be able to successfully manage this business. Our ability to attract and retain members and increase usage at our golf facilities is critical to the success of our Golf business, given that a substantial portion of Golf revenue is derived from annual dues from members, and there can be no assurance that we will be able to do so. See “-We are actively exploring new business opportunities and asset categories, which could entail significant risks and adversely affect our financial condition, results of operations and liquidity.” Moreover, the golf industry generally has experienced a period of declining revenue and profitability. See “-We have invested in operating businesses in distressed industries, such as golf, and such investments are subject to operational and other business risks.”

Our Golf business is subject to various risks that may not apply to our other investments. For example, unusual weather patterns and extreme weather events, such as heavy rains, prolonged snow accumulations, high winds, extended heat waves and drought, could negatively affect the income generated by our facilities. The maintenance of satisfactory turf grass conditions on our golf properties requires significant amounts of water. Our ability to irrigate a golf course could be adversely affected by a drought or other cause of water shortage, such as government imposed restrictions on water usage. Additionally, we may be subject to significant increases in the cost of water. We have a concentration of golf facilities in states (such as California, Georgia, New York and Texas) that experience periods of unusually hot, cold, dry or rainy weather. Unfavorable weather patterns in such states, or any other circumstance or event that causes a prolonged disruption in the operations of our facilities in such states (including, without limitation, economic and demographic changes in these areas), could have a particularly adverse impact on our Golf business. See “-A prolonged economic slowdown, a lengthy or severe recession or declining real estate values could harm our results of operations.”

Seasonality will affect our Golf business’s results of operations. Usage of golf facilities tends to decline significantly during the first and fourth quarters, when colder temperatures and shorter days reduce the demand for outdoor activities. As a result, we expect the Golf business to generate a disproportionate share of its annual revenue in the second and third quarters of each year. Accordingly, our Golf business is especially vulnerable to events that may negatively impact its operations during the second and third quarters, when guest and member usage is highest.

In addition, we may be required to make significant cash outlays in connection with initiation fee deposits. Members of our private properties are generally required to pay an initiation fee deposit upon their acceptance as a member and, in most cases, such deposits are fully refundable after a fixed number of years (typically 30 years) and upon the occurrence of other contract-specific conditions. While we will make a refund to any member whose initiation fee deposit is eligible to be refunded, we may be subject to various states' escheatment laws with respect to initiation fee deposits that have not been refunded to members. All states have escheatment laws and generally require companies to remit to the state cash in an amount equal to unclaimed and abandoned property after a specified period of dormancy, which is typically 3 to 5 years. Moreover, most of the states in which we conduct business hire independent agents to conduct unclaimed and abandoned property audits. We currently do not remit to states any amounts relating to initiation fee deposits that are eligible to be refunded to members based upon our interpretation of the applicability of such laws to initiation fee deposits. The analysis of the potential application of escheatment laws to our initiation fee deposits is complex, involving an analysis of constitutional and statutory provisions and contractual and factual issues. While we do not believe that initiation fee deposits must be escheated, we may be forced to remit such amounts if we are challenged and fail to prevail in our position.

If one or more of the foregoing risks were to materialize, our Golf business could be adversely affected, which could have a material adverse effect on our financial condition, results of operations and liquidity.

We have invested in operating businesses in distressed industries, such as golf, and such investments are subject to operational and other business risks.

We opportunistically pursue a variety of investments, such as our restructuring of a debt investment in National Golf and, as a consequence, we are subject to risks of the industries in which we may invest, which may include non-real estate related operating businesses in distressed industries. These investments are subject to the risks of the industry in which such business(es) operate, and we expect any businesses we acquire to be subject to similar issues and risks. Businesses operating in distressed industries can face declining revenues, profitability, margins, customer base, product acceptance and growth prospects as well as concerns regarding increased fixed costs, lack of available financing or lack of a viable long-term strategy. Some or all of these risks may exist in any investment we make in a distressed business or industry. As a result, investments in distressed operating businesses involve heightened risks, and we cannot assure you that any such investments will be profitable. We may acquire significant positions in distressed businesses for strategic reasons, which may require us to expend significant capital on investments that differ from, and involve a higher degree of risk than, other assets currently in our portfolio. In addition, acquiring an operating business exposes us to some or all of the meaningful risks associated with owning an operating business. Any loss of invested capital in such businesses would adversely affect our results of operation, profitability and the amount of funds available for distribution as a dividend to our stockholders. See "-Our Golf business is subject to various risks that could have a negative impact on our financial results."

The geographic distribution of the mortgage loans underlying, and collateral securing, certain of our investments subjects us to geographic real estate market risks, which could adversely affect the performance of our investments, our results of operations and our financial condition.

The geographic distribution of the commercial and residential mortgage loans underlying, and collateral securing, certain of our investments, including our mortgage-backed securities, exposes us to risks associated with the real estate industry in general within the states and regions in which we hold significant investments. These risks include, without limitation: possible declines in the value of real estate; risks related to general and local economic conditions; possible lack of availability of mortgage funds; overbuilding; extended vacancies of properties; increases in competition, property taxes and operating expenses; changes in zoning laws; costs resulting from the clean-up of, and liability to third parties for damages resulting from, environmental problems; casualty or condemnation losses; uninsured damages from floods, earthquakes or other natural disasters; and changes in interest rates. To the extent any of the foregoing risks arise in states and regions where we hold significant investments, the performance of our investments, our results of operations and our financial condition could suffer a material adverse effect.

The coverage tests applicable to our CDO financings may have a negative impact on our operating results and cash flows.

We have retained, and may in the future retain or repurchase, subordinate classes of bonds issued by certain of our subsidiaries in our CDO financings. Each of our CDO financings contains tests that measure the amount of over collateralization and excess interest in the transaction. Failure to satisfy these tests would generally result in principal and/or interest cash flows that would otherwise be distributed to more junior classes of securities (including those held by us) to be redirected to pay down the most senior class of securities outstanding until the tests are satisfied. As a result, failure to satisfy the coverage tests could adversely affect our operating results and cash flows by temporarily or permanently directing funds that would otherwise come to us to holders of the senior classes of bonds. In addition, the redirected funds would be used to pay down financing, thereby reducing our future returns from the affected CDO. The ratings assigned to the assets in each CDO affect the results of the tests governing whether a CDO can distribute cash to the various classes of securities in the CDO. As a result, ratings downgrades of the assets in a CDO can result in a CDO failing its tests and thereby cause us not to receive cash flows from the affected CDO.

We had no assets in our consolidated CDOs as ofDecember 31, 2015 under negative watch for possible downgrade by at least one of the rating agencies. One or more of the rating agencies could downgrade some or all of these assets at any time, and any such downgrade could negatively affect-and possibly materially affect-our future cash flows. As of the December 2015 remittance date for CDO VI, this CDO was not in compliance with its applicable over collateralization tests and consequently, we are not receiving residual cash flows from this CDO, other than senior management fees and cash flow distributions from senior classes of bonds we own. Based upon our current calculations, we expect CDO VI to remain out of compliance for the foreseeable future. Moreover, given current market conditions, it is possible that all of our CDOs could be out of compliance with their over collateralization tests as of one or more measurement dates within the next twelve months.

Our ability to rebalance will depend upon a variety of factors, such as the availability of suitable securities, market prices, available cash, and other factors that may be beyond our control. For example, one strategy we have employed to facilitate compliance with over collateralization tests has been to repurchase notes issued by our CDOs and subsequently cancel them in accordance with the terms of the relevant governing documentation. However, there can be no assurance that the trustee of our CDOs will not impose guidelines for such cancellations that would make it more difficult or impossible to employ this strategy in the future. While there are other permissible methods to rebalance or otherwise correct CDO test failures, such methods may be extremely difficult to employ as a result of market conditions or other factors, and we cannot assure you that we will be successful in our rebalancing efforts. If the liabilities of our CDOs are downgraded by Moody’s Investors Service to certain predetermined levels, our discretion to rebalance the applicable CDO portfolios may be negatively impacted. Moreover, if we bring these coverage tests into compliance, we cannot assure you that they will not fall out of compliance in the future or that we will be able to correct any noncompliance.

Failure of the over collateralization tests can also cause a “phantom income” issue if cash that constitutes income is diverted to pay down debt instead of distributed to us. For more information regarding noncompliance with the terms of certain of our CDO financings in the near future, please see the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources” in this report.

We may experience an event of default or be removed as collateral manager under one or more of our CDOs, which would negatively affect us in a number of ways.

The documentation governing our CDOs specifies certain events of default, which, if they occur, would negatively affect us. Events of default include, among other things, failure to pay interest on senior classes of securities within the CDO, breaches of covenants, representations or warranties, bankruptcy, and failure to satisfy specific over collateralization tests. If an event of default occurs under any of our CDOs, it could negatively affect our cash flows, business, results of operations and financial condition.

In addition, we can be removed as manager of a CDO if certain events occur, including, among other things, the failure to satisfy specific over collateralization tests, failure to satisfy certain “key man” requirements or an event of default occurring for the failure to pay interest on certain senior classes of securities of the CDO. If we are removed as collateral manager, we would no longer receive management fees from-and no longer be able to manage the assets of-the applicable CDO, which could negatively affect our cash flows, business, results of operations and financial condition. On June 17, 2011, CDO V failed certain over collateralization tests. The consequences of failing these tests are that an event of default has occurred, and we may be removed as the collateral manager under the documentation governing CDO V. So long as the event of default continues, we will not be permitted to purchase or sell any collateral in CDO V. If we are removed as the collateral manager of CDO V, we would no longer receive the senior management fees from such CDO. As of the date of this report, we have not been removed as collateral manager. Based upon our current calculations, we estimate that if we are removed as the collateral manager of CDO V, the loss of senior management fees would not have a material negative impact on our cash flows, business, results of operations or financial condition. Given current market conditions, it is possible that events of default constituting manager termination events, or other manager termination events, may occur in other CDOs, and we could be removed as the collateral manager of those CDOs if such events of default occur. Moreover, our cash flows, business, results of operations and/or financial condition could be materially and negatively impacted if such events of default occur.

We have assumed the role of manager of numerous CDOs previously managed by a third party, and we may assume the role of manager of additional CDOs in the future. Each such engagement exposes us to a number of potential risks.

Changes within our industry may result in CDO collateral managers being replaced. In such instances, we may seek to be engaged as the collateral manager of CDOs currently managed by third parties. For example, in February 2011, one of our subsidiaries became the collateral manager of certain CDOs previously managed by C-BASS Investment Management LLC ("C-BASS").

While being engaged as the collateral manager of such CDOs potentially enables us to grow our business, it also entails a number of risks that could harm our reputation, results of operations and financial condition. For example, we purchased the management rights with respect to the C-BASS CDOs pursuant to a bankruptcy proceeding. As a result, we were not able to conduct extensive due diligence on the CDO assets even though many classes of securities issued by the CDOs were rated as "distressed" by the rating agencies as of the most recent rating date prior to our becoming the collateral manager of the CDOs. We may willingly or unknowingly assume actual or contingent liabilities for significant expenses, we may become subject to new laws and regulations with which we are not familiar, and we may become subject to increased risk of litigation, regulatory investigation or negative publicity. For example, we determined that it would be prudent to register the subsidiary that became the collateral manager of the C-BASS CDOs as a registered investment adviser, which has increased our regulatory compliance costs. In addition to defending against litigation and complying with regulatory requirements, being engaged as collateral manager may require us to invest other resources for various other reasons, which could detract from our ability to capitalize on future opportunities. Moreover, being engaged as collateral manager may require us to integrate complex technological, accounting and management systems, which may be difficult, expensive and time-consuming and which we may not be successful in integrating into our current systems. In addition to the risk that we face if we are successful in becoming the manager of additional CDOs, we may attempt but fail to become the collateral manager of CDOs in the future, which could harm our reputation and subject us to costly litigation. Finally, if we include the financial performance of the C-BASS CDOs or other CDOs for which we become the collateral manager in our public filings, we are subject to the risk that, particularly during the period immediately after we become the collateral manager, this information may prove to be inaccurate or incomplete. The occurrence of any of these negative integration events could negatively impact our reputation with both regulators and investors, which could, in turn, subject us to additional regulatory scrutiny and impair our relationships with the investment community. The occurrence of any of these problems could negatively affect our reputation, financial condition and results of operations.

Our investments may be subject to significant impairment charges, which would adversely affect our results of operations.

We are required to periodically evaluate our investments for impairment indicators. The value of an investment is impaired when our analysis indicates that, with respect to a loan, it is probable that we will not be able to collect the full amount we intended to collect from the loan or, with respect to a security or golf property, it is probable that the value of the security or golf property is other than temporarily impaired. The judgment regarding the existence of impairment indicators is based on a variety of factors depending upon the nature of the investment and the manner in which the income related to such investment was calculated for purposes of our financial statements. If we determine that an impairment has occurred, we are required to make an adjustment to the net carrying value of the investment and the amount of accrued interest recognized as income from such investment, which could have a material adverse effect on our results of operations and our ability to pay dividends to our stockholders.

Market turmoil beginning in 2007 resulted in a number of financial institutions recording an unprecedented amount of impairment charges, and we were also affected by these conditions. These challenging conditions have reduced the market trading activity for many real estate securities, resulting in less liquid markets for those securities. These lower valuations have affected us by, among other things, decreasing our net book value and contributing to our decision to record impairment charges. In addition, the amount we ultimately realize from certain of our debt investments may be dependent on our ability to execute long-term strategies involving corporate reorganizations of the applicable issuer.

The lenders under our repurchase agreements may elect not to extend financing to us, which could quickly and seriously impair our liquidity.

We have historically financed a meaningful portion of our investments in securities and loans with repurchase agreements, which are short-term financing arrangements, and we may enter into additional repurchase agreements in the future. Under the terms of these agreements, we sell a security or loan to a counterparty for a specified price and concurrently agree to repurchase the same security or loan from our counterparty at a later date for a higher specified price. During the term of the repurchase agreement-generally 30 days-the counterparty makes funds available to us and holds the security or loan as collateral. Our counterparties can also require us to post additional margin as collateral at any time during the term of the agreement. When the term of a repurchase agreement ends, we are required to repurchase the security or loan for the specified repurchase price, with the difference between the sale and repurchase prices serving as the equivalent of paying interest to the counterparty in return for extending financing to us. If we want to continue to finance the security or loan with a repurchase agreement, we ask the counterparty to extend-or “roll”-the repurchase agreement for another term.

Our counterparties are not required to roll our repurchase agreements upon the expiration of their stated terms, which subjects us to a number of risks. As we have experienced in the past and may experience in the future, counterparties electing to roll our repurchase agreements may charge higher spreads and impose more onerous terms upon us, including the requirement that we post additional margin as collateral. More significantly, if a repurchase agreement counterparty elects not to extend our financing, we would be required to pay the counterparty the full repurchase price on the maturity date and find an alternate source of financing. Alternate sources of financing may be more expensive, contain more onerous terms or may not be available in a timely manner or at all. If we were unable to pay the repurchase price for any security or loan financed with a repurchase agreement, the counterparty has the right to sell the underlying security or loan being held as collateral and require us to compensate for any shortfall between the value of our obligation to the counterparty and the amount for which the collateral was sold (which may be a significantly discounted price). As of December 31, 2015, we had $418.6 million outstanding under repurchase agreement financings. These repurchase agreement obligations are with four counterparties.

Our determination of how much leverage to apply to our investments may adversely affect our return on our investments and may reduce cash available for distribution.

We leverage a meaningful portion of our portfolio through borrowings, generally through the use of credit facilities, warehouse facilities, repurchase agreements, mortgage loans on real estate, securitizations, including the issuance of CDOs, private or public offerings of debt by subsidiaries, loans to entities in which we hold, directly or indirectly, interests in pools of properties or loans, and other borrowings. Our investment policies do not limit the amount of leverage we may incur with respect to any specific asset or pool of assets, subject to an overall limit on our use of leverage to 90% (as defined in our governing documents) of the value of our assets on an aggregate basis. During the 2007-2008 financial crisis, the return we were able to earn on our investments and cash available for distribution to our stockholders was significantly reduced due to changes in market conditions causing the cost of our financing to increase relative to the income that can be derived from our assets. While our liquidity position has improved, we cannot assure you that we will be able to sustain our improved liquidity position.

We are party to agreements that require cash payments upon the occurrence of certain events, and the failure to make such payments may adversely affect our business, financial condition and results of operations.

We are currently party to repurchase agreements that may require us to post additional margin as collateral at any time during the term of the agreement, based on the value of the collateral. We are currently and may become party to other types of financing agreements that require us to make cash payments at periodic intervals or upon the occurrence of certain events, including upon the conveyance of substantially all of our assets. Events could occur or circumstances could arise, which we may not be able to foresee, that may cause us to be unable to make any such cash payments when they become due. While we try to comply with all of our financing agreements, failure to make the payments required under our financing documents would give the lenders the right to require us to repay all amounts owed to them under the applicable financing immediately. In addition, differing interpretations of the terms of our financing agreements could give rise to disputes over compliance and would result in unanticipated prepayments of such debt or otherwise negatively affect our liquidity, financial position or results of operations.

We are subject to counterparty default and concentration risks.

In the ordinary course of our business, we enter into various types of financing arrangements with counterparties. Currently, the majority of our financing arrangements take the form of repurchase agreements, securitization vehicles, loans, hedge contracts and other derivative and non-derivative contracts. The terms of these contracts are often customized and complex, and many of these arrangements occur in markets or relate to products that are not subject to regulatory oversight.

We are subject to the risk that the counterparty to one or more of these contracts defaults, either voluntarily or involuntarily, on its performance under the contract. Any such counterparty default may occur rapidly and without notice to us. Moreover, if a counterparty defaults, we may be unable to take action to cover our exposure, either because we lack the contractual ability or because market conditions make it difficult to take effective action. This inability could occur in times of market stress, which are precisely the times when defaults may be most likely to occur.

In addition, our risk-management processes may not accurately anticipate the impact of market stress or counterparty financial condition, and as a result, we may not take sufficient action to reduce our risks effectively. Although we monitor our credit exposures, default risk may arise from events or circumstances that are difficult to detect, foresee or evaluate. In addition, concerns about, or a default by, one large participant could lead to significant liquidity problems for other participants, which may in turn expose us to significant losses.

In the event of a counterparty default, particularly a default by a major investment bank, we could incur material losses rapidly, and the resulting market impact of a major counterparty default could seriously harm our business, results of operations and financial condition. In the event that one of our counterparties becomes insolvent or files for bankruptcy, our ability to eventually recover any losses suffered as a result of that counterparty's default may be limited by the liquidity of the counterparty or the applicable legal regime governing the bankruptcy proceeding.

In addition, certain of our derivative counterparties are required to maintain certain ratings to avoid having to post collateral or transfer the derivative to another counterparty. If a counterparty was downgraded below these levels, it may not be able to satisfy its obligations under the derivative, which could have a material negative effect on the applicable CDO.

The consolidation and elimination of counterparties has increased our counterparty concentration risk. We are not restricted from dealing with any particular counterparty or from concentrating any or all of our transactions with a few counterparties. As of the date of this report, we had obligations to repurchase assets pursuant to repurchase agreements with six different counterparties. If any of our counterparties elected not to roll these repurchase agreements, we may not be able to find a replacement counterparty. In addition, counterparties have generally tightened their underwriting standards and increased their margin requirements for financing, which has negatively impacted us in several ways, including, decreasing the number of counterparties willing to provide financing to us, decreasing the overall amount of leverage available to us, and increasing the costs of borrowing.

Any loss suffered by us as a result of a counterparty defaulting, refusing to conduct business with us or imposing more onerous terms on us would also negatively affect our business, results of operations and financial condition.

We may not match fund certain of our investments, which may increase the risks associated with these investments.

One component of our investment strategy is to use match funded financing structures for certain of our investments, which match assets and liabilities with respect to maturities and interest rates. When available, this strategy mitigates the risk of not being able to refinance an investment on favorable terms or at all. However, our Manager may elect for us to bear a level of refinancing risk on a short-term or longer-term basis, as in the case of investments financed with repurchase agreements, when, based on its analysis, our Manager determines that bearing such risk is advisable or unavoidable (which is generally the case with respect to the residential mortgage loans and FNMA/FHLMC securities in which we invest). In addition, we may be unable, as a result of conditions in the credit markets, to match fund our investments. For example, since the 2008 recession, non-recourse term financing not subject to margin requirements has been more difficult to obtain, which impairs our ability to match fund our investments. Moreover, we may not be able to enter into interest rate swaps. Lastly, lenders may be unwilling to finance certain types of assets because of the challenges with perfecting security interests in the underlying collateral. A decision not to, or the inability to, match fund certain investments, exposes us to additional risks.

Furthermore, we anticipate that, in most cases, for any period during which our floating rate assets are not match funded with respect to maturity, the income from such assets may respond more slowly to interest rate fluctuations than the cost of our borrowings. Because of this dynamic, interest income from such investments may rise more slowly than the related interest expense, with a consequent decrease in our net income. Interest rate fluctuations resulting in our interest expense exceeding interest income would result in operating losses for us from these investments.

Accordingly, if we do not or are unable to match fund our investments with respect to maturities and interest rates, we will be exposed to the risk that we may not be able to finance or refinance our investments on economically favorable terms or may have to liquidate assets at a loss.

We may not be able to finance our securities, loan investments and other assets on attractive terms or at all.

When we acquire securities, loans and other assets that we finance on a short-term basis with a view to securitization or other long-term financing, we bear the risk of being unable to securitize the assets or otherwise finance them on a long-term basis at attractive prices or in a timely matter, or at all. If it is not possible or economical for us to securitize or otherwise finance such assets on a long-term basis, we may be unable to pay down our short-term credit facilities, or be required to liquidate the assets at a loss in order to do so. For example, our ability to finance investments with securitizations or other long-term non-recourse financing not subject to margin requirements has been impaired since 2007 as a result of market conditions. These conditions make it highly likely that we will have to use less efficient forms of financing for any new investments, which will likely require a larger portion of our cash flows to be put toward making the initial investment and thereby reduce the amount of cash available for distribution to our stockholders and funds available for operations and investments, and which will also likely require us to assume higher levels of risk when financing our investments.

As non-recourse long-term financing structures become available to us and are utilized, such structures expose us to risks that could result in losses to us.

We may use securitization and other non-recourse long-term financing for our investments to the extent available. In such structures, our lenders typically would have only a claim against the assets included in the securitizations rather than a general claim against us as an entity. Prior to any such financing, we would seek to finance our investments with relatively short-term facilities until a sufficient portfolio is accumulated. As a result, we would be subject to the risk that we would not be able to acquire, during the period that any short-term facilities are available, sufficient eligible assets or securities to maximize the efficiency of a securitization. We also bear the risk that we would not be able to obtain new short-term facilities or would not be able to renew any short-term facilities after they expire should we need more time to seek and acquire sufficient eligible assets or securities for a securitization. In addition, conditions in the capital markets may make the issuance of any such securitization less attractive to us even when we do have sufficient eligible assets or securities. While we would intend to retain the unrated equity component of securitizations and, therefore, still have exposure to any investments included in such securitizations, our inability to enter into such securitizations may increase our overall exposure to risks associated with direct ownership of such investments, including the risk of default. Our inability to refinance any short-term facilities would also increase our risk because borrowings thereunder would likely be recourse to us as an entity. If we are unable to obtain and renew short-term facilities or to consummate securitizations to finance our investments on a long-term basis, we may be required to seek other forms of potentially less attractive financing or to liquidate assets at an inopportune time or price.

Our investments in loans, and the loans underlying our investments in securities, are subject to delinquency, foreclosure and loss, and we may convert a debt position into an equity position in order to preserve the value of our investment, which could result in losses to us and expose us to additional risks.

Commercial mortgage loans are secured by multifamily or commercial property and are subject to risks of delinquency and foreclosure, and risks of loss. The ability of a borrower to repay a loan secured by an income-producing property typically is dependent primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower’s ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things: tenant mix, success of tenant businesses, property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions and/or specific industry segments, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, changes in the availability of credit on favorable terms, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest and civil disturbances.

Residential mortgage loans, manufactured housing loans and subprime mortgage loans are secured by single-family residential property and are also subject to risks of delinquency and foreclosure, and risks of loss. The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors may impair borrowers’ abilities to repay their loans, including, among other things, changes in the borrower’s employment status, changes in national, regional or local economic conditions, changes in interest rates or the availability of credit on favorable terms, changes in regional or local real estate values, changes in regional or local rental rates and changes in real estate taxes.

In the event of a default under a loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the outstanding principal and accrued but unpaid interest of the loan, which could adversely affect our financial condition, earnings and cash flows from operations. Foreclosure of a loan, particularly a commercial loan, or any other restructuring activities related to an investment, can be an expensive and lengthy process, which would negatively affect our anticipated return on the foreclosed loan or such other investment. In addition, as part of any foreclosure or other restructuring, we may acquire control of a property securing a defaulted loan, which would expose us to additional risks specific to the property, including, but not limited to, the risks related to any business conducted on such property. As part of a restructuring, we may also exchange our debt for, or otherwise acquire, equity of an entity, which may involve contested negotiations and expose us to risks associated with owning the entity.

Mortgage and asset-backed securities are bonds or notes backed by loans and/or other financial assets and include commercial mortgage-backed securities, FNMA/FHLMC securities, and real estate related asset-backed securities. The ability of a borrower to repay these loans or other financial assets is dependent upon the income or assets of these borrowers. If a borrower has insufficient income or assets to repay these loans, it will default on its loan. While we intend to focus on real estate related asset-backed securities, there can be no assurance that we will not invest in other types of asset-backed securities.

Our investments in mortgage and asset-backed securities will be adversely affected by defaults under the loans underlying such securities. To the extent losses are realized on the loans underlying the securities in which we invest, we may not recover the amount invested in, or, in extreme cases, any of our investment in such securities.

Our investments in debt securities are subject to specific risks relating to the particular issuer of the securities and to the general risks of investing in subordinated real estate securities.

Our investments in debt securities involve special risks. REITs generally are required to invest substantially in real estate or real estate-related assets and are subject to the inherent risks associated with real estate-related investments discussed in this report. Our investments in debt are subject to the risks described above with respect to mortgage loans and mortgage- backed securities and similar risks, including:

- risks of delinquency and foreclosure, and risks of loss in the event thereof;
- the dependence upon the successful operation of and net income from real property;
- risks generally incident to interests in real property; and
- risks that may be presented by the type and use of a particular property.

Debt securities may be unsecured and may also be subordinated to other obligations of the issuer. We may also invest in debt securities that are rated below investment grade. As a result, investments in debt securities are also subject to risks of:

- limited liquidity in the secondary trading market;
- substantial market price volatility resulting from changes in prevailing interest rates or credit spreads;
- subordination to the prior claims of senior lenders to the issuer;
- the possibility that earnings of the debt security issuer may be insufficient to meet its debt service; and
- the declining creditworthiness and potential for insolvency of the issuer of such debt securities.

These risks may adversely affect the value of outstanding debt securities and the ability of the issuers thereof to repay principal and interest.

We are subject to significant competition, and we may not compete successfully.

We are subject to significant competition in seeking investments. We compete with other companies, including other REITs, insurance companies and other investors, including funds and companies affiliated with our Manager. Our management agreement, as amended, does not limit or restrict our Manager or its affiliates from engaging in any business or managing other pooled investment vehicles that make investments that meet our investment objectives. See “-Risks Related to Our Manager-There are conflicts of interest in our relationship with our Manager.”

Some of our competitors have greater resources than we possess or have greater access to capital or various types of financing structures than are available to us, and we may not be able to compete successfully for investments or provide attractive investment returns relative to our competitors. These competitors may be willing to accept lower returns on their investments or to compromise underwriting standards and, as a result, our origination volume and profit margins could be adversely affected. Furthermore, competition for investments that are suitable for us may lead to the returns available from such investments decreasing, which may further limit our ability to generate our desired returns. We cannot assure you that other companies will not be formed that compete with us for investments or otherwise pursue investment strategies similar to ours or that we will be able to complete successfully against any such companies.

Our Manager or its affiliates have and may in the future raise, acquire or manage investment vehicles that are entitled to a priority or exclusive right to invest in certain types of assets. If such an investment vehicle exists, that vehicle's exclusivity would prevent us from investing in the assets over which the investment vehicle has exclusivity because we do not have the exclusive right to invest in any particular type of asset. This dynamic may reduce the type of assets in which we are able to invest.

Our golf facilities compete on a local and regional level with other golf facilities. Competition tends to be based on market penetration, demographic and quality factors and price factors. The level of competition and primary competitors vary by region and are subject to change as existing facilities are renovated or new facilities are developed. An increase in the number or quality of similar facilities in a particular region could significantly increase competition, which could have a negative impact on the results of operations for our Golf segment.

Our returns will be adversely affected when investments held in CDOs are prepaid or sold subsequent to the reinvestment period.

Real estate securities and loans are subject to prepayment risk. In addition, we may sell, and realize gains (or losses) on, investments. To the extent such assets were held in CDOs subsequent to the end of the reinvestment period, the proceeds are fully utilized to pay down the related CDO's debt. This causes the leverage on the CDO to decrease, thereby lowering our returns on equity.

Our investments in senior unsecured REIT securities are subject to specific risks relating to the particular REIT issuer and to the general risks of investing in subordinated real estate securities, which may result in losses to us.

Our investments in REIT securities involve special risks relating to the particular REIT issuer of the securities, including the financial condition and business outlook of the issuer. REITs generally are required to substantially invest in operating real estate or real estate related assets and are subject to the inherent risks associated with real estate related investments discussed in this report.

Our investments in REIT securities are also subject to the risks described above with respect to mortgage loans and mortgage-backed securities and similar risks, including (i) risks of delinquency and foreclosure, and risks of loss in the event thereof, (ii) the dependence upon the successful operation of and net income from real property, (iii) risks generally incident to interests in real property, and (iv) risks that may be presented by the type and use of a particular commercial property.

REIT securities are generally unsecured and may also be subordinated to other obligations of the issuer. We may also invest in REIT securities that are rated below investment grade. As a result, investments in REIT securities are also subject to risks of: (i) limited liquidity in the secondary trading market, (ii) substantial market price volatility resulting from changes in prevailing interest rates, (iii) subordination to the prior claims of banks and other senior lenders to the issuer, (iv) the operation of mandatory sinking fund or call/redemption provisions during periods of declining interest rates that could cause the issuer to reinvest premature redemption proceeds in lower yielding assets, (v) the possibility that earnings of the REIT issuer may be insufficient to meet its debt service and dividend obligations and (vi) the declining creditworthiness and potential for insolvency of the issuer of such REIT securities during periods of rising interest rates and economic downturn. These risks may adversely affect the value of outstanding REIT securities and the ability of the issuers thereof to repay principal and interest or make dividend payments.

Our investments in real estate related and other loans and other direct and indirect interests in pools of real estate properties or other loans may be subject to additional risks relating to the structure and terms of these transactions, which may result in losses to us.

We have investments in real estate related and other loans and other direct and indirect interests in pools of real estate properties or loans, such as mezzanine loans. We have invested in mezzanine loans that take the form of subordinated loans secured by second mortgages on the underlying real property or other business assets or revenue streams or loans secured by a pledge of the ownership interests of the entity owning real property or other business assets or revenue streams (or the ownership interest of the parent of such entity). These types of investments involve a higher degree of risk than long-term senior lending secured by business assets or income producing real property because the investment may become unsecured as a result of foreclosure by a senior lender. In the event of a bankruptcy of the entity providing the pledge of its ownership interests as security, we may not have full recourse to the assets of such entity, or the assets of the entity may not be sufficient to repay our mezzanine loan. If a borrower defaults on our mezzanine loan or debt senior to our loan, or in the event of a borrower bankruptcy, our mezzanine loan will be satisfied only after the senior debt is repaid in full. As a result, we may not recover some or all of our investment. In addition, mezzanine loans may have higher loan to value ratios than conventional mortgage loans, resulting in less equity in the property and increasing the risk of loss of principal.

Investment in non-investment grade loans may involve increased risk of loss.

We have acquired and may continue to acquire in the future certain loans that do not conform to conventional loan criteria applied by traditional lenders and are not rated or are rated as non-investment grade (for example, for investments rated by Moody's Investors Service, ratings lower than Baa3, and for Standard & Poor's, BBB- or below). The non-investment grade ratings for these loans typically result from the overall leverage of the loans, the lack of a strong operating history for the properties or businesses underlying the loans, the borrowers' credit history, the properties' underlying cash flows or other factors. As a result, these loans have a higher risk of default and loss than conventional loans. Any loss we incur may reduce distributions to our stockholders. There are no limits on the percentage of unrated or non-investment grade assets we may hold in our portfolio.

Insurance on real estate in which we have interests (including the real estate serving as collateral for our real estate securities and loans) may not cover all losses.

There are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, hurricanes, terrorism or acts of war, that may be uninsurable or not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations, and other factors, including terrorism or acts of war, also might make the insurance proceeds insufficient to repair or replace a property, including a golf property, if it is damaged or destroyed. Under such circumstances, the insurance proceeds received might not be adequate to restore our economic position with respect to the affected real property. As a result of the events of September 11, 2001, insurance companies have limited or excluded coverage for acts of terrorism in insurance policies. As a result, we may suffer losses from acts of terrorism that are not covered by insurance.

In addition, the mortgage loans that are secured by certain of the properties in which we have interests contain customary covenants, including covenants that require property insurance to be maintained in an amount equal to the replacement cost of the properties. There can be no assurance that the lenders under these mortgage loans will not take the position that exclusions from coverage for losses due to terrorist acts is a breach of a covenant which, if uncured, could allow the lenders to declare an event of default and accelerate repayment of the mortgage loans.

Many of our investments are illiquid, and this lack of liquidity could significantly impede our ability to vary our portfolio in response to changes in economic and other conditions or to realize the value at which such investments are carried if we are required to dispose of them.

The real estate properties that we own and operate and our other direct and indirect investments in real estate, real estate related and other assets are generally illiquid. In addition, the real estate securities that we purchase in connection with privately negotiated transactions are not registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or other disposition except in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. In addition, there are no established trading markets for a majority of our investments. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be limited.

Our securities have historically been valued based primarily on third party quotations, which are subject to significant variability based on the liquidity and price transparency created by market trading activity. In the past, dislocation in the trading markets has reduced the trading for many real estate securities, resulting in less transparent prices for those securities. During such times, it is more difficult for us to sell many of our assets because, if we were to sell such assets, we would likely not have access to readily ascertainable market prices when establishing valuations of them. If we are required to liquidate all or a portion of our illiquid investments quickly, we may realize significantly less than the amount at which we have previously valued these investments.

Interest rate fluctuations and shifts in the yield curve may cause losses.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. Our primary interest rate exposures relate to our real estate securities, loans, floating rate debt obligations and interest rate swaps. Changes in interest rates, including changes in expected interest rates or "yield curves," affect our business in a number of ways. Changes in the general level of interest rates can affect our net interest income, which is the difference between the interest income earned on our interest-earning assets and the interest expense incurred in connection with our interest-bearing liabilities and hedges. Changes in the level of interest rates also can affect, among other things, our ability to acquire real estate securities and loans at attractive prices, the value of our real estate securities, loans and derivatives and our ability to realize gains from the sale of such assets. In the past, we have utilized hedging transactions to protect our positions from interest rate fluctuations, but as a result of market conditions we face significant obstacles to entering into new hedging transactions. As a result, we may not be able to protect new investments from interest rate fluctuations to the same degree as in the past, which could adversely affect our financial condition and results of operations. In the event of a significant rising interest rate environment and/or economic downturn, loan and collateral defaults may increase and result in credit losses that would adversely affect our liquidity and operating results.

Our ability to execute our business strategy, particularly the growth of our investment portfolio, depends to a significant degree on our ability to obtain additional capital. Our financing strategy for certain of our investments is dependent on our ability to place the match funded debt we use to finance our investments at rates that provide a positive net spread. If spreads for such liabilities widen or if demand for such liabilities ceases to exist, then our ability to execute future financings will be severely restricted.

Interest rate changes may also impact our net book value as our real estate securities, real estate related and other loans and hedge derivatives are marked to market each quarter. Debt obligations are not marked to market. Generally, as interest rates increase, the value of our fixed rate securities decreases, which will decrease the book value of our equity.

Furthermore, shifts in the U.S. Treasury yield curve reflecting an increase in interest rates would also affect the yield required on our real estate securities and therefore their value. For example, increasing interest rates would reduce the value of the fixed rate assets we hold at the time because the higher yields required by increased interest rates result in lower market prices on existing fixed rate assets in order to adjust the yield upward to meet the market, and vice versa. This would have similar effects on our real estate securities portfolio and our financial position and operations to a change in interest rates generally. In December 2015, the U.S. Federal Reserve announced that it would gradually raise short-term interest rates over the next three years.

We have invested in RMBS collateralized by subprime mortgage loans, which are subject to increased risks.

We have invested in RMBS backed by collateral pools of subprime residential mortgage loans. “Subprime” mortgage loans refer to mortgage loans that have been originated using underwriting standards that are less restrictive than the underwriting requirements used as standards for other first and junior lien mortgage loan purchase programs, such as the programs of FNMA and FHLMC. These lower standards include mortgage loans made to borrowers having imperfect or impaired credit histories (including outstanding judgments or prior bankruptcies), mortgage loans where the amount of the loan at origination is 80% or more of the value of the mortgage property, mortgage loans made to borrowers with low credit scores, mortgage loans made to borrowers who have other debt that represents a large portion of their income and mortgage loans made to borrowers whose income is not required to be disclosed or verified. Due to economic conditions, including increased interest rates and lower home prices, as well as aggressive lending practices, subprime mortgage loans have in recent periods experienced increased rates of delinquency, foreclosure, bankruptcy and loss, and they are likely to continue to experience delinquency, foreclosure, bankruptcy and loss rates that are higher, and that may be substantially higher, than those experienced by mortgage loans underwritten in a more traditional manner. Thus, because of the higher delinquency rates and losses associated with subprime mortgage loans, the performance of RMBS backed by subprime mortgage loans in which we have invested could be correspondingly adversely affected, which could adversely impact our results of operations, financial condition and business.

The value of our RMBS may be adversely affected by deficiencies in servicing and foreclosure practices, as well as related delays in the foreclosure process.

Allegations of deficiencies in servicing and foreclosure practices among several large sellers and servicers of residential mortgage loans that surfaced in 2010 raised various concerns relating to such practices, including the improper execution of the documents used in foreclosure proceedings (so-called “robo signing”), inadequate documentation of transfers and registrations of mortgages and assignments of loans, improper modifications of loans, violations of representations and warranties at the date of securitization and failure to enforce put-backs.

As a result of alleged deficiencies in foreclosure practices, a number of servicers temporarily suspended foreclosure proceedings beginning in the second half of 2010 while they evaluated their foreclosure practices. In late 2010, a group of state attorneys general and state bank and mortgage regulators representing nearly all 50 states and the District of Columbia, along with the U.S. Department of Justice and the Department of Housing and Urban Development, began an investigation into foreclosure practices of banks and servicers. The investigations and lawsuits by several state attorneys general led to a settlement agreement in early February 2012 with five of the nation’s largest banks, pursuant to which the banks agreed to pay more than $25 billion to settle claims relating to improper foreclosure practices. The settlement does not prohibit the states, the federal government, individuals or investors in RMBS from pursuing additional actions against the banks and servicers in the future.

The integrity of the servicing and foreclosure processes are critical to the value of the mortgage loan portfolios underlying our RMBS, and our financial results could be adversely affected by deficiencies in the conduct of those processes. For example, delays in the foreclosure process that have resulted from investigations into improper servicing practices may adversely affect the values of, and our losses on, our non-Agency RMBS. Foreclosure delays may also increase the administrative expenses of the securitization trusts for the non-Agency RMBS, thereby reducing the amount of funds available for distribution to investors. In addition, the subordinate classes of securities issued by the securitization trusts may continue to receive interest payments while the defaulted loans remain in the trusts, rather than absorbing the default losses. This may reduce the amount of credit support available for the senior classes we own, thus possibly adversely affecting these securities. Additionally, a substantial portion of the $25 billion settlement described above is intended to be a "credit" to the banks and servicers for principal write-downs or reductions they may make to certain mortgages underlying RMBS. There remains considerable uncertainty as to how these principal reductions will work and what effect they will have on the value of related RMBS; as a result, there can be no assurance that any such principal reductions will not adversely affect the value of certain of our RMBS.

While we believe that the sellers and servicers would be in violation of their servicing contracts to the extent that they have improperly serviced mortgage loans or improperly executed documents in foreclosure or bankruptcy proceedings, or do not comply with the terms of servicing contracts when deciding whether to apply principal reductions, it may be difficult, expensive, and time consuming for us to enforce our contractual rights. We continue to monitor and review the issues raised by the alleged improper foreclosure practices. While we cannot predict exactly how the servicing and foreclosure matters or the resulting litigation or settlement agreements will affect our business, there can be no assurance that these matters will not have an adverse impact on our results of operations and financial condition.

We rely on information technology in our operations, and any material failure, inadequacy, interruption or security failure of that technology could harm our business.

We rely on information technology networks and systems, including the Internet, to process, transmit and store electronic information and to manage or support a variety of our business processes, including financial transactions and maintenance of records, which in the case of our Golf business, may include personal identifying information. We rely on commercially available systems, software, tools and monitoring to provide security for processing, transmitting and storing this confidential information, such as individually identifiable information relating to financial accounts. Although we have taken steps to protect the security of the data maintained in our information systems, it is possible that our security measures will not be able to prevent the systems' improper functioning, or the improper disclosure of personally identifiable information such as in the event of cyber attacks. Security breaches, including physical or electronic break-ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, damage our reputation, subject us to liability claims or regulatory penalties and could materially and adversely affect our business, financial condition and results of operations.

Our investments in debt securities and loans are subject to changes in credit spreads, which could adversely affect our ability to realize gains on the sale of such investments.

Debt securities and loans are subject to changes in credit spreads. Credit spreads measure the yield demanded on securities and loans by the market based on their credit relative to a specific benchmark.

Fixed rate securities and loans are valued based on a market credit spread over the rate payable on fixed rate U.S. Treasuries of like maturity. Floating rate securities and loans are valued based on a market credit spread over LIBOR and are affected similarly by changes in LIBOR spreads. Excessive supply of these securities combined with reduced demand will generally cause the market to require a higher yield on these securities and loans, resulting in the use of a higher, or "wider," spread over the benchmark rate to value such securities. Under such conditions, the value of our debt securities and loan portfolios would tend to decline. Conversely, if the spread used to value such securities were to decrease, or "tighten," the value of our debt securities portfolio would tend to increase. Such changes in the market value of our debt securities and loan portfolios may affect our net equity, net income or cash flows directly through their impact on unrealized gains or losses on available-for-sale securities, and therefore our ability to realize gains on such securities, or indirectly through their impact on our ability to borrow and access capital. During 2008 through the first quarter of 2009, credit spreads widened substantially. This widening of credit spreads caused the net unrealized gains on our securities, loans and derivatives, recorded in accumulated other comprehensive income or retained earnings, and therefore our book value per share, to decrease and resulted in net losses.

In addition, if the value of our loans subject to financing agreements were to decline, it could affect our ability to refinance such loans upon the maturity of the related repurchase agreements. Any credit or spread related losses incurred with respect to our loans would affect us in the same way as similar losses on our real estate securities portfolio as described above.

Any hedging transactions that we enter into may limit our gains or result in losses.

We have used (and may continue to use, when feasible and appropriate) derivatives to hedge a portion of our interest rate exposure, and this approach has certain risks, including the risk that losses on a hedge position will reduce the cash available for distribution to stockholders and that such losses may exceed the amount invested in such instruments. We have adopted a general policy with respect to the use of derivatives, which generally allows us to use derivatives where appropriate, but does not set forth specific policies and procedures or require that we hedge any specific amount of risk. From time to time, we use derivative instruments, including forwards, futures, swaps and options, in our risk management strategy to limit the effects of changes in interest rates on our operations. A hedge may not be effective in eliminating all of the risks inherent in any particular position. Our profitability may be adversely affected during any period as a result of the use of derivatives.

There are limits to the ability of any hedging strategy to protect us completely against interest rate risks. When rates change, we expect the gain or loss on derivatives to be offset by a related but inverse change in the value of the items, generally our liabilities, that we hedge. We cannot assure you, however, that our use of derivatives will offset the risks related to changes in interest rates. We cannot assure you that our hedging strategy and the derivatives that we use will adequately offset the risk of interest rate volatility or that our hedging transactions will not result in losses. In addition, our hedging strategy may limit our flexibility by causing us to refrain from taking certain actions that would be potentially profitable but would cause adverse consequences under the terms of our hedging arrangements.

The REIT provisions of the Internal Revenue Code of 1986, as amended (the “Code”), limit our ability to hedge. In managing our hedge instruments, we consider the effect of the expected hedging income on the REIT qualification tests that limit the amount of gross income that a REIT may receive from hedging. We need to carefully monitor, and may have to limit, our hedging strategy to assure that we do not realize hedging income, or hold hedges having a value, in excess of the amounts that would cause us to fail the REIT gross income and asset tests. In addition, our ability to hedge is limited by certain undertakings that we made to the U.S. Commodity Futures Trading Commission in order to avail ourselves of no- action relief from the requirement to register as a commodity pool operator.

Accounting for derivatives under U.S. generally accepted accounting principles (“GAAP”) is extremely complicated. Any failure by us to account for our derivatives properly in accordance with GAAP in our financial statements could adversely affect our earnings.

Under certain conditions, increases in prepayment rates can adversely affect yields on many of our investments.

The value of many of the assets in which we invest may be affected by prepayment rates on these assets. Prepayment rates are influenced by changes in current interest rates and a variety of economic, geographic and other factors beyond our control, and consequently, prepayment rates cannot be predicted with certainty. In periods of declining mortgage interest rates, prepayments on loans generally increase. If general interest rates decline as well, the proceeds of such prepayments received during such periods are likely to be reinvested by us in assets yielding less than the yields on the assets that were prepaid. In addition, the market value of floating rate assets may, because of the risk of prepayment, benefit less than fixed rate assets from declining interest rates. Conversely, in periods of rising interest rates, prepayments on loans generally decrease, in which case we would not have the prepayment proceeds available to invest in assets with higher yields. Under certain interest rate and prepayment scenarios we may fail to recoup fully our cost of acquisition of certain investments.

In addition, when market conditions lead us to increase the portion of our CDO investments that are comprised of floating rate securities, the risk of assets inside our CDOs prepaying increases. Because our CDO financing costs are locked in, reinvestment of such prepayment proceeds at lower yields than the initial investments, as a result of changes in the interest rate or credit spread environment, will result in a decrease of the return on our equity and therefore our net income.

Changes in accounting rules could occur at any time and could impact us in significantly negative ways that we are unable to predict or protect against.

As has been widely publicized, the SEC, the Financial Accounting Standards Board and other regulatory bodies that establish the accounting rules applicable to us have recently proposed or enacted a wide array of changes to accounting rules. Moreover, in the future these regulators may propose additional changes that we do not currently anticipate. Changes to accounting rules that apply to us could significantly impact our business or our reported financial performance in negative ways that we cannot predict or protect against. We cannot predict whether any changes to current accounting rules will occur or what impact any codified changes will have on our business, results of operations, liquidity or financial condition.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.

As a public company, we are required to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. Internal control over financial reporting is complex and may be revised over time to adapt to changes in our business, or changes in applicable accounting rules. In connection with new investments, we may be required to consolidate additional entities, and, therefore, to document and test effective internal controls over the financial reporting of these entities in accordance with Section 404, which we may not be able to do. Even if we are able to do so, there could be significant costs and delays, particularly if these entities were not subject to Section 404 prior to being acquired by us. Under certain circumstances, the SEC permits newly acquired businesses to be excluded for a limited period of time from management's annual assessment of the effectiveness of internal control. Our management identified a material weakness in our internal controls with respect to our financial statements for the year ended December 31, 2011. Although this was remediated, we cannot assure you that our internal control over financial reporting will be effective in the future or that a material weakness will not be discovered with respect to a prior period for which we believe that internal controls were effective. If we are not able to maintain or document effective internal control over financial reporting, our independent registered public accounting firm may not be able to certify as to the effectiveness of our internal control over financial reporting as of the required dates. Matters impacting our internal controls may cause us to be unable to report our financial information on a timely basis, or may cause us to restate previously issued financial information, and thereby subject us to adverse regulatory consequences, including sanctions or investigations by the SEC, or violations of applicable stock exchange listing rules. There could also be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. Confidence in the reliability of our financial statements is also likely to suffer if we or our independent registered public accounting firm reports a material weakness in our internal control over financial reporting. This could materially adversely affect us by, for example, leading to a decline in our share price and impairing our ability to raise capital.

Environmental compliance costs and liabilities related to real estate that we own, or in which we have interests, may adversely affect our results of operations.

Our operating costs may be affected by the cost of complying with existing or future environmental laws, ordinances and regulations with respect to the properties, or loans secured by such properties, or by environmental problems that materially impair the value of such properties. Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under, or in such property. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. In addition, the presence of hazardous or toxic substances, or the failure to remediate properly, may adversely affect the owner’s ability to borrow using such real property as collateral. Certain environmental laws and common law principles could be used to impose liability for releases of hazardous materials, including asbestos-containing materials, into the environment, and third parties may seek recovery from owners or operators of real properties for personal injury associated with exposure to released asbestos-containing materials or other hazardous materials. Environmental laws may also impose restrictions on the manner in which a property may be used or transferred or in which businesses it may be operated, and these restrictions may require expenditures. In connection with the direct or indirect ownership and operation of properties, we may be potentially liable for any such costs. The cost of defending against claims of liability or remediating contaminated property and the cost of complying with environmental laws could adversely affect our results of operations and financial condition.

Lawsuits, investigations and indemnification claims could result in significant liabilities and reputational harm, which could materially adversely affect our results of operations, financial condition and liquidity.

From time to time, we are and may become involved in lawsuits, inquiries or investigations or receive claims for indemnification. Our efforts to resolve any such lawsuits, inquiries, investigations or claims could be very expensive and highly damaging to our reputation, even if the underlying claims are without merit. We could potentially be found liable for significant damages or indemnification obligations. Such developments could have a material adverse effect on our business, results of operations and financial condition.

Our risk of litigation includes lawsuits that could be brought by users of our golf properties and property-level employees in our Golf business. For instance, we are subject to federal and state laws governing minimum wage requirements, overtime compensation, discrimination and family and medical leave. Any lawsuit alleging a violation of any such laws could result in a settlement or other resolution that requires us to make a substantial payment, which could have a material adverse effect on our financial condition and results of operations. In addition, accidents or injuries in connection with our golf properties could subject us to liability and reputational harm.

Our agreements with New Residential and New Senior may not reflect terms that would have resulted from negotiations among unaffiliated third parties, and we have agreed to indemnify New Residential and New Senior for certain liabilities in connection with their respective spin-offs.

We completed the spin-off of New Residential in May 2013. The terms of the agreements related to the spin-off of New Residential, including a separation and distribution agreement dated April 26, 2013 (the "NRZ Separation and Distribution Agreement") between us and New Residential and a management agreement between our Manager and New Residential, were not negotiated among unaffiliated third parties. Such terms were proposed by our officers and other employees of our Manager and approved by our board of directors. As a result, these terms may be less favorable to us than the terms that would have resulted from negotiations among unaffiliated third parties.

In the NRZ Separation and Distribution Agreement, we have agreed to indemnify New Residential and its affiliates and representatives against losses arising from: (a) any liability related to our junior subordinated notes due 2035; (b) any other liability that has not been defined as a liability of New Residential; (c) any failure by us and our subsidiaries (other than New Residential and its subsidiaries) (collectively, the "Newcastle Group") to pay, perform or otherwise promptly discharge any liability listed under (a) and (b) above in accordance with their respective terms, whether prior to, at or after the time of effectiveness of the NRZ Separation and Distribution Agreement; (d) any breach by any member of the Newcastle Group of any provision of the NRZ Separation and Distribution Agreement and any agreements ancillary thereto (if any), subject to any limitations of liability provisions and other provisions applicable to any such breach set forth therein; and (e) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in the information statement or the registration statement of which the information statement is a part that relates solely to any assets owned, directly or indirectly by us, other than New Residential's initial portfolio of assets. Any indemnification payments that we may be required to make could have a significantly negative effect on our liquidity and results of operations.

We completed the spin-off of New Senior in November 2014. The terms of the separation and distribution agreement dated October 16, 2014 between us and New Senior are substantially similar to the terms of the NRZ Separation and Distribution Agreement, and therefore subjects us to similar risks.

Risks Related to Our REIT Status and the 1940 Act

Qualifying as a REIT involves highly technical and complex provisions of the Code, and our failure to qualify as a REIT would result in higher taxes and reduced cash available for distribution to our stockholders.

We operate in a manner intended to qualify us as a REIT for federal income tax purposes. Qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, stockholder ownership and other requirements on a continuing basis. Compliance with these requirements must be carefully monitored on a continuing basis, and there can be no assurance that our Manager's personnel responsible for doing so will be able to successfully monitor our compliance.

Our ability to satisfy the asset tests depends upon our analysis of the fair market values of our assets, some of which are not susceptible to a precise determination, and for which we do not obtain independent appraisals. Our compliance with the REIT income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our income and assets on an ongoing basis. Moreover, the proper classification of an instrument as debt or equity for federal income tax purposes, and the tax treatment of participation interests that we hold in mortgage loans and mezzanine loans, may be uncertain in some circumstances, which could affect the application of the REIT qualification requirements. Accordingly, there can be no assurance that the Internal Revenue Service (the "IRS") will not contend that our interests in subsidiaries or other issuers violate the REIT requirements.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to federal income tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates, and distributions to stockholders would not be deductible by us in computing our taxable income. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution to our stockholders, which in turn could have an adverse impact on the value of, and trading prices for, our stock. Unless entitled to relief under certain provisions of the Code, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we initially ceased to qualify as a REIT.

Our failure to qualify as a REIT would create issues under a number of our financings and other agreements and would cause our common and preferred stock to be delisted from the NYSE.

Our failure to qualify as a REIT would create issues under a number of our financing and other agreements. In addition, the NYSE requires, as a condition to the continued listing of our common and preferred stock, that we maintain our REIT status. Consequently, if we fail to maintain our REIT status, our common and preferred stock would promptly be delisted from the NYSE, which would decrease the trading activity of such shares. This could make it difficult to sell shares and would likely cause the market volume of the shares trading to decline.

If we were delisted as a result of losing our REIT status and desired to relist our stock on the NYSE, we would have to reapply to the NYSE to be listed as a domestic corporation. As the NYSE's listing standards for REITs are less onerous than its standards for domestic corporations, it would be more difficult for us to become a listed company under these heightened standards. We might not be able to satisfy the NYSE's listing standards for a domestic corporation. As a result, if we were delisted from the NYSE, we might not be able to relist as a domestic corporation, in which case our common and preferred stock could not trade on the NYSE.

Our failure to qualify as a REIT would potentially give rise to a claim for damages from New Residential or New Senior.

In connection with the spin-off of New Residential, which was completed in May 2013, and the spin-off of New Senior, which was completed in November 2014, we represented in the Separation Agreements that we have no knowledge of any fact or circumstance that would cause us to fail to qualify as a REIT. We also covenanted in the Separation Agreements to generally use our reasonable best efforts to maintain our REIT status for each of our taxable years ending on or before December 31, 2014 (in the case of New Residential) and December, 31, 2015 (in the case of New Senior). In the event of a breach of this representation or covenant, New Residential or New Senior, or both, may be able to seek damages from us, which could have a significantly negative effect on our liquidity and results of operations.

If New Residential failed to qualify as a REIT for 2013, or if New Senior failed to qualify as a REIT for 2014, it would significantly affect our ability to maintain our REIT status.

For federal income tax purposes we recorded approximately $600 million of gain as a result of the spin-off of New Residential in May 2013 and $450 million of gain as a result of the spin-off of New Senior in November 2014. If New Residential qualified for taxation as a REIT for 2013, and if New Senior so qualified for 2014, that gain is qualifying income for purposes of our REIT income tests in such years. If, however, New Residential failed to qualify as a REIT for 2013, or if New Senior failed to so qualify in 2014, that gain would be non-qualifying income for purposes of the 75% gross income test. Although New Residential and New Senior covenanted in their respective separation and distribution agreements to use reasonable best efforts to qualify as a REIT in 2013 and 2014, respectively, no assurance can be given that they so qualified. If New Residential or New Senior failed to qualify in such years, it could cause us to fail our REIT income tests for such years, which could cause us to lose our REIT status and thereby materially negatively impact our business, financial condition and potentially impair our ability to continue operating in the future.

Uncertainty exists with respect to the treatment of TBAs for purposes of the REIT asset and income tests.

We have invested in and may continue to invest in to-be-announced securities ("TBA") and recognize income or gains from the disposition of those TBAs, through dollar roll transactions or otherwise. In a dollar roll transaction, we exchange an existing TBA for another TBA with a different settlement date. There is no direct authority with respect to the qualification of TBAs as real estate assets or U.S. Government securities for purposes of the 75% asset test or the qualification of income or gains from dispositions of TBAs as gains from the sale of real property (including interests in real property and interests in mortgages on real property) or other qualifying income for purposes of the 75% gross income test.

For a particular taxable year, we intend to treat such TBAs as qualifying assets for purposes of the REIT asset tests, and income and gains from such TBAs as qualifying income for purposes of the 75% gross income test, to the extent set forth in an opinion from Skadden, Arps, Slate, Meagher & Flom LLP substantially to the effect that (i) for purposes of the REIT asset tests, our ownership of a TBA should be treated as ownership of the underlying mortgage-backed securities, and (ii) for purposes of the 75% REIT gross income test, any gain recognized by us in connection with the settlement of such TBAs should be treated as gain from the sale or disposition of the underlying mortgage-backed securities. Opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS would not successfully challenge the conclusions set forth in such opinions. In addition, it must be emphasized that any opinion of Skadden, Arps, Slate, Meagher & Flom LLP would be based on various assumptions relating to any TBAs that we enter into and would be conditioned upon fact-based representations and covenants made by our management regarding such TBAs. No assurance can be given that the IRS would not assert that such assets or income are not qualifying assets or income. If the IRS were to successfully challenge any conclusions of Skadden, Arps, Slate, Meagher & Flom LLP, we could be subject to a penalty tax or we could fail to qualify as a REIT if a sufficient portion of our assets consists of TBAs or a sufficient portion of our income consists of income or gains from the disposition of TBAs.

The failure of assets subject to repurchase agreements to qualify as real estate assets could adversely affect our ability to qualify as a REIT.

We have historically financed a meaningful portion of our investments in securities and loans with repurchase agreements, which are short-term financing arrangements and we may enter into additional repurchase agreements in the future. Under these agreements, we nominally sell certain of our assets to a counterparty and simultaneously enter into an agreement to repurchase these assets at a later date in exchange for a purchase price. Economically, these agreements are financings that are secured by the assets sold pursuant thereto. We believe that, for purposes of the REIT asset and income tests, we should be treated as the owner of the assets that are the subject of any such sale and repurchase agreement, notwithstanding that those agreements may transfer record ownership of the assets to the counterparty during the term of the agreement. It is possible, however, that the IRS could assert that we did not own the assets during the term of the sale and repurchase agreement, in which case we might fail to qualify as a REIT.

Rapid changes in the values of assets that we hold may make it more difficult for us to maintain our qualification as a REIT or our exclusion from the 1940 Act.

If the market value or income potential of qualifying assets for purposes of our qualification as a REIT or our exclusion from registration as an investment company under the 1940 Act declines as a result of increased interest rates, changes in prepayment rates or other factors, or the market value or income potential from non-qualifying assets increases, we may need to increase our investments in qualifying assets and/or liquidate our non-qualifying assets to maintain our REIT qualification or our exclusion from registration under the 1940 Act. If the change in market values or income occurs quickly, this may be especially difficult to accomplish. This difficulty may be exacerbated by the illiquid nature of any non-qualifying assets we may own. We may have to make investment decisions that we otherwise would not make absent the intent to maintain our qualification as a REIT and exclusion from registration under the 1940 Act.

Dividends payable by REITs do not qualify for the reduced tax rates.

Dividends payable to domestic stockholders that are individuals, trusts or estates are generally taxed at reduced rates. Dividends payable by REITs, however, are generally not eligible for the reduced rates. Although these rules do not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our common stock. In addition, the relative attractiveness of real estate in general may be adversely affected by the favorable tax treatment given to corporate dividends, which could affect the value of our real estate assets negatively.

REIT distribution requirements could adversely affect our liquidity and our ability to execute our business plan.

In order to maintain our tax status as a REIT, we are generally required to distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and not including net capital gains) each year to our stockholders. We intend to make distributions to our stockholders to comply with the requirements of the Code. However, differences in timing between the recognition of taxable income and the actual receipt of cash could require us to sell assets or borrow funds on a short-term or long-term basis to meet the 90% distribution requirement of the Code. Certain of our assets may generate substantial mismatches between taxable income and available cash. As a result, the requirement to distribute a substantial portion of our net taxable income could cause us to: (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt, or (iv) make taxable distributions of our capital stock in order to comply with REIT requirements. Further, amounts distributed will not be available to fund investment activities. If we fail to obtain debt or equity capital in the future, it could limit our ability to satisfy our liquidity needs, which could adversely affect the value of our common stock.

In January 2013, we experienced an “ownership change” for purposes of Section 382 of the Code, which limits our ability to utilize our net operating loss and net capital loss carryforwards and certain built-in losses to reduce our future taxable income, potentially increases our related REIT distribution requirement, and potentially adversely affects our liquidity.

In order to maintain our tax status as a REIT, we are generally required to distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and not including net capital gains) each year to our stockholders. To qualify for the tax benefits accorded to REITs, we intend to make distributions to our stockholders such that we distribute all or substantially all our net taxable income (if any) each year, subject to certain adjustments. In the past, we have used net operating loss and net capital loss carryforwards to facilitate the satisfaction of our distribution requirements. As a result of our January 2013 "ownership change," our future ability to utilize our net operating loss and net capital loss carryforwards to reduce our taxable income may be limited by certain provisions of the Code.

Specifically, the Code limits the ability of a company that undergoes an "ownership change" to utilize its net operating loss and net capital loss carryforwards and certain built-in losses to offset taxable income earned in years after the ownership change. An ownership change occurs if, during a three-year testing period, more than 50% of the stock of a company is acquired by one or more persons (or certain groups of persons) who own, directly or constructively, 5% or more of the stock of such company. An ownership change can occur as a result of a public offering of stock, as well as through secondary market purchases of our stock and certain types of reorganization transactions. Generally, when an ownership change occurs, the annual limitation on the use of net operating loss and net capital loss carryforwards and certain built-in losses is equal to the product of the applicable long-term tax exempt rate and the value of the company's stock immediately before the ownership change. We have substantial net operating and net capital loss carry forwards which we have used, and will continue to use, to offset our tax and distribution requirements. In January 2013, an "ownership change" for purposes of Section 382 of the Code occurred. Therefore, the provisions of Section 382 of the Code impose an annual limit on the amount of net operating loss and net capital loss carryforwards and built in losses that we can use to offset future taxable income. Such limitation may increase our dividend distribution requirement in the future, which could adversely affect our liquidity. We do not believe that the limitation as a result of the January 2013 ownership change will prevent us from satisfying our REIT distribution requirement for the current year and future years. No assurance, however, can be given that we will be able to satisfy our distribution requirement following a current or future ownership change or otherwise. If we were to fail to satisfy our distribution requirement, it would cause us to lose our REIT status and thereby materially negatively impact our business, financial condition and potentially impair our ability to continue operating in the future.

We may be required to report taxable income for certain investments in excess of the economic income we ultimately realize from them.

We may acquire debt instruments in the secondary market for less than their face amount. The amount of such discount will generally be treated as "market discount" for federal income tax purposes. Accrued market discount is generally recognized as taxable income over our holding period in the instrument in advance of the receipt of cash. If we collect less on the debt instrument than our purchase price plus the market discount we had previously reported as income, we may not be able to benefit from any offsetting loss deductions.

In addition, we may acquire debt investments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding debt are "significant modifications" under the applicable Treasury regulations, the modified debt may be considered to have been reissued to us in a debt-for-debt exchange with the borrower. In that event, we may be required to recognize taxable gain to the extent the principal amount of the modified debt exceeds our adjusted tax basis in the unmodified debt, even if the value of the debt or the payment expectations have not changed. Following such a taxable modification, we would hold the modified loan with a cost basis equal to its principal amount for federal tax purposes.

Moreover, in the event that any debt instruments acquired by us are delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular debt instrument are not made when due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income. Similarly, we may be required to accrue interest income with respect to subordinate mortgage-backed securities at the stated rate regardless of whether corresponding cash payments are received.

The IRS tax rules regarding recognizing capital losses and ordinary income for our non-recourse financings, coupled with current REIT distribution requirements, could result in our recognizing significant taxable net income without receiving an equivalent amount of cash proceeds from which to make required distributions. This disconnect could have a serious, negative effect on us.

We may experience issues regarding the characterization of income for tax purposes. For example, we may recognize significant ordinary income, which we would not be able to offset with capital losses, which would, in turn, increase the amount of income we would be required to distribute to stockholders in order to maintain our REIT status. We expect that this disconnect will occur in the case of one or more of our non-recourse financing structures, including off balance sheet structures such as our subprime securitizations and non-consolidated CDOs, where we incur capital losses on the related assets, and ordinary income from the cancellation of the related non-recourse financing if the ultimate proceeds from the assets are insufficient to repay such debt. This disconnect could also occur, and has occurred, as a result of the repurchase of our outstanding debt at a discount as the gain recorded upon the cancellation of indebtedness is characterized as ordinary income for tax purposes. We have repurchased our debt at a discount in the past, and we intend to attempt to do so in the future.

When we experience any of these disconnects, and to the extent that a distribution through stock dividends is not viable, we may not have sufficient cash flows to make the distributions necessary to satisfy our REIT distribution requirements, which would cause us to lose our REIT status and thereby materially negatively impact our business, financial condition and potentially impair our ability to continue operating in the future. Under current market conditions, this type of disconnect between taxable income and cash proceeds would be likely to occur at some point in the future if the current regulations that create the disconnect are not revised, but we cannot predict at this time when such a disconnect might occur.

We may be unable to generate sufficient revenue from operations to pay our operating expenses and to pay distributions to our stockholders.

As a REIT, we are generally required to distribute at least 90% of our REIT taxable income (determined without regard to the dividends paid deduction and not including net capital losses) each year to our stockholders. To qualify for the tax benefits accorded to REITs, we intend to make distributions to our stockholders in amounts such that we distribute all or substantially all of our net taxable income each year, subject to certain adjustments. However, our ability to make distributions may be adversely affected by the risk factors described herein. In the event of a sustained downturn in our operating results and financial performance relative to previous periods or sustained declines in the value of our asset portfolio, we may be unable to declare or pay quarterly distributions or make distributions to our stockholders, and we may elect to comply with our REIT distribution requirements by, after completing various procedural steps, distributing, under certain circumstances, a portion of the required amount in the form of common shares in lieu of cash. The timing and amount of distributions are in the sole discretion of our board of directors, which considers, among other factors, our earnings, financial condition, debt service obligations and applicable debt covenants, REIT qualification requirements and other tax considerations and capital expenditure requirements as our board of directors may deem relevant from time to time.

The stock ownership limit imposed by the Code for REITs and our charter may inhibit market activity in our stock and restrict our business combination opportunities.

In order for us to maintain our qualification as a REIT under the 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 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 of directors to take the actions that are necessary and desirable to preserve our qualification as a REIT. Unless exempted by our board of directors, 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 Series D Preferred Stock. Our board may grant an exemption in its sole discretion, subject to such conditions, representations and undertakings as it may determine in its sole discretion. These ownership limits could delay or prevent a transaction or a change in our control that might involve a premium price for our common stock or otherwise not be in the best interest of our stockholders.

Even if we remain qualified as a REIT, we may face other tax liabilities that reduce our cash flows.

Even if we remain qualified for taxation as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes, such as mortgage recording taxes. Moreover, if a REIT distributes less than 85% of its taxable income to its stockholders during any calendar year (including any distributions declared by the last day of the calendar year but paid in the subsequent year), then it is required to pay an excise tax of 4% on any shortfall between the required 85% and the amount that was actually distributed. Any of these taxes would decrease cash available for distribution to our stockholders. In addition, in order to meet the REIT qualification requirements, or to avert the imposition of a 100% tax that applies to certain gains derived by a REIT from dealer property or inventory, we may hold some of our assets through TRS. Such subsidiaries will be subject to corporate level income tax at regular rates.

Complying with REIT requirements may cause us to forego, liquidate or contribute to a TRS otherwise attractive opportunities.

To qualify as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our stock. As a result of these tests, we may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution, forego otherwise attractive investment opportunities, liquidate assets in adverse market conditions or contribute assets to a TRS that is subject to regular corporate federal income tax. Thus, compliance with the REIT requirements may hinder our ability to make and retain certain attractive investments.

Complying with REIT requirements may limit our ability to hedge effectively.

The existing REIT provisions of the Code may substantially limit our ability to hedge our operations because a significant amount of the income from those hedging transactions is likely to be treated as non-qualifying income for purposes of both REIT gross income tests. In addition, we must limit our aggregate income from non-qualified hedging transactions, from our provision of services and from other non-qualifying sources, to less than 5% of our annual gross income (determined without regard to gross income from qualified hedging transactions). As a result, we may have to limit our use of certain hedging techniques or implement those hedges through total return swaps. This could result in greater risks associated with changes in interest rates than we would otherwise want to incur or could increase the cost of our hedging activities. If we fail to comply with these limitations, we could lose our REIT qualification for federal income tax purposes, unless our failure was due to reasonable cause, and not due to willful neglect, and we meet certain other technical requirements. Even if our failure were due to reasonable cause, we might incur a penalty tax.

The "taxable mortgage pool" rules may increase the taxes that we or our stockholders may incur, and may limit the manner in which we effect future securitizations.

Certain of our securitizations have resulted in the creation of taxable mortgage pools for federal income tax purposes. As a REIT, so long as we own 100% of the equity interests in a taxable mortgage pool, we would generally not be adversely affected by the characterization of the securitization as a taxable mortgage pool. Certain categories of stockholders, however, such as foreign stockholders eligible for treaty or other benefits, stockholders with net operating losses, and certain tax-exempt stockholders that are subject to unrelated business income tax, could be subject to increased taxes on a portion of their dividend income from us that is attributable to the taxable mortgage pool. In addition, to the extent that our stock is owned by tax-exempt "disqualified organizations," such as certain government-related entities and charitable remainder trusts that are not subject to tax on unrelated business income, we could incur a corporate level tax on a portion of our income from the taxable mortgage pool. In that case, we might reduce the amount of our distributions to any disqualified organization whose stock ownership gave rise to the tax. Moreover, we may be precluded from selling equity interests in these securities to outside investors, or selling any debt securities issued in connection with these securitizations that might be considered to be equity interests for tax purposes. These limitations may prevent us from using certain techniques to maximize our returns from securitization transactions.

Distributions to tax-exempt investors may be classified as unrelated business taxable income.

Neither ordinary nor capital gain distributions with respect to our stock nor gain from the sale of stock should generally constitute unrelated business taxable income to a tax-exempt investor. However, there are certain exceptions to this rule. In particular:

- part of the income and gain recognized by certain qualified employee pension trusts with respect to our stock may be treated as unrelated business taxable income if shares of our stock are predominantly held by qualified employee pension trusts, and we are required to rely on a special look-through rule for purposes of meeting one of the REIT ownership tests, and we are not operated in a manner to avoid treatment of such income or gain as unrelated business taxable income;

- part of the income and gain recognized by a tax-exempt investor with respect to our stock would constitute unrelated business taxable income if the investor incurs debt in order to acquire the stock; and

- to the extent that we are (or a part of us, or a disregarded subsidiary of ours, is) a "taxable mortgage pool," or if we hold residual interests in a real estate mortgage investment conduit, a portion of the distributions paid to a tax- exempt stockholder that is allocable to excess inclusion income may be treated as unrelated business taxable income.

The tax on prohibited transactions will limit our ability to engage in transactions which would be treated as prohibited transactions for U.S. federal income tax purposes.

Net income that we derive from a prohibited transaction is subject to a 100% tax. The term "prohibited transaction" generally includes a sale or other disposition of property (including mortgage loans, but other than foreclosure property, as discussed below) that is held primarily for sale to customers in the ordinary course of our trade or business. We might be subject to this tax if we were to dispose of or securitize loans or certain other assets in a manner that was treated as a prohibited transaction for U.S. federal income tax purposes.

We intend to conduct our operations so that no asset that we own (or are treated as owning) will be treated as, or as having been, held for sale to customers, and that a sale of any such asset will not be treated as having been in the ordinary course of our business. As a result, we may choose not to engage in certain sales of loans or certain other assets at the REIT level, and may limit the structures we utilize for our securitization transactions, even though the sales or structures might otherwise be beneficial to us. In addition, whether property is held "primarily for sale to customers in the ordinary course of a trade or business" depends on the particular facts and circumstances. No assurance can be given that any property that we sell will not be treated as property held for sale to customers, or that we can comply with certain safe-harbor provisions of the Code that would prevent such treatment. The 100% prohibited transaction tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be subject to tax in the hands of the corporation at regular corporate rates. We intend to structure our activities to prevent prohibited transaction characterization.

New legislation or administrative or judicial action, in each instance potentially with retroactive effect, could make it more difficult or impossible for us to qualify as a REIT.

The present U.S. federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in us. The U.S. federal income tax rules dealing with REITs constantly are under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in statutory changes as well as frequent revisions to regulations and interpretations. Revisions in U.S. federal tax laws and interpretations thereof could affect or cause us to change our investments and commitments and affect the tax considerations of an investment in us.

Liquidation of assets may jeopardize our REIT qualification or create additional tax liability for us.

To qualify as a REIT, we must comply with requirements regarding the composition of our assets and our sources of income. If we are compelled to liquidate our investments to repay obligations to our lenders, we may be unable to comply with these requirements, ultimately jeopardizing our qualification as a REIT, or we may be subject to a 100% tax on any resultant gain if we sell assets that are treated as dealer property or inventory.

Maintenance of our 1940 Act exclusion imposes limits on our operations.

We conduct our operations in reliance on an exclusion from the 1940 Act, which we refer to as the Section 3(c)(5)(C) exclusion, which is available for entities "primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate."

Reliance on this exclusion limits our ability to make certain investments. The Section 3(c)(5)(C) exclusion generally requires that at least 55% of our assets be comprised of qualifying real estate assets and at least 80% of our assets be comprised of a combination of qualifying real estate assets and real estate related assets. In satisfying the 55% requirement under the Section 3(c)(5)(C) exclusion, based on guidance from the SEC and its staff, we treat whole pool Agency ARM RMBS issued with respect to an underlying pool of mortgage loans in which we hold all of the certificates issued by the pool as qualifying real estate assets. The SEC and its staff have not issued guidance with respect to whole pool non-Agency RMBS for purposes of the Section 3(c)(5)(C) exclusion. Accordingly, based on our own judgment and analysis of the guidance from the SEC and its staff identifying Agency whole pool certificates as qualifying real estate assets under the Section 3(c)(5)(C) exclusion, we treat whole pool non-Agency ARM RMBS issued with respect to an underlying pool of mortgage loans in which we hold all of the certificates issued by the pool as qualifying real estate assets. We also treat whole mortgage loans that we acquire directly as qualifying real estate assets provided that 100% of the loan is secured by real estate when we acquire the loan and we have the unilateral right to foreclose on the mortgage. In addition, we treat investments in Agency partial pool RMBS and non-Agency partial pool RMBS as real estate related assets for purposes of satisfying the 80% test under the Section 3(c)(5)(C) exclusion. The Section 3(c)(5)(C) exclusion generally limits the amount of our investments in non-real estate assets to no more than 20% of our total assets. To the extent that we acquire significant non-real estate assets in the future, in order to maintain our exclusion under the 1940 Act, we may need to offset those acquisitions with additional qualifying real estate and real estate related assets, which may not generate risk-adjusted returns as attractive as those generated by non-real estate related assets.

In August 2011, the SEC issued a concept release soliciting public comments on a wide range of issues relating to companies, which are typically REITs, engaged in the business of acquiring mortgages and mortgage-related instruments and that rely on Section 3(c)(5)(C) of the 1940 Act, including the nature of the assets that qualify for purposes of the Section 3(c)(5)(C) exclusion and whether mortgage REITs like us should be regulated in a manner similar to investment companies. Therefore, there can be no assurance that the laws and regulations governing the 1940 Act status of REITs, or guidance from the SEC or its staff regarding the Section 3(c)(5)(C) exclusion, will not change in a manner that adversely affects our operations. If we fail to maintain an exclusion or exception from the 1940 Act, we could, among other things, be required either to (a) change the manner in which we conduct our operations to avoid being required to register as an investment company, (b) effect sales of our assets in a manner that, or at a time when, we would not otherwise choose to do so, or (c) register as an investment company (which, among other things, would require us to comply with the leverage constraints applicable to investment companies), any of which could negatively affect the value of our common stock, the sustainability of our business model, and our ability to make distributions to our stockholders, which could, in turn, materially adversely affect us and the market price of our stock.

Risks Related to Our Common Stock

Our stock price has fluctuated meaningfully, particularly on a percentage basis, and may fluctuate meaningfully in the future. Accordingly, you may not be able to resell your shares at or above the price at which you purchased them.

The trading price of our common stock has fluctuated significantly in the past. The trading price of our common stock could fluctuate significantly in the future and could be negatively affected in response to various factors, including:

- market conditions in the broader stock market in general, or in the REIT or real estate industry in particular;
- our ability to make investments with attractive risk-adjusted returns;
- market perception of our current and projected financial condition, potential growth, future earnings and future cash dividends;
- announcements we make regarding dividends;
- actual or anticipated fluctuations in our quarterly financial and operating results;
- market perception or media coverage of our Manager or its affiliates;
- additional offerings of our common stock;
- actions by rating agencies;
- short sales of our common stock;
- any decision to pursue a distribution or disposition of a meaningful portion of our assets;
- issuance of new or changed securities analysts' reports or recommendations;
- media coverage of us, other REITs or the outlook of the real estate and golf industries;
- major reductions in trading volumes on the exchanges on which we operate;
- credit deterioration within our portfolio;
- legislative or regulatory developments, including changes in the status of our regulatory approvals or licenses;
- litigation and governmental investigations; and
- any decision to pursue a spin-off of a portion of our assets.

These and other factors may cause the market price and demand for our common stock to fluctuate substantially, which may negatively affect the price or liquidity of our common stock. When the market price of a stock has been volatile or has decreased significantly in the past, holders of that stock have, at times, instituted securities class action litigation against the company that issued the stock. If any of our stockholders brought a lawsuit against us, we could incur substantial costs defending, settling or paying any resulting judgments related to the lawsuit. Such a lawsuit could also divert the time and attention of our management from our business and hurt our share price.

We may be unable-or elect not-to pay dividends on our common or preferred stock in the future, which would negatively impact our business in a number of ways and decrease the price of our common and preferred stock.

While we are required to make distributions in order to maintain our REIT status (as described above under "-Risks Related to Our REIT Status and the 1940 Act-We may be unable to generate sufficient revenue from operations to pay our operating expenses and to pay distributions to our stockholders"), we may elect not to maintain our REIT status, in which case we would no longer be required to make such distributions. Moreover, even if we do elect to maintain our REIT status, we may elect to comply with the applicable requirements by, after completing various procedural steps, distributing, under certain circumstances, a portion of the required amount in the form of shares of our common stock in lieu of cash. If we elect not to maintain our REIT status or to satisfy any required distributions in common stock in lieu of cash, such action could negatively affect our business and financial condition as well as the price of both our common and preferred stock. No assurance can be given that we will pay any dividends on our common stock in the future.

We do not currently have unpaid accrued dividends on our preferred stock. However, to the extent we do, we cannot pay any dividends on our common stock, pay any consideration to repurchase or otherwise acquire shares of our common stock or redeem any shares of any series of our preferred stock without redeeming all of our outstanding preferred shares in accordance with the governing documentation. Consequently, the failure to pay dividends on our preferred stock restricts the actions that we may take with respect to our common stock and preferred stock. Moreover, if we do not pay dividends on any series of preferred stock for six or more periods, then holders of each affected series obtain the right to call a special meeting and elect two members to our board of directors. We cannot predict whether the holders of our preferred stock would take such action or, if taken, how long the process would take or what impact the two new directors on our board of directors would have on our company (other than increasing our director compensation costs). However, the election of additional directors would affect the composition of our board of directors and, thus, could affect the management of our business.

We may choose to pay dividends in our own stock, or make a distribution of a subsidiary's common stock, in which case you could be required to pay income taxes in excess of the cash dividends you receive.

We may in the future distribute taxable dividends that are payable in cash and shares of our common stock at the election of each stockholder. We may also determine to distribute a taxable dividend in the stock of a subsidiary in connection with a spin-off or other transaction, as in the case of our spin-off of New Residential in May 2013, our spin-off of New Media in February 2014 and our spin-off of New Senior in November 2014. Taxable stockholders receiving such distributions will be required to include the full amount of the distribution as ordinary income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, stockholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the stock that it receives as a dividend in order to pay this tax, the sale proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to certain non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock.

It is unclear whether and to what extent we will be able to pay taxable dividends in cash and stock. Moreover, various aspects of such a taxable cash/stock dividend are uncertain and have not yet been addressed by the IRS. No assurance can be given that the IRS will not impose additional requirements in the future with respect to taxable cash/stock dividends, including on a retroactive basis, or assert that the requirements for such taxable cash/stock dividends have not been met.

Shares eligible for future sale may adversely affect our common stock price.

Sales of our common stock or other securities in the public or private market, or the perception that these sales may occur, could cause the market price of our common stock to decline. This could also impair our ability to raise additional capital through the sale of our equity securities. Under our certificate of incorporation, we are authorized to issue up to 1,000,000,000 shares of common stock and we are authorized to reclassify a portion of our authorized preferred stock into common stock, and there were 66,654,598 shares or our common stock outstanding as of February 29, 2016. We cannot predict the size of future issuances of our common stock or other securities or the effect, if any, that future sales and issuances would have on the market price of our common stock.

An increase in market interest rates may have an adverse effect on the market price of our common stock.

One of the factors that investors may consider in deciding whether to buy or sell shares of our common stock is our distribution rate as a percentage of our share price relative to market interest rates. If the market price of our common stock is based primarily on the earnings and return that we derive from our investments and income with respect to our investments and our related distributions to stockholders, and not from the market value of the investments themselves, then interest rate fluctuations and capital market conditions will likely affect the market price of our common stock. For instance, if market interest rates rise without an increase in our distribution rate, the market price of our common stock could decrease as potential investors may require a higher distribution yield on our common stock or seek other securities paying higher distributions or interest. In addition, rising interest rates would result in increased interest expense on our variable rate debt, thereby adversely affecting cash flows and our ability to service our indebtedness and pay distributions.

ERISA may restrict investments by plans in our common stock.

A plan fiduciary considering an investment in our common stock should consider, among other things, whether such an investment is consistent with the fiduciary obligations under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including whether such investment might constitute or give rise to a prohibited transaction under ERISA, the Code or any substantially similar federal, state or local law and, if so, whether an exemption from such prohibited transaction rules is available.

Maryland takeover statutes may prevent a change of our control, which could depress our stock price.

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These business combinations include certain mergers, consolidations, share exchanges, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities or a liquidation or dissolution. An interested stockholder is defined as:

- any person who beneficially owns 10% or more of the voting power of the corporation's outstanding shares; or

- an affiliate or associate of a corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation.

- A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which he or she otherwise would have become an interested stockholder.

- After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation voting together as a single group; and

- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder voting together as a single voting group.

The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer, including potential acquisitions that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Our staggered board and other provisions of our charter and bylaws may prevent a change in our control.

Our board of directors is divided into three classes of directors. Directors of each class are chosen for three-year terms upon the expiration of their current terms, and each year one class of directors is elected by the stockholders. The staggered terms of our directors may reduce the possibility of a tender offer or an attempt at a change in control, even though a tender offer or change in control might be in the best interest of our stockholders. In addition, our charter and bylaws also contain other provisions that may delay or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Our charter authorizes us to issue additional authorized but unissued shares of our common stock or preferred stock. In addition, our board of directors may classify or reclassify any unissued shares of our common stock or preferred stock and may set the preferences, rights and other terms of the classified or reclassified shares. As a result, our board may establish a series of preferred stock that could delay or prevent a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Item 1B. Unresolved Staff Comments

We have no unresolved staff comments received more than 180 days prior toDecember 31, 2015.

Item 2. Properties.

Our direct investments in golf properties are described under "Business – Investment Portfolio."

Our Manager leases principal executive and administrative offices located at 1345 Avenue of the Americas, New York, New York 10105. Its telephone number is (212) 798-6100.

Our Golf business's executive office is located at 6080 Center Drive, Suite 500, Los Angeles, California, 90045. Its telephone number is (310) 664-4000.

We maintain our properties in good condition and believe that our current facilities are adequate to meet the present needs of our business. We do not believe any individual property is material to our financial condition or results of operations.

Item 3. Legal Proceedings.

We are and may become involved in legal proceedings, including but not limited to regulatory investigations and inquiries, in the ordinary course of our business. Although we are unable to predict with certainty the eventual outcome of any litigation, regulatory investigation or inquiry, in the opinion of management, we do not expect our current and any threatened legal proceedings to have a material adverse effect on our business, financial position or results of operations. Given the inherent unpredictability of these types of proceedings, however, it is possible that future adverse outcomes could have a material effect on our financial results.

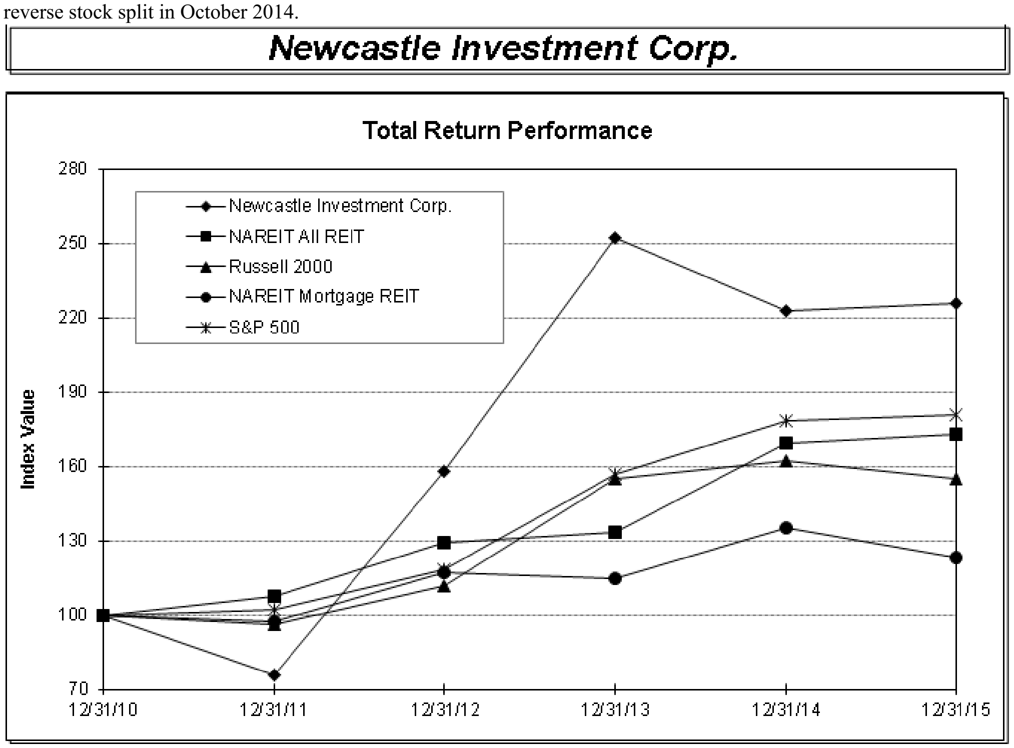
Item 4. Mine Safety Disclosures

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities.

The following graph compares the cumulative total return for Newcastle's common stock (stock price change plus reinvested dividends) with the comparable return of four indices: NAREIT All REIT, Russell 2000, NAREIT Mortgage REIT and S&P 500. The graph assumes an investment of $100 in Newcastle's common stock and in each of the indices on December 31, 2010, and that all dividends were reinvested. The past performance of Newcastle's common stock is not an indication of future performance. Newcastle's historical stock price has been adjusted to take into consideration the impact of the spin-off of New Residential in May 2013, New Media in February 2014 and New Senior in November 2014. Newcastle's share price has also been adjusted to take into consideration the impact of the 1-for-3 reverse stock split in August 2014 and the 1-for-2 reverse stock split in October 2014.



	Period Ending					
Index	**12/31/10**	**12/31/11**	**12/31/12**	**12/31/13**	**12/31/14**	**12/31/15**
Newcastle Investment Corp.	100.00	75.43	158.20	251.84	222.83	225.93
NAREIT All REIT	100.00	107.28	128.89	133.02	169.14	173.01
Russell 2000	100.00	95.82	111.49	154.78	162.35	155.18
NAREIT Mortgage REIT	100.00	97.58	116.99	114.70	135.21	123.21
S&P 500	100.00	102.11	118.45	156.82	178.28	180.75

We have one class of common stock, which has been listed and is traded on the NYSE under the symbol "NCT" since our initial public offering in October 2002. The following table sets forth, for the periods indicated, the high, low and last sale prices in dollars on the NYSE for our common stock and the distributions we declared with respect to the periods indicated.

2015		High		Low		Last Sale		Distributions Declared
First Quarter	$	4.95	$	4.04	$	4.85	$	0.12
Second Quarter	$	5.49	$	4.39	$	4.42	$	0.12
Third Quarter	$	5.23	$	4.11	$	4.39	$	0.12
Fourth Quarter	$	5.04	$	3.76	$	4.08	$	0.12

2014		High		Low		Last Sale		Distributions Declared
First Quarter (A)	$	35.52	$	26.04	$	28.20	$	0.60
Second Quarter	$	30.84	$	26.28	$	28.74	$	0.60
Third Quarter	$	29.28	$	24.78	$	25.36	$	0.60
Fourth Quarter (A)	$	25.74	$	4.00	$	4.49	$	0.12

(A) On February 13, 2014, Newcastle completed the spin-off of New Media. The February 13, 2014 closing price of Newcastle's common stock was $34.50, and the opening price of Newcastle's common stock on February 14, 2014 was $29.88. On November 6, 2014, Newcastle completed the spin-off of New Senior, The November 6, 2014 closing price of Newcastle's common stock on the NYSE was $23.53, and the opening price of Newcastle's common stock on November 7, 2014 was $4.00.

We may declare quarterly distributions on our common stock. No assurance, however, can be given that any future distributions will be made or, if made, as to the amounts or timing of any future distributions as such distributions are subject to our earnings, financial condition, liquidity, capital requirements, REIT requirements and such other factors as our board of directors deems relevant.

On February 29, 2016, the closing sale price for our common stock, as reported on the NYSE, was $3.52. As of February 29, 2016, there were approximately 33 record holders of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

Option Exercises

On July 16, 2015, a former employee of the Manager exercised options in respect of 10,367 shares of the Company’s common stock. The exercise of the options by an employee of the Manager was accomplished pursuant to a cashless exercise, whereby the employee of the Manager surrendered 2,834 shares of common stock based on the closing market price on July 16, 2015, which was $4.66 per share, to cover the per share exercise price of the options. The options had an exercise price of $1.00 per share.

On November 6, 2015, seven employees of the Manager exercised options in respect of 149,148 shares of the Company’s common stock. The exercise of the options by employees of the Manager was accomplished pursuant to a cashless exercise, whereby the employees of the Manager surrendered 40,097 shares of common stock based on the closing market price on November 5, 2015, which was $4.72 per share, to cover the per share exercise price of the options. The options had an exercise price of $1.00 per share.

The Company offered and sold all the shares of common stock described above in reliance upon Section 4(a)(2) of the Securities Act of 1933 for offerings not involving a public offering. At the time of their investment decisions, the employee of the Manager who received shares was knowledgeable about the Company and its prospects, was a highly sophisticated professional who was able to understand the merits and risks of the investment decision, was an accredited investor, and the transaction involved did not involve any public offering.

Set forth below is information regarding the Company's stock repurchases during the three months endedDecember 31, 2015:

Period	Total Number of Shares (or Units) Purchased (#)	Average Price Paid per Share (or Unit) ($)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)(#)	Approximate Dollar Value of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs ($)
October 1 - October 31, 2015	—	$ —	—	$ —
November 1 - November 30, 2015	40,097	$ 4.72	—	$ —
December 1 - December 31, 2015	—	$ —	—	$ —
Total	40,097	$ 4.72	—	$ —

Nonqualified Option and Incentive Award Plans

See Note 13 to Part II, Item 8. “Financial Statements and Supplementary Data” for further information related to the terms of the option plans.

The following table summarizes certain information about securities authorized for issuance under our equity compensation plans as of December 31, 2015.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options		Weighted Average Strike Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans	
Equity Compensation Plans Approved by Security Holders:					
Newcastle Investment Corp. Nonqualified Stock Option and Incentive Award Plan	1,007,262		$ 2.75	—	
2012 Newcastle Investment Corp. Nonqualified Stock Option and Incentive Award Plan	3,159,735		2.50	25,820	(B)
2014 Newcastle Investment Corp. Nonqualified Stock Option and Incentive Award Plan	765,416		4.01	—	(C)
2015 Newcastle Investment Corp. Nonqualified Option and Incentive Award Plan	—		—	229,425	(D)
Total Approved	4,932,413	(A)	$ 2.78	255,245	
Equity Compensation Plans Not approved by Security Holders:					
None					

(A) Includes options relating to (i) 4,636,334 shares held by an affiliate of our Manager; and (ii) 296,079 shares granted to our Manager and assigned to certain of Fortress’s employees, but does not include options relating to 489,148 shares granted to an affiliate of our Manager with a strike price of $3.57 per share that were not issued pursuant to an equity compensation plan.

(B) The maximum available for issuance is 3,333,333 shares in the aggregate over the term of the 2012 Plan and no award shall be granted on or after May 7, 2022 (but awards granted may extend beyond this date). The number of securities remaining available for future issuance is net of (i) an aggregate of 13,312 shares of our common stock awards to our directors, other than Mr. Edens and Mr. Riis, representing the aggregate annual automatic stock awards to each such director for the periods subsequent to the adoption of the 2012 Plan and prior to the adoption of the 2014 Plan and (ii) an aggregate of 3,294,201 options which have been previously granted under the plan.

(C) The maximum available for issuance was 166,666 shares in the aggregate over the term of the 2014 Plan and no award (other than a tandem award) may be granted after April 8, 2015 (but awards granted may extend beyond that date).

(D) The maximum available for issuance is 300,000 shares in the aggregate over the term of the 2015 Plan and no award (other than a tandem award) may be granted after April 16, 2016 (but awards granted may extend beyond that date). The number of securities remaining available for future issuance is net of (i) an aggregate of 70,575 shares of our common stock awards to our directors, other than Mr. Edens and Mr. Riis, representing the aggregate annual automatic stock awards to each such director for the periods subsequent to the adoption of the 2015 Plan. There were no options previously granted under the plan.

Item 6. Selected Financial Data.

The following table presents our selected consolidated financial information as of and for the years ended 2015, 2014, 2013, 2012 and 2011 and other data. The consolidated statements of operations data for the years ended December 31, 2015, 2014 and 2013 and the consolidated balance sheets data as of December 31, 2015 and 2014 have been derived from our audited historical Consolidated Financial Statements included elsewhere herein. The consolidated statements of operations data for the year ended December 31, 2012 and 2011 and the consolidated balance sheets data as of December 31, 2013, 2012 and 2011 have been derived from our consolidated financial statements not included elsewhere herein.

The information below should be read in conjunction with Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Consolidated Financial Statements and notes thereto included in Part II, Item 8. “Financial Statements and Supplementary Data.”

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

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Operating Data					
Interest income	$ 95,891	$ 127,627	$ 213,712	$ 282,951	$ 291,036
Interest expense	(62,129)	(80,022)	(78,601)	(108,236)	(138,035)
Net interest income	33,762	47,605	135,111	174,715	153,001
Impairment (reversal)	19,401	(2,419)	(19,769)	(5,664)	677
Net interest income after impairment (reversal)	14,361	50,024	154,880	180,379	152,324
Operating revenues	295,856	291,537	—	—	—
Other income	39,501	74,462	35,290	262,376	180,495
Expenses	328,465	348,232	49,376	39,110	29,178
Income from continuing operations before income tax	21,253	67,791	140,794	403,645	303,641
Income tax expense	345	208	—	—	—
Income from continuing operations	20,908	67,583	140,794	403,645	303,641
Income (loss) from discontinued operations, net of tax	646	(35,189)	11,547	30,465	878
Net income	21,554	32,394	152,341	434,110	304,519
Preferred dividends	(5,580)	(5,580)	(5,580)	(5,580)	(5,580)
Net (income) loss attributable to noncontrolling interests	293	852	(928)	—	—
Income applicable to common stockholders	$ 16,267	$ 27,666	$ 145,833	$ 428,530	$ 298,939
Income Applicable to Common Stock, per share					
Basic	$ 0.24	$ 0.45	$ 3.16	$ 17.84	$ 21.88
Diluted	$ 0.24	$ 0.44	$ 3.09	$ 17.64	$ 21.88
Income from Continuing Operations per share of Common Stock, after preferred dividends and noncontrolling interest					
Basic	$ 0.23	$ 1.02	$ 2.91	$ 16.57	$ 21.81
Diluted	$ 0.23	$ 1.00	$ 2.84	$ 16.39	$ 21.81
Income (loss) from Discontinued Operations per share of Common Stock					
Basic	$ 0.01	$ (0.57)	$ 0.25	$ 1.27	$ 0.06
Diluted	$ 0.01	$ (0.57)	$ 0.24	$ 1.25	$ 0.06
Weighted Average Number of Shares of Common Stock Outstanding					
Basic	66,479	61,501	46,147	24,024	13,664
Diluted	68,648	63,131	47,218	24,294	13,665
Dividends declared per share of common stock	$ 0.48	$ 1.92	$ 3.54	$ 5.04	$ 2.40

	As of December 31,				
	2015	2014	2013	2012	2011
Balance Sheet Data					
Real estate securities, available-for-sale	$ 59,034	$ 231,754	$ 432,993	$ 871,040	$ 1,486,829
Real estate securities, pledged as collateral	105,963	407,689	551,270	820,535	244,915
Real estate related loans, held-for-sale, net	149,198	230,200	437,530	843,132	813,580
Residential mortgage loans, held-for-investment, net	—	—	255,450	292,461	331,236
Residential mortgage loans, held-for-sale, net	532	3,854	2,185	2,471	2,687
Investments in other real estate, net	227,907	239,283	250,208	—	—
Intangibles, net	74,472	84,686	95,548	—	—
Other investments	20,595	26,788	25,468	24,907	24,907
Cash and cash equivalents	45,651	73,727	42,721	221,798	156,325
Restricted cash	4,469	15,714	5,856	2,031	105,007
Assets of discontinued operations	—	6,803	2,248,023	448,920	52,831
Total assets	1,467,982	1,761,906	4,837,124	3,945,312	3,651,799
Total debt	970,842	1,314,840	1,940,592	2,661,236	3,299,693
Liabilities of discontinued operations	—	447	1,434,394	126,895	5,564
Total liabilities	1,257,860	1,503,578	3,611,511	2,872,252	3,459,710
Common stockholders' equity (deficit)	148,796	196,709	1,103,262	1,011,477	130,506
Preferred stock	61,583	61,583	61,583	61,583	61,583
Noncontrolling interests	(257)	36	61,279	—	—
Supplemental Balance Sheet Data					
Common shares outstanding	66,655	66,425	58,576	28,754	17,530
Book value per share of common stock	$ 2.23	$ 2.96	$ 18.83	$ 35.18	$ 7.44
Other Data					
Core Earnings (B)	$ 38,125	$ 99,993	$ 140,903	$ 163,217	$ 120,169

(A) Selected consolidated financial information includes the impact of the spin-offs of New Residential, New Media and New Senior and the sale of the commercial real estate properties in Beavercreek, OH. For all periods presented, the assets, liabilities and results of operations are presented separately in discontinued operations.

(B) Newcastle has the following primary variables that impact its operating performance: (i) the current yield earned on its investments that are not included in non-recourse financing structures (i.e., unlevered investments, including investments in equity method investees and investments subject to recourse debt), (ii) the net yield it earns from its non-recourse financing structures, (iii) the interest expense and dividends incurred under its recourse debt and preferred stock, (iv) the net operating income on its real estate, media and golf investments, (v) its operating expenses and (vi) its realized and unrealized gains or losses, net of related provision for income taxes, including any impairment, on its investments, derivatives and debt obligations. Core earnings is a non-GAAP measure of the operating performance of Newcastle excluding the sixth variable listed above. It also excludes depreciation and amortization charges, including the accretion of the membership deposit liability and the impact of the application of acquisition accounting, acquisition and spin-off related expenses and restructuring expenses. Core earnings is used by management to gauge the current performance of Newcastle without taking into account gains and losses, net of related provision for income taxes, 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. It is the judgment of management that depreciation and amortization charges are not indicative of operating performance and that acquisition and spin-off related expenses are not part of our core operations. Management believes that the exclusion from core earnings of the items specified above allows investors and analysts to readily identify the operating performance of the assets that form the core of our activity, assists in comparing the core operating results between periods, and enables investors to evaluate Newcastle's current performance using the same measure that management uses to operate the business, which is among the factors considered when determining the amount of distributions to our shareholders.

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 our operating performance or as an alternative to cash flow as a measure of our liquidity and is not necessarily indicative of cash available to fund cash needs. For a further description of the differences between cash flow provided by operations and net income, see "– Liquidity and Capital Resource" below. Our calculation of core earnings may be different from the calculation used by other companies and, therefore, comparability may be limited.

Calculation of Core Earnings:

	Year Ended December 31,		
	2015	2014	2013
Income applicable to common stockholders	$ 16,267	$ 27,666	$ 145,833
Add (deduct):			
Impairment (reversal)	19,401	(2,419)	(19,769)
Other (income) (A)	(38,043)	(70,588)	(35,367)
Impairment (reversal), other (income) loss and other adjustments from discontinued operations (B)	(307)	104,226	39,974
Depreciation and amortization (C)	39,416	37,629	4
Acquisition, restructuring and spin-off related expenses (D)	1,391	3,479	10,228
Core earnings	$ 38,125	$ 99,993	$ 140,903

(A) Net of $1.3 million, $1.0 million and ($0.1) million related to other income from an equity method investment during the years ended December 31, 2015, 2014 and 2013, respectively, and net of $0.1 million of provision for income taxes relating to the gain on extinguishment of debt during the year ended December 31, 2015. Net of $1.1 million and $1.9 million of deal expenses relating to the sale of the residential loan portfolio and the sale of the manufactured housing portfolio, respectively, during the year ended December 31, 2014. These deal expenses were recorded to general and administrative expense under GAAP during 2014.

(B) Includes (i) gain on settlement of investments of $0.3 million, $0 and $0, (ii) depreciation and amortization of less than $0.1 million, $90.6 million and $31.0 million (gross of $0, $0.7 million, and ($2.1) million), (iii) acquisition and spin-off related expenses of $0, $15.8 million and $13.3 million, and (iv) other (income) loss of $0, ($1.4) million, and $2.4 million during the years ended December 31, 2015, 2014 and 2013, respectively. Also includes change in fair value of investments in excess mortgage servicing rights of ($3.9) million and change in fair value of investments in equity method investees of ($4.9) million for the year ended December 31, 2013.

(C) Including accretion of membership deposit liability of $5.8 million and $5.7 million, and amortization of favorable and unfavorable leasehold intangibles of $4.9 million and $5.0 million during the years ended December 31, 2015 and 2014, respectively. The Golf business was acquired on December 30, 2013, thus there were no accretion or amortization for the year ended December 31, 2013. The accretion of membership deposit liability was recorded to interest expense and the amortization of favorable and unfavorable leasehold intangibles was recorded to operating expenses - golf.

(D) Includes $0.3 million, $0.9 million and $0.0 million of restructuring expenses during the years ended December 31, 2015, 2014 and 2013, respectively, which was recorded to operating expenses - golf.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following should be read in conjunction with our Consolidated Financial Statements and notes thereto included in Part II, Item 8. "Financial Statements and Supplementary Data," and Part I, Item 1A. "Risk Factors."

General

Newcastle is a real estate investment trust that focuses on opportunistically investing in, and actively managing, a variety of real estate related and other investments. Newcastle is externally managed and advised by an affiliate of Fortress Investment Group LLC, or Fortress. Newcastle's common stock is traded on the NYSE under the symbol "NCT."

We currently invest in real estate related debt and golf related real estate and operations. Our investment guidelines are purposefully broad to enable us to make investments in a wide array of assets, and we actively explore new business opportunities and asset categories as part of our business strategy. Our objective is to leverage our longstanding investment expertise to drive attractive risk-adjusted returns. We target stable long-term cash flows and seek to employ appropriate capital structures to generate returns throughout different interest rate environments. We take an active approach centered around identifying and executing on opportunities, responding to the changing market environment, and dynamically managing our investment portfolio to enhance returns.

For further information relating to Newcastle's business, see "Item 1. Business."

We conduct our business through the following segments: (i) debt investments financed with collateralized debt obligations ("CDOs"), (ii) other debt investments ("Other Debt"), (iii) investments in golf properties and facilities ("Golf") and (iv) corporate. Revenues attributable to each segment, as restated for previously reported periods, are disclosed below (in thousands).

For the Year Ended	Debt Investments CDOs		Other Debt		Golf (A)		Corporate		Inter-segment Elimination		Total	
December 31, 2015	$	32,488	$	66,233	$	296,008	$	23	$	(3,005)	$	391,747 (B)
December 31, 2014	$	84,938	$	50,093	$	291,684	$	44	$	(7,595)	$	419,164 (C)
December 31, 2013	$	119,292	$	98,968	$	—	$	198	$	(4,746)	$	213,712 (D)

(A) The Golf business was acquired on December 30, 2013.

(B) Excludes $0.6 million of revenue included in discontinued operations related to the sale of commercial real estate.

(C) Excludes $283.4 million of revenues included in discontinued operations related to senior housing, media and the sale of commercial real estate.

(D) Excludes $164.1 million of revenues included in discontinued operations related to senior housing, media, Excess MSRs and the sale of commercial real estate.

Market Considerations

Our ability to generate income is dependent on, among other factors, our ability to raise capital and finance investments on favorable terms, deploy capital on a timely basis at attractive returns, and exit investments at favorable yields. Market conditions outside of our control, such as interest rates, credit spreads and stock market volatility affect these objectives in a variety of ways.

Our ability to execute our business strategy, particularly the growth of our investment portfolio, depends to a significant degree on our ability to obtain additional capital. During 2014, we successfully accessed the capital markets, issuing 7,654,166 shares for total net proceeds of $197.9 million under our shelf registration statement filed with the SEC in June 2012. We did not access the capital markets in 2015, and rising interest rates or stock market volatility could impair our ability to raise equity capital on attractive terms.

Debt Investments

During the year, both short-term and long-term rates remained at or near historical lows. We project short– and long–term rates to increase in the future, although the timing of any further increases is uncertain. We have investments in both floating and fixed rate real estate related securities and loans, which are affected by interest rates in different ways. We expect that the value of our floating rate assets would not be significantly affected by a change in interest rates (whether an increase or decrease), since the coupon tracks the movement in rates, while the value of fixed rate assets can be negatively affected by rising interest rates. However, in general, rising interest rates are usually indicative of a strengthening economic environment, which could reduce the credit risk of some of our investments. With respect to our fixed rate assets, we believe that the negative impact of rising interest rates could potentially be offset by the positive impact of reduced credit risk.

Credit spreads also affect the value of our investments in debt securities and loans. Credit spreads decreased, or "tightened," during 2014 relative to 2013, which has had a favorable impact on the value of our portfolio. Credit spreads increased or "widened," marginally during 2015 compared to 2014, which had a minimal impact on the value of our portfolio. Credit spreads measure the yield relative to a specified benchmark that the market demands on securities and loans based on the credit risk of such assets. The value of our portfolio tends to increase when spreads tighten and to decrease when spreads widen. Credit spreads also affect the cost of financing, with widening spreads tending to increase the cost, and tightening spreads tending to reduce it.

The net interest spread of our portfolio of debt investments can be impacted by (i) the timing and extent of changes in the composition of our portfolio as a result of purchases and sales of assets or the repayment of debt, including our CDO debt, repurchase agreements and other bonds, and the incurrence of new debt, (ii) the yields on new investments, which varies depending on the credit quality of the issuer, and (iii) changes in our estimates of the yields on securities acquired at a discount for credit quality. For instance, the net interest spread of our debt investments increases if we sell assets with lower yields relative to other assets in our portfolio or repay debt (such as in connection with an asset sale or refinancing) that has a higher interest rate relative to other financing on our portfolio (assuming no other changes to the composition of our portfolio). Conversely, the net interest spread of our portfolio decreases if we sell assets with higher yields relative to other assets in our portfolio or repay debt (such as in connection with an asset sale) that has a lower interest rate relative to other financing on our portfolio (again, assuming no other changes to the composition of our portfolio). Management continually monitors market conditions to opportunistically effect purchases and sales of debt investments.

Golf Business

With respect to our Golf business, trends in consumer discretionary spending as well as climate and weather patterns have a significant impact on the markets in which we operate. Our Golf business is subject to seasonal fluctuations caused by significant reductions in golf activities as well as revenue in the first and fourth quarters of each year, as a result of shorter days and colder temperatures. Consequently, a significantly larger portion of our revenue from our golf operations is earned in the second and third quarters of our fiscal year. In addition, severe weather patterns can also negatively impact our results of operations. A severe weather pattern is forecasted for the western United States in early 2016 and is expected to bring significantly higher amounts of rain and snow than usual. This could negatively impact our public golf operations in that region and our first quarter financial performance.

While consumer spending in the traditional golf industry has generally been declining in recent years, we believe improving economic conditions and improvements in local housing markets will help drive membership growth and increase the number of golf rounds played. In addition, we believe growth in related industries, including in leisure entertainment, can positively impact our Golf business.

Application of Critical Accounting Policies

Management's discussion and analysis of financial condition and results of operations is based upon our Consolidated Financial Statements, which have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The preparation of financial statements in conformity with GAAP requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Our estimates are based on information available to management at the time of preparation of the Consolidated Financial Statements, including the result of historical analysis, our understanding and experience of the Company's operations, our knowledge of the industry and market-participant data available to us.

Actual results have historically been in line with management's estimates and judgments used in applying each of the accounting policies described below and management periodically re-evaluates accounting estimates and assumptions. Actual results could differ from these estimates and materially impact our Consolidated Financial Statements. However, the Company does not expect our assessments and assumptions below to materially change in the future.

A summary of our significant accounting policies is presented in Note 2 to our Consolidated Financial Statements, which appear in Part II, Item 8. "Financial Statements and Supplementary Data." The following is a summary of our accounting policies that are most affected by judgments, estimates and assumptions.

Variable Interest Entities

Variable interest entities ("VIEs") are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A VIE is required to be consolidated by its primary beneficiary, and only by its primary beneficiary, which is defined as the party who has the power to direct the activities of a VIE that most significantly impact its economic performance and who has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

The VIEs in which we have a significant interest include our CDOs. We do not have the power to direct the relevant activities of CDO V, as a result of an event of default which allows for us to be removed as collateral manager of this CDO and prevents us from purchasing or selling certain collateral within this CDO, and therefore this CDO is not consolidated as of December 31, 2015. Similar events of default in the future, if they occur, could cause us to deconsolidate additional financing structures.

Our subprime securitizations are also considered VIEs, but we do not control the decisions that most significantly impact their economic performance and no longer receive a significant portion of their returns, and therefore do not consolidate them.

In addition, our investments in RMBS, CMBS, CDO securities and real estate related and other loans may be deemed to be variable interests in VIEs, depending on their structure. We monitor these investments and analyze the potential need to consolidate the related securitization entities pursuant to the VIE consolidation requirements. These analyses require considerable judgment in determining whether an entity is a VIE and determining the primary beneficiary of a VIE since they involve subjective determinations of significance, with respect to both power and economics. The result could be the consolidation of an entity that otherwise would not have been consolidated or the deconsolidation of an entity that otherwise would have been consolidated.

Valuation of Securities

We have classified all of our real estate securities as available for sale. As such, they are carried at fair value with net unrealized gains or losses reported as a component of accumulated other comprehensive income, to the extent impairment losses are considered temporary as described below. Fair value may be based upon broker quotations, counterparty quotations or pricing services quotations, which provide valuation estimates based upon reasonable market order indications or a good faith estimate thereof and are subject to significant variability based on market conditions, such as interest rates, credit spreads and market liquidity. A significant portion of our securities are currently not traded in active markets and therefore have little or no price transparency. As a result, we have estimated the fair value of these illiquid securities based on internal pricing models rather than the sources described above. The determination of estimated cash flows used in pricing models is inherently subjective and imprecise. Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could result in a significant and immediate increase or decrease in our book equity. For securities valued with pricing models, these inputs include the discount rate, assumptions relating to prepayments, default rates and loss severities, as well as other variables.

See Note 10 to our Consolidated Financial Statements in Part II, Item 8. “Financial Statements and Supplementary Data” for information regarding the fair value of our investments, and respective estimation methodologies, as of December 31, 2015.

Our securities must be categorized by the “level” of inputs used in estimating their fair values. Level 1 would be assets or liabilities valued based on quoted prices for identical instruments in active markets. We have no level 1 assets or liabilities. Level 2 would be assets or liabilities valued based on quoted prices in active markets for similar instruments, on quoted prices in less active or inactive markets, or on other “observable” market inputs. Level 3 would be assets or liabilities valued based significantly on “unobservable” market inputs. Fair value under GAAP represents an exit price in the normal course of business, not a forced liquidation price. If we were forced to sell assets in a short period to meet liquidity needs, the prices we receive could be substantially less than the recorded fair values.

We generally classify non-binding broker and pricing service quotations we receive as level 3 inputs. Such quotations are quoted prices in generally inactive and illiquid markets for identical or similar securities. These quotations are generally received via email and contain disclaimers which state that they are “indicative” and "not actionable" - meaning that the party giving the quotation is not bound to actually purchase the security at the quoted price. These quotations are generally based on models prepared by the brokers, and we have little visibility into the inputs they use. Based on quarterly procedures we have performed with respect to quotations received from these brokers, including comparison to the outputs generated from our internal pricing models and transactions we have completed with respect to these securities, as well as on our knowledge and experience of these markets, we have generally determined that these quotes represent a reasonable estimate of fair value. For the $155.3 million carrying value of securities valued using quotations as of December 31, 2015, a 100 basis point change in credit spreads would impact estimated fair value by approximately $8.6 million.

Our estimation of the fair value of level 3 assets valued using internal models (as described below) involves significant judgment. We validated the inputs and outputs of our models by comparing them to available independent third party market parameters and models for reasonableness, as well as historical performance. We believe the assumptions we used are within the range that a market participant would use and factor in the liquidity conditions currently in the markets. In 2015, the inputs to our models, including discount rates, prepayment speeds, default rates and severity assumptions, have generally remained consistent with the assumptions used at December 31, 2014.

For securities valued with internal models, which have an aggregate fair value of $9.7 million as of December 31, 2015, a 10% unfavorable change in our assumptions would result in the following decreases in such aggregate fair value (in thousands):

	CDO
Outstanding face amount	$ 14,632
Fair value	$ 9,731
Effect on fair value with 10% unfavorable change in:	
Discount rate	$ (459)
Prepayment rate	$ (160)
Default rate	$ (154)
Loss severity	$ (178)

The sensitivity analysis is hypothetical and should be used with caution. In particular, the results are calculated by stressing a particular economic assumption independent of changes in any other assumption; in practice, changes in one factor may result in changes in another, which might counteract or amplify the sensitivities. Also, changes in the fair value based on a 10% variation in an assumption generally may not be extrapolated because the relationship of the change in the assumption to the change in fair value may not be linear.

Impairment of Securities

We must also assess whether unrealized losses on securities, if any, reflect a decline in value which is other–than–temporary and, if so, write the impaired security down to its fair value through earnings. A decline in value is deemed to be other–than–temporary if (i) it is probable that we will be unable to collect all amounts due according to the contractual terms of a security which was not impaired at acquisition (there is an expected credit loss), or (ii) if we have the intent to sell a security in an unrealized loss position or it is more likely than not we will be required to sell a security in an unrealized loss position prior to its anticipated recovery (if any). For the purposes of performing this analysis, we assume the anticipated recovery period is until the respective security's expected maturity. For certain securities which represent beneficial interests in securitized financial assets and non-Agency RMBS acquired with evidence of deteriorated credit quality for which it was deemed probable, at acquisition, that we would be unable to collect all contractually required payments as they come due, an other-than-temporary impairment also will be deemed to have occurred whenever there is a probable adverse change in the timing or amounts of previously projected estimated cash flows.

Temporary declines in value generally result from changes in market factors, such as market interest rates and credit spreads, or from certain macroeconomic events, including market disruptions and supply changes, which do not directly impact our ability to collect amounts contractually due. We continually evaluate the credit status of each of our securities and the collateral supporting our securities. This evaluation includes a review of the credit of the issuer of the security (if applicable), the credit rating of the security, the key terms of the security (including credit support), debt service coverage and loan to value ratios, the performance of the pool of underlying loans and the estimated value of the collateral supporting such loans, including the effect of local, industry and broader economic trends and factors. These factors include loan default expectations and loss severities, which are analyzed in connection with a particular security's credit support, as well as prepayment rates. These factors are also analyzed in relation to the amount of the unrealized loss and the period elapsed since it was incurred. The result of this evaluation is considered when determining management's estimate of cash flows, particularly with respect to developing the necessary inputs and assumptions. Each security is impacted by different factors and in different ways; generally the more negative factors which are identified with respect to a given security, the more likely we are to determine that we do not expect to receive all contractual payments when due with respect to that security. Significant judgment is required in this analysis.

We do not depend on credit ratings in underwriting our securities, either at acquisition or on an ongoing basis. As ofDecember 31, 2015, we had 4 securities with a carrying amount of $10.4 million that had been downgraded during 2015, and we recorded an other-than-temporary impairment charge of $2.0 million on these securities for the year ended December 31, 2015. As mentioned above, a credit rating downgrade is one factor that we monitor and consider in our analysis regarding other-than-temporary impairment, but it is not determinative. Our securities generally benefit from the support of one or more subordinate classes of securities or equity or other forms of credit support. Therefore, credit rating downgrades, even to the extent they relate to an expectation that a securitization we have invested in, on an overall basis, has credit issues, may not ultimately impact cash flow estimates for the class of securities in which we are invested.

Furthermore, the analysis of whether it is more likely than not that we will be required to sell securities in an unrealized loss position prior to an expected recovery in value (if any), the amount of such expected required sales, and the projected identification of which securities would be sold is also subject to significant judgment.

Revenue Recognition on Securities

Income on these securities is recognized using a level yield methodology based upon a number of cash flow assumptions that are subject to uncertainties and contingencies. For securities that are not acquired at a discount for credit quality, these assumptions include the rate and timing of principal and interest receipts (which may be subject to prepayments and defaults). For securities acquired at a discount for credit quality and with respect to which management has determined at acquisition that it is probable that we will not collect all contractually required principal and interest payments, these assumptions also include expected losses. For these securities, we recognize the excess of all expected cash flows over our investment in the securities, referred to as accretable yield, as Interest Income on a loss-adjusted yield basis. The loss adjusted yield is determined based on an evaluation of the credit status of securities, as described in connection with the analysis of impairment above. The excess of total contractual cash flows over the cash flows expected to be collected is referred to as the nonaccretable difference and is not recognized as income. The assumptions that impact income recognition are updated on at least a quarterly basis to reflect changes related to a particular security, actual historical data, and market changes. These uncertainties and contingencies are difficult to predict and are subject to future events, and economic and market conditions, which may alter the assumptions.

Valuation of Derivatives

Similarly, our derivative instruments are carried at fair value. Fair value is based on counterparty quotations. Newcastle reports the fair value of derivative instruments gross of cash paid or received pursuant to credit support agreements. To the extent they qualify as cash flow hedges, net unrealized gains or losses are reported as a component of accumulated other comprehensive income; otherwise, the net unrealized gains and losses are reported currently in other income. To the extent they qualify as fair value hedges, net unrealized gains or losses on both the derivative and the related portion of the hedged item are reported currently in income. Fair values of such derivatives are subject to significant variability based on many of the same factors as the securities discussed above, including counterparty credit risk. The results of such variability, the effectiveness of our hedging strategies and the extent to which a forecasted hedged transaction remains probable of occurring, could result in a significant increase or decrease in our GAAP equity and/or earnings.

Loans

We invest in loans, including, but not limited to, real estate related and other loans, including corporate bank loans, commercial mortgage loans, residential mortgage loans, manufactured housing loans and subprime mortgage loans. Loans for which we have the intent and ability to hold for the foreseeable future, or until maturity or payoff, are classified as held-for-investment. Loans for which we do not have the intent or the ability to hold for the foreseeable future, or until maturity or payoff, are classified as held-for-sale. Loans are presented in the Consolidated Balance Sheet net of any unamortized discount (or gross of any unamortized premium) and an allowance for loan losses. We determine at acquisition whether loans will be aggregated into pools based on common risk characteristics (credit quality, loan type, and date of origination or acquisition); loans aggregated into pools are accounted for as if each pool were a single loan. We also evaluate our loans at acquisition for evidence of credit quality deterioration. Loans for which we determine that it is probable that we will not collect all contractually required principal and interest payments at acquisition are categorized as loans acquired at a discount for credit quality.

Impairment of Loans

To the extent that they are classified as held for investment, we must periodically evaluate each of these loans or loan pools for possible impairment. Impairment is indicated when it is deemed probable that we will be unable to collect all amounts due according to the contractual terms of the loan, or, for loans acquired at a discount for credit quality, whenever there has been a probable adverse change in the timing or amounts of expected cash flows. Upon determination of impairment, we would establish a specific valuation allowance with a corresponding charge to earnings. We continually evaluate our loans receivable for impairment or reversal of valuation allowance as described under “Revenue Recognition on Loans Held for Investment” below.

Our residential mortgage loans, including manufactured housing loans, are aggregated into pools for evaluation based on like characteristics, such as loan type and acquisition date. Individual loans are evaluated based on an analysis of the borrower’s performance, the credit rating of the borrower, debt service coverage and loan to value ratios, the estimated value of the underlying collateral, the key terms of the loan, and the effect of local, industry and broader economic trends and factors. Pools of loans are also evaluated based on similar criteria, including historical and anticipated trends in defaults and loss severities for the type and seasoning of loans being evaluated. This information is used to estimate specific impairment charges on individual loans as well as provisions for estimated unidentified incurred losses on pools of loans.

Significant judgment is required both in determining impairment and in estimating the resulting loss allowance. Furthermore, we must assess our intent and ability to hold our loan investments on a periodic basis. If we do not have the intent to hold a loan for the foreseeable future or until its expected payoff, the loan must be classified as “held for sale” and recorded at the lower of cost or estimated value.

Revenue Recognition on Loans Held for Investment

Income on loans held for investment is recognized similarly to that on our securities and is subject to similar uncertainties and contingencies, which are also analyzed on at least a quarterly basis. Interest income on performing loans is accrued and recognized as interest income at the contractual rate of interest. For loans acquired at a discount for credit quality, we recognize the excess of all expected cash flows over our investment in the loans, referred to as accretable yield, on a loss adjusted yield basis. A gross interest yield is recorded to Interest Income, offset by a provision for post-acquisition probable, incurred credit losses which is accrued on a periodic basis to Valuation Allowance. The provision is determined based on an evaluation of the loans as described under “Impairment of Loans” above. The excess of total contractual cash flows over the cash flows expected to be collected is referred to as the nonaccretable difference and is not recognized as income. Probable increases in expected cash flows would first reverse any previously recorded allowance for loan losses with any remaining increases recognized prospectively as a yield adjustment over the remaining expected life of the loan. The net income recognized is based on a “loss adjusted yield” whereby a gross interest yield is recorded to Interest Income, offset by a provision for probable, incurred credit losses which is accrued on a periodic basis to Valuation Allowance. The provision is determined based on an evaluation of the loans as described under “- Impairment of Loans” above. A rollforward of the allowance is included in Note 6 to our Consolidated Financial Statements in Part II, Item 8. “Financial Statements and Supplementary Data.”

Revenue Recognition on Loans Held for Sale

Real estate related, commercial mortgage and residential mortgage loans that are considered held for sale are carried at the lower of amortized cost or market value determined on either an individual method basis, or in the aggregate for pools of similar loans. Interest income is recognized based on the loan's coupon rate to the extent management believes it is collectible. Purchase discounts are not amortized as interest income during the period the loan is held for sale except when a paydown or sale has happened in the period. Similarly, for loans acquired at a discount for credit quality, accretable yield is not recorded as interest income during the period the loan is held for sale. A change in the market value of the loan, to the extent that the value is not above the average cost basis, is recorded in Valuation Allowance. A rollforward of the allowance is included in Note 6 to our Consolidated Financial Statements in Part II, Item 8. "Financial Statements and Supplementary Data."

Acquisition Accounting

In connection with our acquisition of the Golf business, assets acquired and liabilities assumed were recorded at fair value as of the acquisition date. The accounting for acquisitions requires the identification and measurement of all acquired tangible and intangible assets and assumed liabilities at their respective fair values as of the acquisition date. In measuring the fair value of net tangible and identified intangible assets acquired, management uses information obtained as a result of pre-acquisition due diligence, marketing, leasing activities and independent appraisals. The determination of fair value involved the use of significant judgment and estimation.

Impairment of Investments in Real Estate

Real estate and long-lived assets are tested for potential impairment when changes in circumstances indicate the carrying value may not be recoverable. Indicators of impairment include material adverse changes in the projected revenues and expenses, significant underperformance relative to historical or projected future operating results, and significant negative industry or economic trends. An impairment is determined to have occurred if the future net undiscounted cash flows expected to be generated is less than the carrying value of an asset. The impairment is measured as the difference between the carrying value and the fair value. Significant judgment is required both in determining impairment and in estimating the fair value. We may use assumptions and estimates derived from a review of our operating results, business projections, expected growth rates, discount rates, and tax rates. We also make certain assumptions about future economic conditions, interest rates, and other market data. Many of the factors used in these assumptions and estimates are outside the control of management, and can change in future periods.

Intangible Assets

We assess the potential impairment of intangible assets with indefinite lives on an annual basis or if an event occurs or circumstances change between annual tests that indicate that it is more likely than not that the asset is impaired. We perform our impairment test by comparing the fair value of the intangible asset with its carrying amount. If the carrying amount exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess.

We assess the recoverability of our definite lived intangible assets, whenever events or changes in business circumstances indicate the carrying amount of the assets, or other appropriate grouping of assets, may not be fully recoverable. The assessment of recoverability is based on comparing management's estimates of the sum of the estimated undiscounted cash flows generated by the underlying asset, or other appropriate grouping of assets, to its carrying value to determine whether an impairment existed at its lowest level of identifiable cash flows. Factors leading to impairment include significant under-performance relative to historical or projected results, significant changes in the manner of use of the acquired assets or the strategy for our overall business and significant negative industry or economic trends.

Membership Deposit Liabilities

In our Golf business, private country club members generally pay an advance initiation fee deposit upon their acceptance as a member to the respective country club. Initiation fee deposits are refundable 30 years after the date of acceptance as a member. The difference between the initiation fee deposit paid by the member and the present value of the refund obligation is deferred and recognized into revenue in the Consolidated Statements of Operations on a straight-line basis over the expected life of an active membership, which is estimated to be seven years. The present value of the refund obligation is recorded as a membership deposit liability in the Consolidated Balance Sheets and accretes over a 30-year nonrefundable term using the effective interest method. This accretion is recorded as interest expense in the Consolidated Statements of Operations. The determination of the estimated average expected life of an active membership is based on company-specific historical data and involves significant judgment and estimation.

Recent Accounting Pronouncements

See Note 2 to Part II, Item 8. "Financial Statements and Supplementary Data" for information about recent accounting pronouncements.

Results of Operations

Consolidated Results

The following tables summarize the changes in our consolidated results of operations from year-to-year (dollars in thousands):

Comparison of Results of Operations for the years ended December 31, 2015 and 2014

	Year Ended December 31,		Increase (Decrease)	
	2015	2014	Amount	%
Interest income	$ 95,891	$ 127,627	$ (31,736)	(24.9)%
Interest expense	(62,129)	(80,022)	(17,893)	(22.4)%
Net interest income	33,762	47,605	(13,843)	(29.1)%
Impairment (Reversal)				
Valuation allowance (reversal) on loans	9,541	(2,419)	11,960	494.4 %
Other-than-temporary impairment on securities and other investments, net	9,860	—	9,860	N.M.
Total impairment (reversal)	19,401	(2,419)	21,820	N.M.
Net interest income after impairment (reversal)	14,361	50,024	(35,663)	(71.3)%
Operating Revenues	295,856	291,537	4,319	1.5 %
Other Income				
Gain on settlement of investments, net	20,506	52,028	(31,522)	(60.6)%
Gain (loss) on extinguishment of debt	15,306	(3,410)	18,716	N.M.
Other income, net	3,689	25,844	(22,155)	(85.7)%
Total other income	39,501	74,462	(34,961)	(47.0)%
Expenses				
Loan and security servicing expense	291	1,199	(908)	(75.7)%
Operating expenses - golf (including repairs and maintenance expense)	245,421	254,104	(8,683)	(3.4)%
Cost of sales - golf	31,681	30,271	1,410	4.7 %
General and administrative expense (including acquisition and transaction expense)	11,746	14,652	(2,906)	(19.8)%
Management fee to affiliate	10,692	21,039	(10,347)	(49.2)%
Depreciation and amortization	28,634	26,967	1,667	6.2 %
Total expenses	328,465	348,232	(19,767)	(5.7)%
Income from continuing operations before income tax	$ 21,253	$ 67,791	$ (46,538)	(68.6)%

N.M. – Not meaningful

Interest Income

Interest income decreased by $31.7 million during the year ended December 31, 2015 as compared to the the year ended December 31, 2014 primarily due to: (i) a $16.0 million net decrease as a result of the sales and paydowns of real estate related loans in CDOs VIII and IX, (ii) an $8.9 million decrease as a result of the sale of the manufactured housing and residential mortgage loan portfolios during 2014, (iii) a decrease of $19.2 million due to the sale and paydowns of securities in our CDOs during 2014 and 2015, and (iv) a decrease of $0.5 million related to income recognized on the subprime mortgage loans subject to call option. These were offset by an increase of $8.7 million related to the addition of Agency RMBS and an increase of $4.2 million related to additional paid in kind ("PIK") interest earned on two real estate related loans.

Interest Expense

Interest expense decreased by $17.9 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014 primarily due to: (i) a $10.0 million decrease in swap interest expense due to a lower notional balance in 2015 compared to

2014, (ii) a $2.4 million decrease in the other debt segment primarily due to the payoff of the debt following the sale of the manufactured housing and residential mortgage loan portfolio in May 2014, (iii) a $5.6 million decrease in the CDO segment due to paydowns of debt as a result of paydowns and sales of assets, (iv) a decrease of $1.1 million primarily due to repurchase of the golf debts in August 2015, and (v) a decrease of $0.5 million related to expenses recognized on the subprime mortgage loans subject to call option. This was offset by (i) an increase of $1.1 million due to higher balances of repurchase agreements financing the Agency RMBS portfolio, (ii) an increase of $0.4 million related to higher capital lease financing costs associated with the golf business, and (iii) a $0.2 million increase related to higher interest accretion expense related to the golf membership deposit liabilities.

Valuation (Reversal) Allowance on Loans

The valuation allowance (reversal) on loans change of $12.0 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014 is primarily due to a $12.8 million increase in allowances related to our real estate related loans offset by a $0.8 million decrease in allowances related to our manufactured housing and residential mortgage loan portfolios.

Other-than-temporary Impairment on Securities, Net

We recorded other-than-temporary impairments of $2.0 million on two debt securities, $0.4 million on one equity security and $7.5 million on an equity method investment during the year ended December 31, 2015. We did not record other-than-temporary impairment during the year ended December 31, 2014.

Operating Revenues

The operating revenues increased by $4.3 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014, due to (i) an increase of $3.1 million from member dues from continuing operations, (ii) an increase of $4.6 million in food and beverage sales revenue from continuing operations as a result of enhanced marketing programs, and (iii) an increase of $4.9 million in other revenues from continuing operations primarily due to a new driving range program at public golf properties, offset by a decrease of $8.3 million in operating revenues as a result of golf property lease terminations in 2014 and 2015.

Gain on Settlement of Investments, Net

The net gain on settlement of investments decreased by $31.5 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014. During the year ended December 31, 2015, we recorded a gain of $28.8 million on the sale of CMBS and non-Agency RMBS, a gain of $3.7 million on the sale of Agency RMBS, and a gain of $1.5 million on the sale of real estate related loans. This was offset by $13.5 million of losses associated with the settlement of derivatives in the year ended December 31, 2015. During the year ended December 31, 2014, we recorded a gain of $32.5 million related to the sale of our manufactured housing loan portfolio and residential whole loans portfolio, and a gain of $23.7 million on the sale of debt securities, offset by $4.2 million of losses associated with the settlement of derivatives.

Gain (Loss) on Extinguishment of Debt

The gain on extinguishment of debt of $15.3 million recorded during the year ended December 31, 2015 is due to (i) $15.4 million gain related to the repurchase of the first and second lien golf debt from a third party in August 2015, (ii) $0.5 million gain related to the repurchase of CDO bonds payable in June 2015, offset by $0.6 million of losses associated with the write-off of Golf liabilities. The loss on extinguishment of debt of $3.4 million during the year ended December 31, 2014 relates to the write-off of the unamortized discount on the manufactured housing debt upon the sale of the portfolio and the payoff of the debt in May 2014.

Other Income, Net

Other income decreased by $22.2 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014 primarily due to: (i) a $6.8 million decrease of income recognized on non-hedge derivatives due to declining notional swap balances, (ii) a $12.5 million decrease of income recognized on linked transactions that paid off in 2014, (iii) a decrease of $6.8 million primarily related to gains recognized in 2014 on a lease modification related to a golf property, (iv) a decrease of $0.5 million related to deferred fee income recognized on the payoff of a real estate related loan in January 2014, (v) a decrease of $0.3 million related to fees from servicing third party CDOs, and (vi) a decrease of $0.7 million related to various other Golf income items in 2015. This was partially offset by (i) an increase of $0.4 million of income earned on equity method investments, (ii) an increase of $0.5 million related to receipt of funds in 2015 related to the sale of the manufactured housing loan portfolio in May 2014, (iii) a $3.5 million increase related to the mark to market on the value of the TBA derivatives, and (iv) an increase of $1.0 million related to receipts on real estate related loans.

Loan and Security Servicing Expense

Loan and security servicing expense decreased by $0.9 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014 primarily due to the paydown and sale of securities and loans in our CDOs and the sale of the residential manufactured housing and whole loan portfolios in 2014.

Operating Expenses - Golf (including repairs and maintenance expense)

Operating expenses - golf decreased by $8.7 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014 due to: (i) a $2.0 million decrease of payroll expense as a result of lease terminations in 2014 and 2015, (ii) a $2.7 million decrease of utilities expense primarily as a result of water restrictions across courses in California, (iii) a $3.2 million decrease in rent expense primarily due to lease terminations in 2014 and 2015, (iv) a $0.5 million decrease in operating lease expenses as a result of fewer operating leases and more capital leases, and (v) a $0.3 million decrease of property insurance expenses as a result of lease terminations in 2014 and 2015.

Cost of Sales - Golf

Cost of sales-golf increased by $1.4 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014 primarily due to increased purchasing associated with new marketing programs offering various all-inclusive packages at certain golf properties.

General and Administrative Expense (including acquisition and transaction expense)

General and administrative expense decreased by $2.9 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014 primarily due to a decrease of transaction related expenses.

Management Fee to Affiliate

Management fee to affiliate decreased by $10.3 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014 primarily due to a decrease in gross equity as a result of the New Media spin-off in February 2014 and the New Senior spin-off in November 2014. This was partially offset by an increase in gross equity as a result of our public offering of common stock in August 2014.

Depreciation and Amortization

Depreciation and amortization increased by $1.7 million during the year ended December 31, 2015 as compared to the year ended December 31, 2014 primarily due to the write-off of intangible liabilities resulting from golf property lease terminations and lease modifications in 2014.

Comparison of Results of Operations for the years ended December 31, 2014 and 2013

	Year Ended December 31,		Increase (Decrease)	
	2014	2013	Amount	%
Interest income	$ 127,627	$ 213,712	$ (86,085)	(40.3)%
Interest expense	(80,022)	(78,601)	1,421	1.8 %
Net interest income	47,605	135,111	(87,506)	(64.8)%
Impairment (Reversal)				
Valuation allowance (reversal) on loans	(2,419)	(25,035)	22,616	90.3 %
Other-than-temporary impairment on securities, net	—	5,266	(5,266)	(100.0)%
Total impairment (reversal)	(2,419)	(19,769)	17,350	87.8 %
Net interest income after impairment (reversal)	50,024	154,880	(104,856)	(67.7)%
Operating Revenues	291,537	—	291,537	N.M.
Other Income				
Gain on settlement of investments, net	52,028	17,436	34,592	198.4 %
Gain (loss) on extinguishment of debt	(3,410)	4,565	(7,975)	(174.7)%
Other income, net	25,844	13,289	12,555	94.5 %
Total other income	74,462	35,290	39,172	111.0 %
Expenses				
Loan and security servicing expense	1,199	3,857	(2,658)	(68.9)%
Operating expenses - golf (including repairs and maintenance expense)	254,104	—	254,104	N.M.
Cost of sales - golf	30,271	—	30,271	N.M.
General and administrative expense (including acquisition and transaction expense)	14,652	17,458	(2,806)	(16.1)%
Management fee to affiliate	21,039	28,057	(7,018)	(25.0)%
Depreciation and amortization	26,967	4	26,963	N.M.
Total expenses	348,232	49,376	298,856	605.3 %
Income from continuing operations before income tax	$ 67,791	$ 140,794	$ (73,003)	(51.9)%

N.M. – Not meaningful

Interest Income

Interest income decreased by $86.1 million during the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to (i) a $40.4 million net decrease in interest income as a result of the sales and paydowns of real estate securities and real estate related loans during 2013 and 2014, (ii) a $3.2 million decrease in interest income as a result of the liquidation of CDO IV in June 2013, (iii) a decrease of $9.4 million due to non-agency RMBS assets that were contributed as part of the spin-off of New Residential in May 2013, (iv) a decrease of $7.2 million as a result of the contribution of FNMA/FHLMC assets to New Residential as part of the spin-off in May 2013 and the sale of additional FNMA/FHLMC assets in January 2014, (v) a decrease of $19.0 million due to the paydowns and the sale of the manufactured housing and residential loan portfolio in 2014, and (vi) a decrease of $6.9 million from debt investments in Gatehouse acquired during 2013 and restructured and converted into equity in November 2013.

Interest Expense

Interest expense increased by $1.4 million primarily due to (i) a $14.0 million increase during the year ended December 31, 2014 compared to the year ended December 31, 2013 as a result from the financing and the accretion of the membership deposit liability of the Golf business which was acquired at the end of December 2013, (ii) a $5.1 million increase in other bonds interest expense due to the refinancing of CDO VI Class I-MM bonds in December 2013, and (iii) a $0.8 million increase due to repurchase agreements on CDO bonds during 2014. The increase was partially offset by (i) a $4.9 million decrease in interest swap expense as a result of decreasing swap notional balances during 2014, (ii) a decrease of $5.9 million resulting from the payoff of the debt following the sale of the manufactured housing loan portfolio in May 2014, (iii) a decrease of $3.8 million in CDO bond interest expense due to paydowns of CDO debt, and (iv) decrease of $3.9 million in interest expense from repurchase agreements as a result of contributions made to New Residential in May 2013 and repayment of repurchase agreements as a result of the sale of FNMA/FHLMC securities in January 2014.

Valuation (Reversal) Allowance on Loans

The valuation allowance (reversal) on loans change of $22.6 million during the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to (i) a $6.4 million decrease in the reversal of the valuation allowance on our manufactured housing loans and residential mortgage loans in 2014 compared to 2013 as a result of the paydowns and sale of these portfolios during 2013 and 2014 and (ii) a decrease of $16.2 million in the reversal of the valuation allowance on our real estate related and other loans as a result of stabilizing market conditions during 2014 and their effect on loan valuations.

Other-than-temporary Impairment on Securities, Net

The other-than-temporary impairment on securities decreased by $5.3 million during the year ended December 31, 2014 compared to the year ended December 31, 2013 as there were no impairments taken in 2014. In 2013, the $5.3 million of other-than-temporary impairment on securities was primarily due to impairments taken on Agency and non-Agency RMBS securities in connection with the spin-off of New Residential in May 2014.

Operating Revenues

Operating revenues increased by $291.5 million during the year ended December 31, 2014 compared to the year ended December 31, 2013 due to the acquisition of the Golf business in December 2013.

Gain on Settlement of Investments, Net

The net gain on settlement of investments increased by $34.6 million during the year ended December 31, 2014 compared to the year ended December 31, 2013. During the year ended December 31, 2014, we recorded (i) a gain of $23.7 million on the sale of debt securities, (ii) a gain of $32.5 million related to the sale of our manufactured housing loan portfolio and residential whole loan portfolio, and this was partially offset by (iii) a $4.2 million loss related to the settlement of TBA derivatives. During the year ended December 31, 2013, we recorded a gain of $4.2 million on the sale of assets in CDO IV in May 2013 and a $0.9 million gain on the CDO IV hedge termination. In addition, Newcastle recorded a gain of $12.3 million as part of the sale or restructuring of 10 securities and loans during 2013.

Gain (loss) on Extinguishment of Debt

The gain on extinguishment of debt decreased by $8.0 million during the year ended December 31, 2014 compared to the year ended December 31, 2013 as a result of $3.4 million of losses recorded in 2014 related to the write-off of unamortized discount on the manufactured housing debt upon the sale of the portfolio and pay off of the debt while a $4.6 million gain on extinguishment of debt was recognized in 2013 due to the repurchase of $35.9 million face amount of CDO debt at an average price of 87.1% of par.

Other Income, Net

Other income increased by $12.6 million during the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to (i) a $11.3 million gain recognized on linked transactions during 2014, (ii) a $1.1 increase in earnings related to equity method investments, (iii) a gain of $7.2 million related to the restructuring of certain properties related to the Golf business, and (iv) a $1.7 million increase related to reversal of accruals in the Golf business, which is partially offset by (i) a decrease of $2.0 million in the fair value of TBA derivatives, (ii) a decrease of $2.2 million in the change in fair value of certain non-hedge interest rate swaps, (iii) a decrease of $1.6 million as as result of a change in liability assumed as part of the Golf acquisition, (iv) a decrease of $1.3 million related to accretion income recognized from paydowns of investments during 2013, (v) a $1.3 million loss due to the lease termination of certain properties in the Golf business, and (vi) a $0.3 million decrease related to collateral management fee income.

Loan and Security Servicing Expense

Loan and security servicing expense decreased by $2.7 million during the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to the paydown and sale of securities and the sale of the manufactured housing and residential whole loan portfolios in 2014.

Operating Expenses - Golf (including repairs and maintenance expense)

The operating expenses - golf increased by $254.1 million during the year ended December 31, 2014 compared to the year ended December 31, 2013 due to the acquisition of the Golf business in December 2013.

Cost of Sales - Golf

Cost of sales - golf increased by $30.3 million during the year ended December 31, 2014 compared to the year ended December 31, 2013 due to the acquisition of the Golf business in December 2013.

General and Administrative Expense (including acquisition and transaction expense)

General and administrative expense decreased by $2.8 million during the year ended December 31, 2014 compared to the year ended December 31, 2013 due to (i) $2.2 million of lower insurance costs in 2014 as compared to 2013 and (ii) a decrease of $0.6 million in professional fees incurred in 2014 as compared to 2013.

Management Fee to Affiliate

Management fees decreased by $7.0 million during the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to decreases in gross equity as a result of the New Residential, New Media and New Senior spin-offs, partially offset by an increase in gross equity due to our public offerings of common stock in 2013 and 2014.

Depreciation and Amortization

Depreciation and amortization expense increased by $27.0 million during the year ended December 31, 2014 compared to the year ended December 31, 2013 due to the acquisition of the Golf business in December 2013.

Segment Results

Comparison of Golf Results of Operations for the years ended December 31, 2015 and 2014

	Year Ended December 31,		Increase (Decrease)	
	2015	2014	Amount	%
Revenues				
Golf course operations	$ 177,266	$ 179,445	$ (2,179)	(1.2)%
Sales of food and beverages - golf	71,437	68,554	2,883	4.2 %
Other golf revenue	47,153	43,538	3,615	8.3 %
Interest income	152	147	5	3.4 %
Total revenues	296,008	291,684	4,324	1.5 %
Expenses				
Operating expenses - golf (including repairs and maintenance expense)	245,421	254,104	(8,683)	(3.4)%
Cost of sales - golf	31,681	30,271	1,410	4.7 %
General and administrative expense (including acquisition and transaction expense)	4,347	3,376	971	28.8 %
Depreciation and amortization	28,682	26,880	1,802	6.7 %
Interest expense	13,515	14,049	(534)	(3.8)%
Total expenses	323,646	328,680	(5,034)	(1.5)%
Total other income	13,180	5,863	7,317	124.8 %
Loss from continuing operations before income tax	$ (14,458)	$ (31,133)	$ 16,675	53.6 %

Golf Course Operations

Golf course operations decreased by $2.2 million during the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to a $1.5 million decrease in annual member fees and a $3.8 million decrease in greens and cart fees resulting from lease terminations in 2014, partially offset by an increase of $3.1 million in annual member fees at remaining golf properties.

Sales of Food and Beverages - Golf

Sales of food and beverages - golf increased by $2.9 million during the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to increases in private event revenues and new marketing programs offering various all-inclusive packages at certain golf properties, partially offset by reductions from lease terminations in 2014 and 2015.

Other Golf Revenue

Other golf revenue increased by $3.6 million during the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to the introduction of The Players Club program which increased driving range revenues at public golf properties, partially offset by reductions in merchandise sales and other club revenues resulting from lease terminations in 2014 and 2015.

Interest Income

There was no significant change in interest income during the year ended December 31, 2015 compared to the year ended December 31, 2014.

Operating Expenses - Golf (including Repairs and Maintenance Expense)

Operating expenses - golf decreased by $8.7 million during the year ended December 31, 2015 compared to the year ended December 31, 2014 due to: (i) a $2.0 million decrease of payroll expense as a result of lease terminations in 2014 and 2015, (ii) a $2.7 million decrease of utilities expense primarily as a result of water restrictions across courses in California, (iii) a $3.2 million decrease in rent expense primarily due to lease terminations in 2014 and 2015, (iv) a $0.5 million decrease in operating lease expenses as a result of fewer operating leases and more capital leases, and (v) a $0.3 million decrease of property insurance expenses as a result of lease terminations in 2014 and 2015.

Cost of Sales - Golf

Cost of sales - golf increased by $1.4 million during the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to increased purchasing associated with new marketing programs offering various all-inclusive packages at certain golf properties.

General and Administrative Expense (including Acquisition and Transaction Expense)

General and administrative expense increased by $1.0 million during the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to non-recurring professional fees incurred related to the acquisition of the first and second lien golf debt in 2015.

Depreciation and Amortization

Depreciation and amortization increased by $1.8 million during the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to the write-off of intangible liabilities resulting from golf property lease terminations and lease modifications in 2014.

Interest Expense

Interest expense decreased by $0.5 million during the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to reduced interest expense as a result of the acquisition of the first and second lien golf debt in 2015, partially offset by additional interest expense related to capital leases.

Total Other Income

Total other income increased by $7.3 million during the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to the gain on extinguishment of debt recorded related to the acquisition of the first and second lien golf debt at a discount in 2015, compared to gains on golf property lease terminations and modifications in 2014.

Liquidity and Capital Resources

Overview

Liquidity is a measurement of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, and other general business needs.

Our primary sources of funds for liquidity consist of net cash provided by operating activities, sales or repayments of investments, potential refinancing of existing debt, and the issuance of equity securities, when feasible. We have an effective shelf registration statement with the SEC, which allows us to issue common stock, preferred stock, depository shares, debt securities and warrants. Our debt obligations are generally secured directly by our investment assets, except for the junior subordinated notes payable.

Sources of Liquidity and Uses of Capital

As of the date of this filing, we believe we have sufficient liquid assets, which include unrestricted cash, to satisfy all of our short-term recourse liabilities. Our junior subordinated notes payable are long-term obligations. With respect to the next twelve months, we expect that our cash on hand combined with our cash flows provided by operations will be sufficient to satisfy our anticipated liquidity needs with respect to our current investment portfolio, including related financings, capital expenditures, hedging activity, potential margin calls and operating expenses. In addition, we may have additional cash requirements with respect to incremental investments. We may elect to meet the cash requirements of these incremental investments through proceeds from the monetization of our assets or from additional borrowings or equity offerings. While it is inherently more difficult to forecast beyond the next twelve months, we currently expect to meet our long-term liquidity requirements, specifically the repayment of our recourse debt obligations, through our cash on hand and, if needed, additional borrowings, proceeds received from repurchase agreements and similar financings, proceeds from equity offerings and the liquidation or refinancing of our assets. We continually monitor market conditions for financing opportunities and at any given time may be entering or pursuing one or more of the transactions described above.

These short-term and long-term expectations are forward-looking and subject to a number of uncertainties and assumptions, which are described below under "–Factors That Could Impact Our Liquidity, Capital Resources and Capital Obligations" as well as Part I, Item 1A. "Risk Factors." If our assumptions about our liquidity prove to be incorrect, we could be subject to a shortfall in liquidity in the future, and this shortfall may occur rapidly and with little or no notice, which would limit our ability to address the shortfall on a timely basis.

Cash flows provided by operations constitutes a critical component of our liquidity. Essentially, our cash flows provided by operations is equal to (i) revenues received from our Golf business, plus (ii) the net cash flows from our CDOs that have not failed their over collateralization or interest coverage tests, plus (iii) the net cash flows from our non-CDO investments that are not subject to mandatory debt repayment, including principal and sales proceeds, less (iv) operating expenses (primarily golf operating expenses, management fees, professional fees, insurance and taxes), less (v) interest on the junior subordinated notes payable and debt related to our Golf business, and less (vi) preferred dividends.

Our cash flows provided by operations differs from our net income (loss) due to these primary factors: (i) accretion of discount or premium on our real estate securities and loans (including the accrual of interest and fees payable at maturity), discount on our debt obligations, deferred financing costs, and deferred hedge gains and losses, (ii) amortization of favorable and unfavorable leasehold intangibles from the acquisition of the Golf business in December 2013, (iii) accretion of the Golf membership liabilities in interest expense, (iv) amortization of prepaid golf member dues, (v) gains and losses from sales of assets financed with CDOs, (vi) the valuation allowance recorded in connection with our loan assets, as well as other-than-temporary impairment on our securities, (vii) unrealized gains or losses on our non-hedge derivatives, (viii) the non-cash gains or losses associated with our early extinguishment of debt, (ix) depreciation and amortization on our investments, and (x) net income (loss) generated within CDOs that have failed their over collateralization or interest coverage tests. Proceeds from the sale of assets which serve as collateral for our CDO financings, including gains thereon, are required to be retained in the CDO structure until the related bonds are retired and are, therefore, not available to fund current cash needs outside of these structures.

The sources of our distributions are net cash provided by operating activities, net cash provided by investing activities and cash equivalents as they represent the return on our portfolio of investments in real estate debt and golf related real estate and operations. The Company has paid common dividends of $31.9 million and preferred dividends of $5.6 million in fiscal year 2015. For the year endedDecember 31, 2015, the Company reported net cash used in operating activities of$2.6 million and net cash provided by investing activities of $193.1 million, and cash and cash equivalents of$45.7 million as of December 31, 2015. The timing and amount of distributions are in the sole discretion of our board of directors, which considers our earnings, financial performance and condition, debt service obligations and applicable debt covenants, REIT qualification requirements and other tax considerations, as well as capital expenditure requirements, business prospects and other factors that our board of directors may deem relevant from time to time. See "Risk Factors-Risks Related to Our REIT Status and the 1940 Act" for more information.

REIT Compliance Requirements

To maintain our status as a REIT under the Code, we must distribute annually at least 90% of our REIT taxable income. As ofDecember 31, 2014, we estimate a loss carryforward, inclusive of net operating loss and capital loss, of approximately $644.1 million. These net operating loss carryforwards and capital loss carryforwards can generally be used to offset future ordinary taxable income and capital gain, for up to twenty years and five years, respectively. As a result, we do not believe that there will be any additional REIT distribution requirements for the year ended December 31, 2015. In January 2013, we experienced an "ownership change" for purposes of Section 382 of the Code, which limits our ability to utilize our net operating loss and net capital loss carryforwards to reduce our future taxable income and potentially increases our related REIT distribution requirement. We do not believe that the limitation as a result of the January 2013 ownership change will prevent us from satisfying our REIT distribution requirement for the current year or future years. No assurance, however, can be given that we will be able to satisfy our distribution requirement following a current or future ownership change or otherwise. We note that a portion of this requirement may be able to be met in future years through stock dividends, rather than cash, subject to limitations based on the value of our stock.

Update on Liquidity, Capital Resources and Capital Obligations

Certain details regarding our liquidity, current financings and capital obligations as ofFebruary 29, 2016 are set forth below:

- *Cash* – We had approximately $15.2 million of cash to invest;

- *Margin Exposure and Recourse Financings* – We have margin exposure on a $353.5 million repurchase agreements related to the financing of FNMA/FHLMC securities, a $69.3 million repurchase agreement related to the financing of the acquisition of Golf debt and an$11.7 million note payable related to the financing of a real estate related loan.

  The following table compares our recourse financings excluding the junior subordinated notes (in thousands):

Recourse Financings	February 29, 2016	December 31, 2015	December 31, 2014
CDO Securities	$ —	$ —	$ 55,894
FNMA/FHLMC securities	353,535	348,625	385,282
Golf loans	69,250	70,000	—
Mezzanine note payable	11,660	11,660	—
Total recourse financings	$ 434,445	$ 430,285	$ 441,176

Our liquidity, available capital resources and capital obligations could change rapidly due to a variety of factors, many of which are beyond our control. Set forth below is a discussion of some of the factors that could impact our liquidity, available capital resources and capital obligations.

Factors That Could Impact Our Liquidity, Capital Resources and Capital Obligations

We refer readers to our discussions in other sections of this report for the following information:

- For a further discussion of recent trends and events affecting our liquidity, see "– Market Considerations" above;
- As described above, under "– Update on Liquidity, Capital Resources and Capital Obligations," we are subject to margin calls in connection with our repurchase agreements;
- Our match funded investments are financed long term, and their credit status is continuously monitored, which is described under "Quantitative and Qualitative Disclosures About Market Risk — Interest Rate Exposure" below. Our remaining investments, generally financed with short-term debt or short-term repurchase agreements, are also subject to refinancing risk upon the maturity of the related debt. See "– Debt Obligations" below; and
- For a further discussion of a number of risks that could affect our liquidity, access to capital resources and our capital obligations, see Part I, Item 1A. "Risk Factors" above.

In addition to the information referenced above, the following factors could affect our liquidity, access to capital resources and our capital obligations. As such, if their outcomes do not fall within our expectations, changes in these factors could negatively affect our liquidity.

- *Access to Financing from Counterparties* – Decisions by investors, counterparties and lenders to enter into transactions with us will depend upon a number of factors, such as our historical and projected financial performance, compliance with the terms of our current credit and derivative arrangements, industry and market trends, the availability of capital and our investors', counterparties' and lenders' policies and rates applicable thereto, and the relative attractiveness of alternative investment or lending opportunities. Our business strategy is dependent upon our investments at rates that provide a positive net spread.
- *Impact of Rating Downgrades on CDO Cash Flows*– Ratings downgrades of assets in our CDOs can negatively impact compliance with the CDOs' over collateralization tests. Generally, the over collateralization test measures the principal balance of the specified pool of assets in a CDO against the corresponding liabilities issued by the CDO. However, based on ratings downgrades, the principal balance of an asset or of a specified percentage of assets in a CDO may be deemed to be reduced below their current balance to levels set forth in the related CDO documents for purposes of calculating the over collateralization test. As a result, ratings downgrades can reduce the assumed principal balance of the assets used in the over collateralization test relative to the corresponding liabilities in the test, thereby reducing the over collateralization percentage. In addition, actual defaults of assets would also negatively impact compliance with the over collateralization tests. Failure to satisfy an over collateralization test could result in the redirection of cashflows, or, in certain cases, in the potential removal of Newcastle as collateral manager of the affected CDO. See "– Debt Obligations" below for a summary of assets on negative watch for possible downgrade in our CDOs.
- *Impact of Expected Repayment or Forecasted Sale on Cash Flows* – The timing of and proceeds from the repayment or sale of certain investments may be different than expected or may not occur as expected. Proceeds from sales of assets in the current illiquid market environment are unpredictable and may vary materially from their estimated fair value and their carrying value.

Investment Portfolio

Our investment portfolio as of December 31, 2015 is described in Part I, Item 1. “Business – Investment Portfolio.”

Debt Obligations

Certain of the debt obligations are obligations of our consolidated subsidiaries which own the related collateral. In some cases, including the CDO Bonds Payable and Other Bonds Payable, such collateral is not available to other creditors of ours.

The financing of our Golf business as well as our other non-CDO debt obligations, contain various customary loan covenants. We were in compliance with all of the covenants in these financings as of December 31, 2015. In addition, as of December 31, 2015, we had complied with the general investment guidelines adopted by our board of directors that limit total leverage.

See Note 11 to Part II, Item 8. “Financial Statements and Supplementary Data” for further information related to our debt obligations and contractual maturities as of December 31, 2015.

Repurchase Agreements

The following table provides additional information regarding short-term borrowings (dollars in thousands). The outstanding short-term borrowings were used to finance certain of our investments in FNMA/FHLMC securities and to finance the acquisition of Golf debt. All of the repurchase agreements have full recourse to Newcastle.

	O/S Amount	Avg Daily Amount O/S	Maximum Amount O/S	Wtd Avg Interest Rate	O/S Amount	Avg Daily Amount O/S	Maximum Amount O/S	Wtd Avg Interest Rate	O/S Amount	Avg Daily Amount O/S	Maximum Amount O/S	Wtd Avg Interest Rate	O/S Amount	Avg Daily Amount O/S	Maximum Amount O/S	Wtd Avg Interest Rate
	As of	**For the Three Months Ended**			**As of**	**For the Three Months Ended**			**As of**	**For the Three Months Ended**			**As of**	**For the Three Months Ended**		
	March 31, 2015				June 30, 2015				September 30, 2015				December 31, 2015			
FNMA/FHLMC	$ 386,120	$ 386,136	$ 388,529	0.36%	$ 375,704	$ 382,196	$ 386,299	0.37%	$ 345,859	$ 517,599	$ 598,168	0.40%	$ 348,625	$ 349,825	$ 352,765	0.48%
CDO Securities	$ 35,683	$ 51,019	$ 55,894	1.82%	$ —	$ 18,666	$ 35,683	1.82%	$ —	$ —	$ —	N/A	$ —	$ —	$ —	—%
Golf Loans	$ —	$ —	$ —	N/A	$ —	$ —	$ —	N/A	$ 70,000	$ 23,587	$ 70,000	3.83%	$ 70,000	$ 70,000	$ 70,000	3.72%
	As of	**For the Three Months Ended**			**As of**	**For the Three Months Ended**			**As of**	**For the Three Months Ended**			**As of**	**For the Three Months Ended**		
	March 31, 2014				June 30, 2014				September 30, 2014				December 31, 2014			
FNMA/FHLMC	$ —	$ 129,137	$ 516,134	0.40%	$ —	$ —	$ —	N/A	$ —	$ —	$ —	N/A	$ 385,282	$ 204,340	$ 385,282	0.36%
CDO Securities	$ 49,500	$ 44,325	$ 49,500	1.81%	$ 79,712	$ 52,380	$ 79,712	1.80%	$ 63,804	$ 71,701	$ 91,752	1.80%	$ 55,894	$ 63,265	$ 63,804	1.80%
Linked transaction	$ 54,250	$ 58,385	$ 60,646	1.66%	$ —	$ 36,046	$ 58,563	1.65%	$ —	$ —	$ —	N/A	$ —	$ —	$ —	N/A
Residential Mortgage Loans	$ 25,363	$ 25,154	$ 25,363	2.16%	$ 22,965	$ 23,613	$ 25,363	2.15%	$ —	$ 250	$ 22,965	2.15%	$ —	$ —	$ —	N/A
	As of	**For the Three Months Ended**			**As of**	**For the Three Months Ended**			**As of**	**For the Three Months Ended**			**As of**	**For the Three Months Ended**		
	March 31, 2013				June 30, 2013				September 30, 2013				December 31, 2013			
FNMA/FHLMC	$ 1,315,567	$ 896,063	$ 1,330,432	0.44%	$ 311,276	$ 801,520	$ 1,351,728	0.41%	$ 361,836	$ 350,792	$ 378,624	0.38%	$ 516,134	$ 489,862	$ 547,366	0.37%
CDO Securities	$ —	$ —	$ —	N/A	$ —	$ —	$ —	N/A	$ 15,050	$ 3,272	$ 15,050	1.83%	$ 15,094	$ 15,054	$ 15,094	1.82%
Non-Agency RMBS	$ 158,029	$ 154,549	$ 158,029	2.20%	$ —	$ 133,178	$ 302,033	2.15%	$ —	$ —	$ —	N/A	$ —	$ —	$ —	N/A
Linked transaction	$ —	$ —	$ —	N/A	$ 59,968	$ 3,954	$ 59,968	1.69%	$ 59,968	$ 59,968	$ 59,968	1.69%	$ 60,646	$ 60,064	$ 60,646	1.67%
Residential Mortgage Loans	$ —	$ —	$ —	N/A	$ —	$ —	$ —	N/A	$ —	$ —	$ —	N/A	$ 25,119	$ 13,359	$ 25,119	2.17%

O/S - Outstanding

In connection with the spin-off of New Residential in May 2013, $1.0 billion of repurchase agreements financing FNMA/FHLMC securities and $301.4 million of repurchase agreements financing non-Agency RMBS were transferred to New Residential. In June 2013, we purchased $116.8 million face amount of securities which were collateralized by certain repackaged Newcastle CDO VIII notes, and financed with $60.0 million of repurchase agreements. We accounted for this transaction as a linked transaction as we purchased and financed this transaction with the same counterparty contemporaneously. In November 2013, we financed a portfolio of residential mortgage loans with $25.1 million of repurchase agreements, which were previously unencumbered on Newcastle's balance sheet. In September 2013, we financed previously repurchased CDO debt with $15.1 million of repurchase agreements.

In January 2014, we sold $503.0 million face amount of the FNMA/FHLMC securities for total proceeds of $532.2 million and repaid $516.1 million of repurchase agreements. We also financed additional repurchased CDO debt with $30.8 million of repurchase agreements. In June 2014, we repaid $60.0 million of repurchase agreements associated with our linked transaction as the underlying assets were paid off. Additionally, in June 2014 we financed previously repurchased CDO debt with $26.3 million of repurchase agreements. In July 2014, we sold $37.4 million face amount of residential mortgage loans for total proceeds of $34.7 million and repaid $23.0 million of repurchase agreements associated with these loans.

In March 2015, we sold Agency RMBS with a face amount of approximately $380.4 million and repaid associated repurchase agreements. Also in March 2015, Newcastle financed $389.1 million face amount of purchased FNMA/FHLMC securities with repurchase agreements with carrying value of $386.1 million.

During the second quarter of 2015, we repaid $13.3 million of repurchase agreements associated with Newcastle CDO VIII and also repaid $22.3 million of repurchase agreements associated with Newcastle CDO IX. In July 2015, we sold $380.4 million face amount of agency RMBS and we repaid $375.7 million of outstanding repurchase agreement liabilities in connection with this sale.

In August 2015, we acquired from a third party the first and second lien golf debt, the purchases were funded with cash and $70.0 million of repurchase agreements.

In September 2015, we sold $250.4 million face amount of agency RMBS and repaid $250.1 million of outstanding repurchase agreement liabilities in connection with this sale. In October 2015, we sold $348.9 million face amount of agency RMBS and repaid $345.9 million of outstanding repurchase agreement liabilities in connection with this sale, and purchased $354.8 million face amount of agency RMBS which was financed with $352.6 million of repurchase agreements.

In December 2015, we entered into a trade to sell $350.3 million face amount of agency RMBS at an average price of 103.2% of par for total proceeds of approximately $361.3 million and recognized a loss of $3.9 million. We repaid $348.6 million of outstanding repurchase agreement liabilities in connection with this sale. This trade settled in January 2016.

In December 2015, we entered into a trade to purchase $102.7 million face amount of agency RMBS at an average price of 103.2% of par for total proceeds of approximately $105.9 million. This transaction was financed with $102.2 million of repurchase agreements. This trade settled in January 2016.

The weighted average differences between the fair value of the assets and the face amount of financing of the FNMA/FHLMC and CDO securities repurchase agreements were 4.3% and 0%, respectively, as of December 31, 2015.

Subprime Securitization

In March 2006, we acquired a portfolio of subprime mortgage loans ("Subprime Portfolio I") for $1.50 billion. In April 2006, Newcastle Mortgage Securities Trust 2006-1 ("Securitization Trust 2006") closed on a securitization of Subprime Portfolio I. We do not consolidate Securitization Trust 2006. We sold Subprime Portfolio I to Securitization Trust 2006, which issued $1.45 billion of notes with a stated maturity of March 2036. We, as holder of the equity of Securitization Trust 2006, have the option to redeem the notes once the aggregate principal balance of Subprime Portfolio I is equal to or less than 20% of such balance at the date of the transfer. The transaction between us and Securitization Trust 2006 qualified as a sale for accounting purposes. However, 20% of the loans which are subject to a call option by us, were not treated as being sold. Following the securitization, we held the following interests in Subprime Portfolio I: (i) the equity of Securitization Trust 2006, (ii) the retained notes, and (iii) subprime mortgage loans subject to call option and related financing in the amount of 100% of such loans (we note that this interest is non-economic if we do not exercise the option, meaning that it has no impact on us). As of December 31, 2015, the equity was valued at zero and the retained notes had a carrying value of $2.9 million.

In March 2007, we entered into an agreement to acquire a portfolio of subprime mortgage loans ("Subprime Portfolio II") with up to $1.7 billion of unpaid principal balance. In July 2007, Newcastle Mortgage Securities Trust 2007-1 ("Securitization Trust

2007”) closed on a securitization of Subprime Portfolio II. As a result of the repurchase of delinquent loans by the seller, as well as borrower repayments, the unpaid principal balance of the portfolio upon securitization was $1.1 billion. We do not consolidate Securitization Trust 2007. We sold Subprime Portfolio II to Securitization Trust 2007, which issued $1.0 billion of notes with a stated maturity of April 2037. We, as holder of the equity of Securitization Trust 2007, have the option to redeem the notes once the aggregate principal balance of Subprime Portfolio II is equal to or less than 10% of such balance at the date of the transfer. The transaction between us and Securitization Trust 2007 qualified as a sale for accounting purposes. However, 10% of the loans which are subject to a call option by us were not treated as being sold. Following the securitization, we held the following interests in Subprime Portfolio II: (i) the equity of Securitization Trust 2007, (ii) the retained notes, and (iii) subprime mortgage loans subject to call option and related financing in the amount of 100% of such loans (we note that this interest is non-economic, meaning that if we do not exercise the option it has no impact on us). As of December 31, 2015, the equity and retained notes had a zero carrying value.

We have no obligation to repurchase any loans from either of our subprime securitizations. Therefore, it is expected that our exposure to loss is limited to the carrying amount of our retained interests in the securitization entities, as described above. A subsidiary of Newcastle gave limited representations and warranties with respect to Subprime Portfolio II; however, it has no assets and does not have recourse to Newcastle's assets.

Subordinated Notes Payable

The following table presents certain information regarding the junior subordinated notes (dollars in thousands).

Outstanding face amount	$51,004
Weighted average coupon	7.57 % (A)
Maturity	April 2035
Collateral	General credit of Newcastle

(A) LIBOR + 2.25% after April 2016

Golf Repurchase Agreement and Credit Facilities

In August 2015, we acquired from a third party $51.4 million outstanding face amount of first lien golf debt at a price of 90.0% of par, or $46.3 million, and $105.6 million outstanding face amount of second lien golf debt at a price of 90.0% of par, or $95.0 million. The purchases were funded with $71.3 million cash and a $70.0 million repurchase agreement.

We also have a $0.2 million loan that matures in December 2043 and $11.1 million in capital leases that mature through June 2021. The aggregate of the golf credit facilities have a weighted average interest rate of 6.38%.

Non-recourse CDO Financing

Each of our CDO financings contains tests that measure the amount of over collateralization and excess interest in the transaction. At issuance, each of our CDOs passed all of these tests. Failure to satisfy these tests would generally cause (or has caused) the cash flow that would otherwise be distributed to the more junior classes of securities (including those held by Newcastle) to be redirected to pay down the most senior class of securities outstanding until the tests are satisfied. As a result, our cash flow and liquidity are negatively impacted upon such a failure, and the impact could be (and has been) material. The table below presents data, including the most recent quarterly cash flows received by Newcastle, for each of our consolidated CDOs, and sets forth which of the CDOs have satisfied these tests in the most recent quarter. The amounts are as of December 31, 2015 unless otherwise noted. For those CDOs that have failed their applicable over collateralization tests, the impact of failing is already reflected in the cash flow in the table. For those CDOs that have satisfied their applicable over collateralization tests, we could potentially lose substantially all of the cash flows from those CDOs if we fail to satisfy the tests in the future. The amounts in the table reflect data at the CDO level and thus are different from the GAAP balance sheet due to intercompany amounts eliminated in our Consolidated Balance Sheet (in thousands).

	CDO VI				
Balance Sheet:					
Assets Face Amount			$	69,889	
Assets Fair Value				46,443	
Issued Debt Face Amount (A)				97,917	
Cash Receipts:					
Quarterly net cash receipts (B)			$	24	
Collateral Composition (C):		Face		Fair Value	
CMBS	$	57,361	$	39,684	B+
ABS		12,477		6,708	CC
Cash from Principal Proceeds		51		51	—
Total	$	69,889	$	46,443	
Collateral on Negative Watch (D)	$	—			
CDO Cash Flow Triggers (E):					
Over Collateralization (F):					
As of Dec-2015 remittance Cushion (Deficit) ($)			$	(144,388)	
As of Feb-2016 remittance Cushion (Deficit) ($)			$	(141,781)	
Interest Coverage (F):					
As of Dec-2015 remittance Cushion (Deficit) (%)				55.7 %	
As of Feb-2016 remittance Cushion (Deficit) (%)				(44.9)%	
CDO Overview:					
Effective				Aug-05	
Reinvestment Period End (G)				Passed	
Optional Call (H)				Passed	
Auction Call (I)				Apr-15	
WA Debt Spread (bps) (J)				50	

(A) Includes CDO bonds issued to third parties and held by Newcastle's consolidated CDOs.

(B) Represents net cash received from each CDO based on all of our interests in such CDO (including senior management fees but excluding principal received from senior CDO bonds owned by Newcastle) for the three months ended December 31, 2015. See "Cautionary Note Regarding Forward Looking Statements" and Item IA. "Risk Factors" for risks and uncertainties that could cause our receipts for subsequent periods to differ materially from these amounts.

(C) Collateral composition is calculated as a percentage of the face amount of collateral. Also reflected are weighted average credit ratings, which were determined by third party rating agencies, represent the most recent credit ratings available as of the reporting date and may not be current.

(D) Represents the face amount of collateral on negative watch for possible downgrade by at least one rating agency (Moody's, S&P, or Fitch) as of the determination date in December 2015 for all CDOs. The amount does not include any bonds issued by Newcastle, which are eliminated in consolidation and not reflected in our investment portfolio disclosure.

(E) Our CDO financings contains tests that measure the amount of over collateralization and excess interest in the transaction. Failure to satisfy these tests would cause the principal and/or interest cashflow that would otherwise be distributed to more junior classes of securities (including those held by Newcastle) to be redirected to pay down the most senior class of securities outstanding until the tests are satisfied. As a result, our cash flow and liquidity are negatively impacted upon such a failure, and the impact could be material. Each CDO contains tests at various over collateralization and interest coverage percentage levels. The trigger percentages used above represent the first threshold at which cashflows would be redirected as described in this footnote. The data presented is as of the most recent remittance date on or before December 31, 2015 or February 29, 2016, as applicable, and may change or have changed subsequent to that date. In addition, our CDOs may also contain specific over collateralization tests that, if failed, can result in the occurrence of an event of default or our being removed as collateral manager of the CDO. Failure of the over collateralization tests can also cause a "phantom income" issue if cash that constitutes income is diverted to pay down debt instead of being distributed to us. As of the December 2015 remittance date we were not receiving cash flows from CDO VI (other than senior management fees and cash flows on senior classes of bonds we own). Based upon our current calculations, we expect CDO VI to remain out of compliance for the foreseeable future. Moreover, given current market conditions, it is possible that all of our CDOs could be out of compliance with their over collateralization tests as of one or more measurement dates within the next twelve months. Our ability to rebalance will depend upon the availability of suitable securities, market prices and other factors that are beyond our control. Such rebalancing efforts may be extremely difficult and we cannot assure you that we will be successful in our rebalancing efforts. If the liabilities of our CDOs are downgraded by Moody's to certain predetermined levels, our discretion to rebalance the applicable CDO portfolio may be negatively impacted. Moreover, if we bring these coverage tests into compliance, we cannot assure you that they will not fall out of compliance in the future or that we will be able to correct any noncompliance. For a more detailed discussion of the impact of CDO financings on our cash flows, see Part I, Item 1A. "Risk Factors – Risks Relating to our Business – The coverage tests applicable to our CDO financings may have a negative impact on our operating results and cash flows."

(F) Represents excess or deficiency under the applicable over collateralization or interest coverage tests to the first threshold at which cash flow would be redirected. We generally do not receive material cash flow from the junior classes of a CDO until a deficiency is corrected. Ratings downgrades of assets in our CDOs can negatively impact compliance with the over collateralization tests. Generally, the over collateralization test measures the principal balance of the specified pool of assets in a CDO against the corresponding liabilities issued by the CDO. However, based on ratings downgrades, the principal balance of an asset or of a specified percentage of assets in a CDO may be deemed reduced below their current balance to levels set forth in the related CDO documents for purposes of calculating the over collateralization test. As a result, ratings downgrades can reduce the principal balance of the assets used in the over collateralization test relative to the corresponding liabilities in the test, thereby reducing the over collateralization percentage. In addition, actual defaults of an asset would also negatively impact compliance with the over collateralization tests. Failure to satisfy an over collateralization test could result in the redirection of cashflows as described in footnote 5 above or, in certain circumstances, in our removal as manager of the applicable portfolio.

(G) Our CDO financings typically have a 5 year reinvestment period. Generally, after such period ends, principal payments on the collateral are used to paydown the most senior debt outstanding. Prior to the end of the reinvestment period, principal payments received on the collateral are reinvested.

(H) At the option call date, Newcastle, as the equity holder, has the right to pay off the CDO bonds at their related redemption price.

(I) At the auction call date, there is a mandatory auction of the assets pursuant to which the collateral manager will solicit bids for the CDO assets. If the aggregate amounts of the bids are sufficient to pay off the outstanding CDO bonds set forth in the CDO governing document, the assets will be sold and the CDO bonds will be redeemed. However, if the aggregate amount of the bids is insufficient to pay off the outstanding CDO bonds set forth in the applicable CDO governing document, the assets will not be sold and the redemption of CDO bonds will not occur.

(J) Debt spread represents the spread above the benchmark interest rate (LIBOR or U.S. Treasuries) that we pay on our debt.

The following table sets forth further information with respect to the bonds of our consolidated CDO financings as of December 31, 2015 (dollars in thousands):

		Current Face Amount (A)					
		Held By					
Class	Original Face Amount	Third Parties	Newcastle CDOs	Newcastle Outside of its CDOs (B)	Total	Stated Interest Rate	
CDO VI							
Class I-MM	$ 323,000	$ 4,984	$ —	$ 10,974	$ 15,958	LIBOR +	0.25%
Class I-B	59,000	59,000	—	—	59,000	LIBOR +	0.40%
Class II	33,000	24,128	—	10,491	34,619	LIBOR +	0.50%
Class III-FL	15,000	5,369	—	10,737	16,106	LIBOR +	0.80%
Class III-FX	5,000	—	—	7,360	7,360		5.67%
Class IV-FL	9,600	686	—	10,284	10,970	LIBOR +	1.70%
Class IV-FX	2,400	3,750	—	—	3,750		6.55%
Class V	21,000	—	—	35,751	35,751		7.81%
Preferred	32,000	—	—	32,000	32,000		N/A
	$ 500,000	$ 97,917	$ —	$ 117,597	$ 215,514		

(A) The amounts presented in these columns exclude the face amount of any canceled bonds within an applicable class.

(B) Amounts in this column represent the amount of bonds of the applicable class held as investments by Newcastle outside of its non-recourse financing structures. These bonds are eliminated in our Consolidated Balance Sheets.

Equity

Common Stock

See Note 1 to Part II, Item 8. “Financial Statements and Supplementary Data” for information on shares of our common stock issued since our formation.

Common Dividends Paid

Declared for the Period Ended	Paid	Amount Per Share (A)
March 31, 2013	April 2013	$1.32
June 30, 2013	July 2013	$1.02
September 30, 2013	October 2013	$0.60
December 31, 2013	January 2014	$0.60
March 31, 2014	April 2014	$0.60
June 30, 2014	July 2014	$0.60
September 30, 2014	October 2014	$0.60
December 31, 2014	January 2015	$0.12
March 31, 2015	April 2015	$0.12
June 30, 2015	July 2015	$0.12
September 30, 2015	October 2015	$0.12
December 31, 2015	January 2016	$0.12

(A) On May 15, 2013, we completed the spin-off of New Residential through a distribution of shares valued at $41.34 per share. On February 13, 2014, we completed the spin-off of New Media through a distribution of shares valued at $5.34 per Newcastle share (calculated by multiplying the fair market value of $73.80 per New Media share by the spin-off conversion ration of 0.0722). On November 6, 2014, we completed the spin-off of New Senior through a distribution of shares valued at $18.02 per share.

In connection with the spin-off of New Residential on May 15, 2013, 3.6 million options that were held by the Manager, or by the directors, officers or employees of the Manager, were converted into an adjusted Newcastle option and a new New Residential option. The strike price of each adjusted Newcastle option and New Residential option was set to collectively maintain the intrinsic value of the Newcastle option immediately prior to the spin-off and to maintain the ratio of the strike price of the adjusted Newcastle option and the New Residential option, respectively, to the fair market value of the underlying shares as of the spin-off date, in each case based on the five day average closing price subsequent to the spin-off date.

In connection with the spin-off of New Media on February 13, 2014, the strike price of each Newcastle option was reduced by $5.34 to reflect the adjusted value of Newcastle's shares as a result of the spin-off. The adjusted value was calculated based on the five day average closing price of the New Media's shares subsequent to the spin-off date.

In connection with the spin-off of New Senior on November 6, 2014, 5.5 million options that were held by the Manager, or by the directors, officers or employees of the Manager, were converted into an adjusted Newcastle option and a new New Senior option. The strike price of each adjusted Newcastle option and New Senior option was set to collectively maintain the intrinsic value of the Newcastle option immediately prior to the spin-off and to maintain the ratio of the strike price of the adjusted Newcastle option and the New Senior option, respectively, to the fair market value of the underlying shares as of the spin-off date, in each case based on the five day average closing price subsequent to the spin-off date.

On May 7, 2015, and pursuant to the anti-dilution provisions of the the 2014 Plan, 2012 Plan and Newcastle Option Plan, as applicable, Newcastle's board of directors approved an equitable adjustment of all outstanding options in order to account for the impact of the 2014 return of capital distributions. The equitable adjustment entails a strike price adjustment and the issuance of additional options which were determined so as to compensate for the loss in value that would have otherwise occurred as a result of the 2014 return of capital distributions. As a result of this adjustment, options relating to a total of 178,740 shares were issued on May 7, 2015 at a strike price of$1.00 per share.

Upon exercise, these options will be settled in an amount of cash equal to the excess of the fair market value of a share of common stock on the date of exercise over the strike price per share, unless advance approval is made to settle the option in shares of common stock.

Through December 31, 2015, Fortress had assigned, for no value, outstanding options relating to approximately0.3 million shares of our common stock to certain of Fortress's employees.

As of December 31, 2015, our outstanding options issued prior to 2011 had a weighted average strike price of$13.18, and our outstanding options issued in 2011 and thereafter had a weighted average strike price of $2.57.

As of December 31, 2015, approximately 1.0 million shares of our common stock were held by Fortress, through its affiliates, and its principals.

See Note 12 to Part II, Item 8. “Financial Statements and Supplementary Data” for information on our options outstanding as of December 31, 2015 and the shares of common stock issued by Newcastle in connection with public offerings since 2013.

Preferred Stock

In 2003, we issued 2.5 million shares ($62.5 million face amount), of 9.75% Series B Cumulative Redeemable Preferred Stock (the “Series B Preferred”). In 2005, we issued 1.6 million shares ($40.0 million face amount) of 8.05% Series C Cumulative Redeemable Preferred Stock (the “Series C Preferred”). In 2007, we issued 2.0 million shares ($50.0 million face amount) of 8.375% Series D Cumulative Redeemable Preferred Stock (the “Series D Preferred”). The Series B Preferred, Series C Preferred and Series D Preferred have a $25 liquidation preference, no maturity date and no mandatory redemption. We have the option to redeem the Series B Preferred, the Series C Preferred and the Series D Preferred, at their liquidation preference. If the Series C Preferred and Series D Preferred cease to be listed on the NYSE or the AMEX, or quoted on the NASDAQ, and we are not subject to the reporting requirements of the Exchange Act, we have the option to redeem the Series C Preferred or Series D Preferred, as applicable, at their liquidation preference and, during such time any shares of Series C Preferred or Series D Preferred are outstanding, the dividend will increase to 9.05% or 9.375% per annum, respectively.

To the extent we have unpaid accrued dividends on our preferred stock, we cannot pay any dividends on our common shares, pay any consideration to repurchase or otherwise acquire stock of our common stock or redeem any stock of any series of our preferred stock without redeeming all of our outstanding preferred stock in accordance with the governing documentation. Moreover, if we do not pay dividends on any series of preferred stock for six or more periods, then holders of each affected series obtain the right to call a special meeting and elect two members to our board of directors. Consequently, if we do not make a dividend payment on our preferred stock for six or more quarterly periods, it could restrict the actions that we may take with respect to our common stock and preferred stock and could affect the composition of our board and, thus, the management of our business. No assurance can be given that we will pay any dividends on any series of our preferred stock in the future.

In March 2010, Newcastle settled its offer to exchange (the “Exchange Offer”) shares of its common stock and cash for shares of its preferred stock. After settlement of the Exchange Offer, 1,347,321 shares of Series B Preferred, 496,000 shares of Series C Preferred and 620,000 shares of Series D Preferred remain outstanding for trading on the New York Stock Exchange.

All accrued dividends on our preferred stock have been paid through January 31, 2016.

Noncontrolling Interest

Noncontrolling interest represents the equity interest in consolidated subsidiaries not owned by Newcastle. Noncontrolling interest is reported as a component of equity. In addition, changes in Newcastle’s ownership interest while Newcastle retains its controlling interest are accounted for as equity transactions, and, upon a gain or loss of control, retained ownership interests are remeasured at fair value, with any gain or loss recognized in earnings.

Newcastle’s noncontrolling interest in 2015 and 2014 is related to our investment in the Golf business, a portion of which Newcastle does not own.

Accumulated Other Comprehensive Income (Loss)

During the year ended December 31, 2015 our accumulated other comprehensive income (loss) changed due to the following factors (in thousands):

	Gains/ Losses on Cash Flow Hedges	Gains / Losses on Securities	Total Accumulated Other Comprehensive Income (Loss)
Accumulated other comprehensive income (loss), December, 31, 2014	$ (1,817)	$ 67,682	$ 65,865
Net unrealized loss on securities	—	(1,868)	(1,868)
Reclassification of net realized gain on securities into earnings	—	(32,537)	(32,537)
Net unrealized loss on derivatives designated as cash flow hedges	(60)	—	(60)
Reclassification of net realized loss on derivatives designated as cash flow hedges into earnings	1,897	—	1,897
Accumulated other comprehensive income (loss), December 31, 2015	$ 20	$ 33,277	$ 33,297

Our GAAP equity changes as our real estate securities portfolio and derivatives are marked to market each quarter, among other factors. The primary causes of mark-to-market changes are changes in interest rates and credit spreads. Net unrealized gains on our real estate securities decreased during the year ended December 31, 2015 in accumulated other comprehensive income primarily as a result of gains realized in earnings from the sales of CMBS, Non-Agency RMBS, and FNMA/FHLMC Agency RMBS, in addition to unrealized losses on securities caused by a net widening of credit spreads. Net unrealized losses on derivatives designated as cash flow hedges increased slightly for the year ended December 31, 2015 which were offset by losses realized in earnings from swap interest payments and the termination of these swaps in June 2015.

See "– Market Considerations" above for a further discussion of recent trends and events affecting our unrealized gains and losses as well as our liquidity.

Cash Flow

Operating Activities

Net cash flow provided by (used in) operating activities decreased from$37.5 million for the year ended December 31, 2014 to $(2.6) million for the year ended December 31, 2015. It decreased from $106.2 million for the year ended December 31, 2013 to $37.5 million for the year ended December 31, 2014. These changes resulted primarily from the factors described below:

2015 compared to 2014

- Net cash receipts from our CDOs decreased approximately $10.8 million for theyear ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to lower interest proceeds from CDO VIII and IX, as a result of paydowns and sales in 2014 and 2015.
- Net cash receipts from our other debt portfolios increased by $9.1 million primarily due to an increase of approximately $9.8 million of net receipts on our FNMA/FHLMC securities and approximately $1.7 million of receipts from our unencumbered securities and loans, offset by a decrease of approximately $2.4 million in net receipts from the manufactured housing loan portfolios that were sold in May 2014.
- Operating cash flows from our Golf business increased by $6.9 million primarily due to (i) increased sales of food and beverage from private events, (ii) the introduction of a new driving range program at public golf properties, and (iii) decreased operating expenses as a result of the termination of certain leased golf properties in 2014.
- Increase of $1.5 million as a result of net cash used from New Media, which was spun-off in February 2014.
- Reduction of $64.0 million as a result of the spin-off of New Senior in November 2014.
- Management fees paid decreased approximately $11.6 million for theyear ended December 31, 2015 compared to the year ended December 31, 2014 due to a decrease in gross equity as a result of the spin-offs of New Media in February 2014 and New Senior in November 2014 which was partially offset by an increase in gross equity as a result of the public offerings of our common stock in August 2014.

- A decrease of approximately $5.6 million in general and administrative expenses paid during the year ended December 31, 2015 compared to the year ended December 31, 2014 due to fewer transaction related expenses primarily due to the spin-off of New Senior.

2014 compared to 2013

- Net cash receipts from our CDOs decreased approximately $40.3 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to lower interest proceeds from CDO VIII and IX, as a result of paydowns during 2013 and 2014 and increased interest expenses paid for additional repurchase agreements on retained CDO bonds.

- Net cash receipts from our other debt portfolios decreased approximately $26.1 million due to the sale of the FNMA/FHLMC securities in January 2014, spin-off of non-agency securities to New Residential, paydowns and sale on our manufactured housing loan portfolios, lower receipts of delinquent interest on certain securities and decreased interest receipts from a real estate related loan that was restructured in November 2013.

- Cash receipts from excess mortgage servicing income decreased approximately $16.9 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 due to the spin-off of these investments to New Residential in May 2013.

- Negative operating cash flow of $5.8 million was generated by the Golf business which we acquired on December 30, 2013.

- A decrease of $12.0 million generated by our investment in New Media as a result of lower advertising revenues in the period from January 1, 2014 through the February 13, 2014 spin-off compared to the year ended December 31, 2013.

- Receipts from our senior housing investments increased approximately $8.1 million due to increased acquisition activity. During 2013 through the November 6, 2014 spinoff, we purchased 87 senior housing properties in 15 different portfolios.

- Management fees paid decreased approximately $5.6 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 due to a decrease in gross equity as a result of the spin-offs of New Residential in May 2013, New Media in February 2014, and New Senior in November 2014 which was partially offset by an increase in gross equity as a result of the public offerings of our common stock in 2013 and August 2014.

- Other operating expenses paid, fewer acquisition and transactions costs incurred, as well as lower expenses related to corporate activities decreased approximately $18.7 million during the year ended December 31, 2014 compared to the year ended December 31, 2013.

<u>Investing Activities</u>

Investing activities provided $193.1 million, provided $319.9 million, and used $2.9 billion during the years ended December 31, 2015, 2014 and 2013, respectively. Uses of cash flows from investing activities consisted primarily of the investments made in senior housing properties, golf properties, real estate securities, loans, Excess MSRs, the restructuring of the Media business and the Golf business, and the contributions made to equity method investees. Proceeds from cash flows from investing activities consisted primarily of sale of investments, repayments from loans and securities and return of restricted cash from investing activities.

<u>Financing Activities</u>

Financing activities used $218.7 million, used $389.4 million, and provided $2.7 billion during the years December 31, 2015, 2014 and 2013, respectively. The public offerings of common stock, borrowings under debt obligations, the return of margin deposits under repurchase agreements and derivatives, and deposits received on golf memberships served as the primary sources of cash flow from financing activities. Uses of cash flow from financing activities included the repayment of debt obligations, the repurchase of debt obligations, the contribution of cash to New Residential, New Media and New Senior upon the spin-offs, deposits made on margin calls related to our repurchase agreements and derivatives, the payment of deferred financing costs, the payment of common and preferred dividends, payments related to the settlement of derivatives, and the payment of costs related to the common stock offerings.

See the Consolidated Statements of Cash Flows in our Consolidated Financial Statements included in “Financial Statements and Supplementary Data” for a reconciliation of our cash position for the periods described herein.

Interest Rate, Credit and Spread Risk

We are subject to interest rate, credit and spread risk with respect to our investments. These risks are further described in Part II, Item 7A. “Quantitative and Qualitative Disclosures About Market Risk.”

Off-Balance Sheet Arrangements

As of December 31, 2015, we had the following material off-balance sheet arrangements. We believe that these off-balance sheet structures presented the most efficient and least expensive form of financing for these assets at the time they were entered, and represented the most common market-accepted method for financing such assets.

- In April 2006, we securitized Subprime Portfolio I. The loans were sold to a securitization trust, of which 80% were treated as a sale, which is an off-balance sheet financing.
- In July 2007, we securitized Subprime Portfolio II. The loans were sold to a securitization trust, of which 90% were treated as a sale, which is an off-balance sheet financing.
- On June 17, 2011, we deconsolidated CDO V, which is now effectively an off-balance sheet financing.

We have no obligation to repurchase any loans from either of our subprime securitizations. Therefore, it is expected that our exposure to loss is limited to the carrying amount of our retained interests in the securitization entities, as described above. A subsidiary of ours gave limited representations and warranties with respect to the second securitization; however, it has no assets and does not have recourse to the general credit of Newcastle.

In each case, our exposure to loss is limited to the carrying value of our investment.

Contractual Obligations

As of December 31, 2015, we had the following material contractual obligations (payments in thousands):

Contract	Terms
CDO Bonds Payable	Described under Note 11 to our Consolidated Financial Statements which appears under Part II, Item 8. “Financial Statements and Supplementary Data.”
Other Bonds and Notes Payable	Described under Note 11 to our Consolidated Financial Statements which appears under Part II, Item 8. “Financial Statements and Supplementary Data.”
Repurchase Agreements	Described under Note 11 to our Consolidated Financial Statements which appears under Part II, Item 8. “Financial Statements and Supplementary Data.”
Credit Facilities, Golf	Described under Note 11 to our Consolidated Financial Statements which appears under Part II, Item 8. “Financial Statements and Supplementary Data.”
Capital Leases, Golf	Described under Note 11 to our Consolidated Financial Statements which appears under Part II, Item 8. “Financial Statements and Supplementary Data.”
Junior Subordinated Notes Payable	Described under Note 11 to our Consolidated Financial Statements which appears under Part II, Item 8. “Financial Statements and Supplementary Data.”
Operating Leases	Described under Notes 2 and 14 to our Consolidated Financial Statements which appears under Part II, Item 8. “Financial Statements and Supplementary Data.”
Derivative Liabilities	Described under Notes 2 and 9 to our Consolidated Financial Statements which appears under Part II, Item 8. “Financial Statements and Supplementary Data.”
Membership Deposit Liabilities	Described under Notes 2 and 14 to our Consolidated Financial Statements which appears under Part II, Item 8. “Financial Statements and Supplementary Data.”
Management Agreement	Our Manager is paid an annual management fee of 1.5% of our gross equity, as defined in the management agreement, an expense reimbursement, and incentive compensation equal to 25% of our adjusted net income available for common stockholders above a certain threshold. For more information on this agreement, as well as historical amounts earned, see Note 13 to Part II, Item 8. “Financial Statements and Supplementary Data.” As a result of not meeting the incentive compensation threshold, the incentive compensation to the Manager has been discontinued for an indeterminate period of time.
Trustee Agreements	We have entered into trustee agreements in connection with our securitized investments, primarily our CDOs. We pay annual fees of between 0.015% and 0.020% of the outstanding face amount of the CDO bonds under these agreements.

Contract	Fixed and Determinable Payments Due by Period 2016	2017-2018	2019-2020	Thereafter	Total
CDO bonds payable (A)	$ 1,040	$ 2,080	$ 2,080	$ 113,036	$ 118,236
Other bonds and notes payable (A)	12,027	68	68	5,639	17,802
Repurchase agreements (B)	418,625	—	—	—	418,625
Credit facilities, golf (A)	4	9	9	298	320
Capital leases, golf (A)	2,848	5,681	4,145	128	12,802
Financing of subprime mortgage loans subject to future repurchase (C)	N/A	N/A	N/A	N/A	N/A
Junior subordinated notes payable (A)	2,220	2,798	2,798	71,053	78,869
Non-hedge derivative obligations (D)	423	—	—	—	423
Management agreement (E)	10,200	20,400	20,400	255,000	306,000
Operating lease obligations (F)	33,957	57,196	46,439	148,144	285,736
Membership deposit liability (G)	7,212	1,550	3,328	229,951	242,041
Loan servicing agreements	*	*	*	*	*
Trustee agreements	*	*	*	*	*
Total	$ 488,556	$ 89,782	$ 79,267	$ 823,249	$ 1,480,854

* These contracts do not have fixed and determinable payments.

(A) Includes interest based on rates existing at December 31, 2015 and assumes no prepayments. Obligations that are repayable prior to maturity at our option are reflected at their contractual maturity dates.

(B) Repurchase agreements, which have not been term financed, and mature within one year of our financial statement date, are included in this table assuming no interest.

(C) These obligations represent the related financing on the loans which are subject to future repurchase by us and are offset by the amount of such loans. See Note 6 to Part II, Item 8. "Financial Statements and Supplementary Data."

(D) The amounts reflected assume that these agreements are terminated at their December 31, 2015 fair value on January 1, 2016.

(E) Amounts reflect base management fees for the next 30 years assuming no change in gross equity, as defined, from December 31, 2015.

(F) Includes leases of golf courses and related facilities. Excludes escalation charges which per our lease agreements are not fixed and determinable payments. Also excludes three month-to-month leases with an aggregate monthly expense of $0.1 million, which are cancellable by the parties with 30 days written notice.

(G) Amounts represent gross initiation fee deposits refundable 30 years after the date of acceptance of a member.

Inflation

For our assets and liabilities that are financial in nature, interest rates and other factors affect our performance more so than inflation, although inflation rates can often have a meaningful influence over the direction of interest rates. Furthermore, our financial statements are prepared in accordance with GAAP and our distributions are determined by our board of directors primarily based on our taxable income, and, in each case, our activities and balance sheet are measured with reference to historical cost and/or fair market value without considering inflation. See Part II, Item 7A. "Quantitative and Qualitative Disclosure About Market Risk — Interest Rate Exposure" below.

Core Earnings

The following primary variables impact our operating performance: (i) the current yield earned on our investments that are not included in non-recourse financing structures (i.e., unlevered investments, including investments in equity method investees and investments subject to recourse debt), (ii) the net yield we earn from our non-recourse financing structures, (iii) the interest expense and dividends incurred under our recourse debt and preferred stock, (iv) the net operating income on our real estate, media and golf investments, (v) our operating expenses and (vi) our realized and unrealized gains or losses, net of related provision for income taxes, including any impairment, on our investments, derivatives and debt obligations. Core earnings is a non-GAAP measure of our operating performance excluding the sixth variable listed above. It also excludes depreciation and amortization charges, including the accretion of the membership deposit liability and the impact of the application of acquisition accounting, acquisition and spin-off related expenses and restructuring expenses. Core earnings is used by management to gauge our current performance without taking into account gains and losses, net of related provision for income taxes,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. It is the judgment of management that depreciation and amortization charges are not indicative of operating performance and that acquisition and spin-off related expenses are not part of our core operations. Management believes that the exclusion from core earnings of the items specified above allows investors and analysts to readily identify the operating performance of the assets that form the core of our activity, assists in comparing the core operating results between periods, and enables investors to evaluate our current performance using the same measure that management uses to operate the business, which is among the factors considered when determining the amount of distributions to our shareholders.

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 our operating performance or as an alternative to cash flow as a measure of our liquidity and is not necessarily indicative of cash available to fund cash needs. For a further description of the differences between cash flow provided by operations and net income, see " – Liquidity and Capital Resources" above. Our calculation of core earnings may be different from the calculation used by other companies and, therefore, comparability may be limited.

Set forth below is a reconciliation of core earnings to the most directly comparable GAAP financial measure (in thousands).

	Year Ended December 31,		
	2015	2014	2013
Income applicable to common stockholders	$ 16,267	$ 27,666	$ 145,833
Add (deduct):			
Impairment (reversal)	19,401	(2,419)	(19,769)
Other (income) (A)	(38,043)	(70,588)	(35,367)
Impairment (reversal), other (income) loss and other adjustments from discontinued operations (B)	(307)	104,226	39,974
Depreciation and amortization (C)	39,416	37,629	4
Acquisition, restructuring and spin-off related expenses (D)	1,391	3,479	10,228
Core earnings	$ 38,125	$ 99,993	$ 140,903

(A) Net of $1.3 million, $1.0 million and ($0.1) million related to other income from an equity method investment during the years ended December 31, 2015, 2014 and 2013, respectively, and net of $0.1 million of provision for income taxes relating to the gain on extinguishment of debt during the year ended December 31, 2015. Net of $1.1 million and $1.9 million of deal expenses relating to the sale of the residential loan portfolio and the sale of the manufactured housing portfolio, respectively, during the year ended December 31, 2014. These deal expenses were recorded to general and administrative expense under GAAP during 2014.

(B) Includes (i) gain on settlement of investments of $0.3 million, $0 and $0, (ii) depreciation and amortization of less than $0.1 million, $90.6 million and $31.0 million (gross of $0, $0.7 million, and ($2.1) million), (iii) acquisition and spin-off related expenses of $0, $15.8 million and $13.3 million, and (iv) other (income) loss of $0, ($1.4) million, and $2.4 million during the years ended December 31, 2015, 2014 and 2013, respectively. Also includes change in fair value of investments in excess mortgage servicing rights of ($3.9) million and change in fair value of investments in equity method investees of ($4.9) million for the year ended December 31, 2013.

(C) Including accretion of membership deposit liability of $5.8 million and $5.7 million and amortization of favorable and unfavorable leasehold intangibles of $4.9 million and $5.0 million during the years ended December 31, 2015 and 2014, respectively. The Golf business was acquired on December 30, 2013, thus there were no accretion or amortization for the year ended December 31, 2013. The accretion of membership deposit liability was recorded to interest expense and the amortization of favorable and unfavorable leasehold intangibles was recorded to operating expenses - golf.

(D) Includes $0.3 million, $0.9 million and $0.0 million of restructuring expenses during the years ended December 31, 2015, 2014 and 2013, respectively, which was recorded to operating expenses - golf.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the exposure to loss resulting from changes in interest rates, credit spreads, foreign currency exchange rates, commodity prices and equity prices. The primary market risks that we are exposed to are interest rate risk and credit spread risk. These risks are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations and other factors beyond our control. All of our market risk sensitive assets, liabilities and derivative positions are for non-trading purposes only. For a further understanding of how market risk may effect our financial position or operating results, please refer to Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Application of Critical Accounting Policies."

Interest Rate Exposure

Changes in interest rates, including changes in expected interest rates or "yield curves," affect our investments in two distinct ways, each of which is discussed below.

First, changes in interest rates affect our net interest income, which is the difference between the interest income earned on assets and the interest expense incurred in connection with our debt obligations and hedges.

One component of our financing strategy includes the use of match funded structures, when appropriate and available. This means that we seek to match the maturities of our debt obligations with the maturities of our assets to reduce the risk that we have to refinance our liabilities prior to the maturities of our assets, and to reduce the impact of changing interest rates on our earnings. In addition, we seek to match fund interest rates on certain of our assets with like-kind debt (i.e., fixed rate assets are financed with fixed rate debt and floating rate assets are financed with floating rate debt), directly or through the use of interest rate swaps, caps or other financial instruments (see below), or through a combination of these strategies, which we believe allows us to reduce the impact of changing interest rates on our earnings.

However, increases in interest rates can nonetheless reduce our net interest income to the extent that we are not completely match funded.

Furthermore, a period of rising interest rates can negatively impact our return on certain floating rate investments. Although these investments may be financed with floating rate debt, the interest rate on the debt may reset prior to, and in some cases more frequently than, the interest rate on the assets, causing a decrease in return on equity during a period of rising interest rates. See Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources – Update on Liquidity, Capital Resources and Capital Obligations" for information on related debt.

As of December 31, 2015, a 100 basis point increase in short-term interest rates would decrease our earnings by approximately $1.4 million per annum, based on the current net floating rate exposure from our investments, financings and interest rate derivatives.

Second, changes in the level of interest rates also affect the yields required by the marketplace on debt. Increasing interest rates would decrease the value of the fixed rate assets we hold at the time because higher required yields result in lower prices on existing fixed rate assets in order to adjust their yield upward to meet the market.

Changes in unrealized gains or losses resulting from changes in market interest rates do not directly affect our cash flows, or our ability to pay a dividend, as the related assets are expected to be held, as their fair value is not relevant to their underlying cash flows. Our assets are largely financed to maturity through long term CDO financings that are not redeemable as a result of book value changes. As long as these fixed rate assets continue to perform as expected, our cash flows from these assets would not be affected by increasing interest rates. Changes in unrealized gains or losses would impact our ability to realize gains on existing investments if they were sold. Furthermore, with respect to changes in unrealized gains or losses on investments which are carried at fair value, changes in unrealized gains or losses would impact our net book value and, in the cases of impaired assets and non-hedge derivatives, our net income.

Changes in the value of our assets could affect our ability to borrow and access capital. Also, if the value of our assets subject to short-term financing were to decline, it could cause us to fund margin and affect our ability to refinance such assets upon the maturity of the related financings, adversely impacting our rate of return on such securities.

As of December 31, 2015, a 100 basis point change in short-term interest rates would impact our net book value by approximately $2.0 million, based on the current net fixed rate exposure from our investments and interest rate derivatives.

Interest rate swaps are agreements in which a series of interest rate flows are exchanged with a third party (counterparty) over a prescribed period. The notional amount on which swaps are based is not exchanged. In general, our swaps are "pay fixed" swaps involving the exchange of floating rate interest payments from the counterparty for fixed interest payments from us. This can effectively convert a floating rate debt obligation into a fixed rate debt obligation. Interest rate swaps may be subject to margin calls. Similarly, an interest rate cap or floor agreement is a contract in which we purchase a cap or floor contract on a notional face amount. We will make an upfront payment to the counterparty for which the counterparty agrees to make future payments to us should the reference rate (typically LIBOR) rise above (cap agreements) or fall below (floor agreements) the "strike" rate specified in the contract. Payments on an annualized basis will equal the contractual notional face amount multiplied by the difference between the actual reference rate and the contracted strike rate.

While a REIT may utilize these types of derivative instruments to hedge interest rate risk on its liabilities or for other purposes, such derivative instruments could generate income that is not qualified income for purposes of maintaining REIT status. As a consequence, we may only engage in such instruments to hedge such risks within the constraints of maintaining our standing as a REIT. We do not enter into derivative contracts for speculative purposes or as a hedge against changes in credit risk.

Our hedging transactions using derivative instruments also involve certain additional risks such as counterparty credit risk, the enforceability of hedging contracts and the risk that unanticipated and significant changes in interest rates will cause a significant loss of basis in the contract. There can be no assurance that we will be able to adequately protect against the foregoing risks and will ultimately realize an economic benefit that exceeds the related amounts incurred in connection with engaging in such hedging strategies.

Credit Spread Exposure

Credit spreads measure the yield demanded on loans and securities by the market based on their credit relative to U.S. Treasuries, for fixed rate credit, or LIBOR, for floating rate credit. Our fixed rate loans and securities are valued based on a market credit spread over the rate payable on fixed rate U.S. Treasuries of like maturity. Our floating rate loans and securities are valued based on a market credit spread over LIBOR. Excessive supply of such loans and securities combined with reduced demand will generally cause the market to require a higher yield on such loans and securities, resulting in the use of a higher (or "wider") spread over the benchmark rate to value them.

Widening credit spreads would result in higher yields being required by the marketplace on loans and securities. This widening would reduce the value of the loans and securities we hold at the time because higher required yields result in lower prices on existing securities in order to adjust their yield upward to meet the market. The effects of such a decrease in values on our financial position, results of operations and liquidity are discussed above under "- Interest Rate Exposure."

As of December 31, 2015, a 25 basis point movement in credit spreads would impact our net book value by approximately $0.8 million, assuming a static portfolio of current investments and financings, but would not directly affect our earnings or cash flow.

Our financing strategy is dependent on our ability to place the match funded debt we use to finance our investments at rates that provide a positive net spread. Currently, spreads for such liabilities have widened and demand for such liabilities has become extremely limited, therefore restricting our ability to execute future financings.

In an environment where spreads are tightening, if spreads tighten on the assets we purchase to a greater degree than they tighten on the liabilities we issue, our net spread will be reduced.

Credit Risk

In addition to the above described market risks, Newcastle is subject to credit risk.

Credit risk refers to the ability of each individual borrower under our loans and securities to make required interest and principal payments on the scheduled due dates. The commercial mortgage and asset backed securities we invest in are generally junior in right of payment of interest and principal to one or more senior classes, but benefit from the support of one or more subordinate classes of securities or other form of credit support (which absorbs losses before the securities in which we invest) within a securitization transaction. The senior unsecured REIT debt securities we invest in reflect comparable credit risk. The value of the subordinated securities has generally been reduced or, in some cases, eliminated, which could leave our securities economically in a first loss position. We also invest in loans and securities which represent "first loss" pieces; in other words, they do not benefit from credit support although we believe at acquisition they predominantly benefit from underlying collateral value in excess of their carrying amounts. Corporate bank loans are also subject to the risk of a bankruptcy filing of the related entity.

We seek to reduce credit risk by actively monitoring our asset portfolio and the underlying credit quality of our holdings and, where appropriate and achievable, repositioning our investments to upgrade their credit quality. In the event of a significant rising interest rate environment and/or economic downturn, loan and collateral defaults may increase and result in credit losses that would adversely affect our liquidity and operating results. As described in "Management's Discussion and Analysis of Financial Condition and Result of Operations – Market Considerations" and elsewhere in this Annual Report, adverse market and credit conditions have resulted in our recording of other-than-temporary impairment and valuation allowance in certain securities and loans.

Margin

We are subject to margin calls on our repurchase agreements and derivative agreements. Furthermore, we may, from time to time, be a party to other financing arrangements that are subject to margin calls based on the value of such instruments. We seek to maintain adequate cash reserves and other sources of available liquidity to meet any margin calls resulting from decreases in value related to a reasonably possible (in the opinion of management) change in interest rates.

Interest Rate and Credit Spread Risk Sensitive Instruments and Fair Value

Our holdings of such financial instruments, and their fair values and the estimation methodology thereof, are detailed in Note 10 to Part II, Item 8. "Financial Statements and Supplementary Data." For information regarding the impact of prepayment, reinvestment, and expected loss factors on the timing of realization of our investments, please refer to the Consolidated Financial Statements included therein. For information regarding the impact of changes in these factors on the value of securities valued with internal models, see Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Application of Critical Accounting Policies."

We note that the values of our investments in real estate securities, loans and derivative instruments are sensitive to changes in market interest rates, credit spreads and other market factors. The value of these investments can vary, and has varied, materially from period to period.

Trends

See Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Market Considerations" for a further discussion of recent trends and events affecting our liquidity, unrealized gains and losses.

Item 8. Financial Statements and Supplementary Data.

Index to Financial Statements:

Report of Independent Registered Public Accounting Firm.

Report on Internal Control Over Financial Reporting of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets as of December 31, 2015 and December 31, 2014.

Consolidated Statements of Operations for the years ended December 31, 2015, 2014 and 2013.

Consolidated Statements of Comprehensive Income for the years ended December 31, 2015, 2014 and 2013.

Consolidated Statements of Equity for the years ended December 31, 2015, 2014 and 2013.

Consolidated Statements of Cash Flows for the years ended December 31, 2015, 2014 and 2013.

Notes to Consolidated Financial Statements.

All schedules have been omitted because either the required information is included in our Consolidated Financial Statements and notes thereto or it is not applicable.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Newcastle Investment Corp. and Subsidiaries

We have audited the accompanying consolidated balance sheets of Newcastle Investment Corp. and Subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2015. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Newcastle Investment Corp. and Subsidiaries at December 31, 2015 and 2014, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Newcastle Investment Corp. and Subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 10, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
New York, New York
March 10, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Newcastle Investment Corp. and Subsidiaries

We have audited Newcastle Investment Corp. and Subsidiaries' internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Newcastle Investment Corp. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Newcastle Investment Corp. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Newcastle Investment Corp. and Subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2015 and our report dated March 10, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
New York, New York
March 10, 2016

NEWCASTLE INVESTMENT CORP. AND SUBSIDIARIES

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

	December 31,	
	2015	**2014**
Assets		
Real estate securities, available-for-sale - Note 5	$ 59,034	$ 231,754
Real estate securities, pledged as collateral - Note 5	105,963	407,689
Real estate related and other loans, held-for-sale, net - Note 6	149,198	230,200
Residential mortgage loans, held-for-sale, net - Note 6	532	3,854
Subprime mortgage loans subject to call option - Note 6	380,806	406,217
Investments in other real estate, net of accumulated depreciation - Note 7	227,907	239,283
Intangibles, net of accumulated amortization - Note 8	74,472	84,686
Other investments	20,595	26,788
Cash and cash equivalents	45,651	73,727
Restricted cash	4,469	15,714
Receivables from brokers, dealers and clearing organizations	361,341	—
Receivables and other assets - Note 2	38,014	35,191
Assets of discontinued operations - Note 3	—	6,803
Total Assets	$ 1,467,982	$ 1,761,906
Liabilities and Equity		
Liabilities		
CDO bonds payable - Note 11	$ 92,933	$ 227,673
Other bonds and notes payable - Note 11	16,162	27,069
Repurchase agreements - Note 11	418,458	441,176
Credit facilities and obligations under capital leases - Note 11	11,258	161,474
Financing of subprime mortgage loans subject to call option - Note 6	380,806	406,217
Junior subordinated notes payable - Note 11	51,225	51,231
Dividends payable	8,929	8,901
Membership deposit liabilities	88,205	79,678
Payables to brokers, dealers and clearing organizations	105,940	—
Accounts payable, accrued expenses and other liabilities - Note 2	83,944	99,712
Liabilities of discontinued operations - Note 3	—	447
Total Liabilities	$ 1,257,860	$ 1,503,578
Commitments and contingencies - Notes 12, 13 and 14		
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, 2015 and 2014	$ 61,583	$ 61,583
Common stock, $0.01 par value, 1,000,000,000 shares authorized, 66,654,598 and 66,424,508 shares issued and outstanding at December 31, 2015 and 2014, respectively	667	664
Additional paid-in capital	3,172,370	3,172,060
Accumulated deficit	(3,057,538)	(3,041,880)
Accumulated other comprehensive income - Note 2	33,297	65,865
Total Newcastle Stockholders' Equity	210,379	258,292
Noncontrolling interests	(257)	36
Total Equity	$ 210,122	$ 258,328
Total Liabilities and Equity	$ 1,467,982	$ 1,761,906

See notes to Consolidated Financial Statements.

NEWCASTLE INVESTMENT CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 and 2013
(dollars in thousands, except share data)

	Year Ended December 31,		
	2015	2014	2013
Interest income	$ 95,891	$ 127,627	$ 213,712
Interest expense	(62,129)	(80,022)	(78,601)
Net interest income	33,762	47,605	135,111
Impairment (Reversal)			
Valuation allowance (reversal) on loans - Note 6	9,541	(2,419)	(25,035)
Other-than-temporary impairment on securities and other investments- Note 5	9,891	—	5,222
Portion of other-than-temporary impairment on securities recognized in other comprehensive income (loss), net of the reversal of other comprehensive (income) loss into net income	(31)	—	44
Total impairment (reversal)	19,401	(2,419)	(19,769)
Net interest income after impairment (reversal)	14,361	50,024	154,880
Operating Revenues			
Golf course operations	177,266	179,445	—
Sales of food and beverages - golf	71,437	68,554	—
Other golf revenue	47,153	43,538	—
Total operating revenues	295,856	291,537	—
Other Income			
Gain on settlement of investments, net - Note 2	20,506	52,028	17,436
Gain (loss) on extinguishment of debt - Note 11	15,306	(3,410)	4,565
Other income, net - Note 2	3,689	25,844	13,289
Total other income	39,501	74,462	35,290
Expenses			
Loan and security servicing expense	291	1,199	3,857
Operating expenses - golf	245,421	254,104	—
Cost of sales - golf	31,681	30,271	—
General and administrative expense	11,746	14,652	17,458
Management fee to affiliate - Note 13	10,692	21,039	28,057
Depreciation and amortization	28,634	26,967	4
Total expenses	328,465	348,232	49,376
Income from continuing operations before income tax	21,253	67,791	140,794
Income tax expense - Note 15	345	208	—
Income from continuing operations	20,908	67,583	140,794
Income (loss) from discontinued operations, net of tax - Note 3	646	(35,189)	11,547
Net Income	21,554	32,394	152,341
Preferred dividends	(5,580)	(5,580)	(5,580)
Net (income) loss attributable to noncontrolling interest	293	852	(928)
Income Applicable To Common Stockholders	$ 16,267	$ 27,666	$ 145,833

Continued on next page.

NEWCASTLE INVESTMENT CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 and 2013
(dollars in thousands, except share data)

	Year Ended December 31,		
	2015	2014	2013
Income Applicable to Common Stock, per share			
Basic	$ 0.24	$ 0.45	$ 3.16
Diluted	$ 0.24	$ 0.44	$ 3.09
Income from Continuing Operations per share of Common Stock, after preferred dividends and noncontrolling interest			
Basic	$ 0.23	$ 1.02	$ 2.91
Diluted	$ 0.23	$ 1.00	$ 2.84

Income (loss) from Discontinued Operations per share of Common Stock			
Basic	$ 0.01	$ (0.57)	$ 0.25
Diluted	$ 0.01	$ (0.57)	$ 0.24
Weighted Average Number of Shares of Common Stock Outstanding			
Basic	66,479,321	61,500,913	46,146,882
Diluted	68,647,915	63,131,227	47,218,274

See notes to Consolidated Financial Statements.

NEWCASTLE INVESTMENT CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 and 2013
(dollars in thousands)

	Year Ended December 31,		
	2015	**2014**	**2013**
Net income	$ 21,554	$ 32,394	$ 152,341
Other comprehensive income (loss):			
Net unrealized gain (loss) on securities	(1,868)	8,953	50,350
Reclassification of net realized gain on securities into earnings	(32,537)	(23,679)	(6,217)
Net unrealized loss on derivatives designated as cash flow hedges	(60)	(177)	(195)
Reclassification of net realized loss on derivatives designated as cash flow hedges into earnings	1,897	4,352	6,227
Net unrecognized gain and pension prior service cost (discontinued operations)	—	9	458
Other comprehensive income (loss)	(32,568)	(10,542)	50,623
Total comprehensive income (loss)	$ (11,014)	$ 21,852	$ 202,964
Comprehensive income (loss) attributable to Newcastle stockholders' equity	$ (10,721)	$ 22,704	$ 202,036
Comprehensive income (loss) attributable to noncontrolling interest	$ (293)	$ (852)	$ 928

NEWCASTLE INVESTMENT CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 and 2013
(dollars in thousands, except share data)

	Newcastle Stockholders									
	Preferred Stock		Common Stock		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comp. Income (Loss)	Total Newcastle Stockholders' Equity	Noncontrolling Interests	Total Equity (Deficit)
	Shares	Amount	Shares	Amount						
Equity (deficit) - December 31, 2012	2,463,321	$ 61,583	28,754,274	$ 288	$ 1,711,520	$ (771,095)	$ 70,764	$ 1,073,060	$ —	1,073,060
Dividends declared	—	—	—	—	—	(168,761)	—	(168,761)	—	(168,761)
Issuance of common stock	—	—	29,821,308	298	1,262,195	—	—	1,262,493	—	1,262,493
Noncontrolling interest recorded upon restructuring of media business	—	—	—	—	—	—	—	—	60,351	60,351
Spin-off of New Residential	—	—	—	—	—	(1,159,470)	(44,513)	(1,203,983)	—	(1,203,983)
Net income	—	—	—	—	—	151,413	—	151,413	928	152,341
Other comprehensive income	—	—	—	—	—	—	50,623	50,623	—	50,623
Total comprehensive income								202,036	928	202,964
Equity (deficit) - December 31, 2013	2,463,321	$ 61,583	58,575,582	$ 586	$ 2,973,715	$ (1,947,913)	$ 76,874	$ 1,164,845	$ 61,279	$ 1,226,124
Dividends declared	—	—	—	—	—	(123,708)	—	(123,708)	—	(123,708)
Issuance of common stock	—	—	7,848,926	78	198,345	—	—	198,423	—	198,423
Spin-off of New Media	—	—	—	—	—	(330,489)	(467)	(330,956)	(60,391)	(391,347)
Spin-off of New Senior	—	—	—	—	—	(673,016)	—	(673,016)	—	(673,016)
Net income (loss)	—	—	—	—	—	33,246	—	33,246	(852)	32,394
Other comprehensive loss	—	—	—	—	—	—	(10,542)	(10,542)	—	(10,542)
Total comprehensive income								22,704	(852)	21,852
Equity (deficit) - December 31, 2014	2,463,321	$ 61,583	66,424,508	$ 664	$ 3,172,060	$ (3,041,880)	$ 65,865	$ 258,292	$ 36	$ 258,328
Dividends declared	—	—	—	—	—	(37,505)	—	(37,505)	—	(37,505)
Issuance of common stock	—	—	230,090	3	310	—	—	313	—	313
Net income (loss)	—	—	—	—	—	21,847	—	21,847	(293)	21,554
Other comprehensive loss	—	—	—	—	—	—	(32,568)	(32,568)	—	(32,568)
Total comprehensive income (loss)								(10,721)	(293)	(11,014)
Equity (deficit) - December 31, 2015	2,463,321	$ 61,583	66,654,598	$ 667	$ 3,172,370	$ (3,057,538)	$ 33,297	$ 210,379	$ (257)	$ 210,122

NEWCASTLE INVESTMENT CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 and 2013
(dollars in thousands)

	Year Ended December 31,		
	2015	2014	2013
Cash Flows From Operating Activities			
Net income	$ 21,554	$ 32,394	$ 152,341
Adjustments to reconcile net income to net cash provided by (used in) operating activities (inclusive of amounts related to discontinued operations):			
Depreciation and amortization	28,645	117,594	30,973
Accretion of discount and other amortization	8,227	(3,819)	(30,621)
Net interest income on investments accrued to principal balance	(27,246)	(20,386)	(26,148)
Amortization of revenue on golf membership deposit liabilities	(509)	(167)	—
Amortization of prepaid golf member dues	(29,558)	(28,071)	—
Valuation allowance (reversal) on loans	9,541	(2,419)	(25,035)
Other-than-temporary impairment on securities and other investments	9,860	—	5,266
Change in fair value on investments in excess mortgage servicing rights	—	—	(3,894)
Change in fair value of investments in equity method investees	—	—	(19,170)
Change in fair value of contingent consideration	—	(1,500)	—
Straight-lining of rental income	—	(21,794)	—
Equity in earnings from equity method investees, net of distributions	(1,311)	(954)	(677)
Gain on settlement of investments (net)	(19,305)	(51,380)	(17,369)
Unrealized gain on non-hedge derivatives and hedge ineffectiveness	(1,758)	(17,565)	(10,467)
Loss/(gain) on extinguishment of debt, net	(15,306)	3,410	(4,565)
Non-cash directors' compensation	313	321	350
Change in:			
Restricted cash	(2,344)	1,464	10,595
Receivables and other assets	(1,805)	(314)	(19,077)
Accounts payable, accrued expenses and other liabilities	18,361	30,665	63,684
Net cash (used in) provided by operating activities	(2,641)	37,479	106,186
Cash Flows From Investing Activities			
Principal repayments from investments	128,191	245,447	494,443
Restructuring of investments in media and golf, net of cash and cash equivalents acquired	—	—	(60,654)
Purchase of real estate securities	(1,409,693)	(404,638)	(1,411,002)
Purchase of real estate related and other loans	—	—	(382,771)
Proceeds from sale of investments	1,425,480	798,580	46,536
Acquisition and additions of investments in real estate	(7,637)	(315,454)	(1,254,214)
Funds reserved for future capital expenditures	—	(3,424)	—
Change in restricted cash from investing activities	56,774	—	—
Return of investment in excess mortgage servicing rights	—	—	15,803
Deposits paid on investments	—	(655)	(505)
Contributions to equity method investees, net of distributions	—	—	(374,367)
Net cash provided by (used in) investing activities	193,115	319,856	(2,926,731)

Continued on next page.

NEWCASTLE INVESTMENT CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 and 2013
(dollars in thousands)

	Year Ended December 31,		
	2015	2014	2013
Cash Flows From Financing Activities			
Repurchases of debt obligations	(152,281)	—	(31,285)
Borrowings under debt obligations	1,966,666	668,003	3,271,588
Repayments of debt obligations	(1,983,438)	(831,042)	(1,400,255)
Margin deposits under repurchase agreements and derivatives	(130,398)	(36,752)	(207,905)
Return of margin deposits under repurchase agreements and derivatives	128,430	38,079	175,405
Golf membership deposits received	4,711	3,518	—
Issuance of common stock	—	198,702	1,264,769
Costs related to issuance of common stock	—	(595)	(2,471)
Contribution of cash upon spin-off	—	(269,091)	(181,582)
Common Stock dividends paid	(31,897)	(145,299)	(165,989)
Preferred Stock dividends paid	(5,580)	(5,580)	(5,580)
Payment of deferred financing costs	(754)	(4,592)	(40,633)
Proceeds (payments) from settlement of derivative instruments	(13,519)	(4,151)	217
Restricted cash returned from refinancing activities	—	—	18,312
Other financing activities	(625)	(617)	—
Net cash (used in) provided by financing activities	(218,685)	(389,417)	2,694,591
Net Decrease in Cash and Cash Equivalents	(28,211)	(32,082)	(125,954)
Cash and Cash Equivalents of Continuing Operations, Beginning of Period	73,727	42,721	221,798
Cash and Cash Equivalents of Discontinued Operations, Beginning of Period	135	63,223	10,100
Cash and Cash Equivalents, End of Period	$ 45,651	$ 73,862	$ 105,944
Cash and Cash Equivalents of Continuing Operations, End of Period	$ 45,651	$ 73,727	$ 42,721
Cash and Cash Equivalents of Discontinued Operations, End of Period	$ —	$ 135	$ 63,223
Supplemental Disclosure of Cash Flow Information			
Cash paid during the period for interest expense	$ 16,438	$ 73,735	$ 48,892
Cash paid during the period for income taxes	$ 268	$ 1,355	$ 899
Supplemental Schedule of Non-Cash Investing and Financing Activities			
Common stock dividends declared but not paid	$ 7,999	$ 7,971	$ 35,145
Preferred stock dividends declared but not paid	$ 930	$ 930	$ 930
Assumption of mortgage notes payable, at fair value	$ —	$ —	$ 43,128
Issuance of seller financing for acquisition of senior housing properties, at fair value	$ —	$ —	$ 9,412
Addition to capital lease assets and liabilities	$ 7,182	$ 6,529	$ —
Option exercise	$ 752	$ 3,369	$ 885

See notes to Consolidated Financial Statements.

(dollars in tables in thousands, except per share data)

1. ORGANIZATION

Newcastle Investment Corp. (and its subsidiaries, "Newcastle") is a Maryland corporation that was formed in 2002. Newcastle focuses on opportunistically investing in, and actively managing, a variety of real estate-related and other investments. Newcastle is organized and conducts its operations to qualify as a real estate investment trust ("REIT") for U.S. federal income tax purposes. As such, Newcastle will generally not be subject to U.S. federal corporate income tax on that portion of its net income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by prescribed dates and complies with various other requirements.

Newcastle conducts its business through the following segments: (i) debt investments financed with collateralized debt obligations ("CDOs"), (ii) other debt investments ("Other Debt"), (iii) investments in golf properties and facilities ("Golf") and (iv) corporate.

Newcastle is party to a management agreement (the "Management Agreement") with FIG LLC (the "Manager"), a subsidiary of Fortress Investment Group LLC ("Fortress"), pursuant to which the Manager provides for a management team and other professionals who are responsible for implementing Newcastle's business strategy, subject to the supervision of Newcastle's board of directors. For its services, the Manager is entitled to an annual management fee and incentive compensation, both as defined in, and in accordance with the terms of, the Management Agreement. For a further discussion of the Management Agreement, see Note 13.

Approximately 1.0 million shares of Newcastle's common stock were held by Fortress, through its affiliates, and its principals at December 31, 2015. In addition, Fortress, through its affiliates, held options to purchase approximately 5.1 million shares of Newcastle's common stock at December 31, 2015.

The following table presents information on shares of Newcastle's common stock issued subsequent to its formation:

Year	Shares Issued	Range of Issue Prices (A)(B)	Net Proceeds (millions)
Formation - 2012	28,754,274		
2013	29,821,308	$29.82 - $62.88	$ 1,262.6
2014	7,848,926	$25.92	$ 197.9
2015 (C)	230,090	N/A	N/A
December 31, 2015	66,654,598		

(A) Excludes prices of shares issued (i) pursuant to the exercise of options and (ii) as compensation to Newcastle's independent directors.

(B) On May 15, 2013, Newcastle completed the spin-off of New Residential Investment Corp ("New Residential"). The May 15, 2013 closing price of Newcastle's common stock on the NYSE was $73.98, and the opening price of Newcastle's common stock on May 16, 2013 was $34.74. On February 13, 2014, Newcastle completed the spin-off of New Media Investment Group Inc. ("New Media"). The February 13, 2014 closing price of Newcastle's common stock was $34.50, and the opening price of Newcastle's common stock on February 14, 2014 was $29.88. On November 6, 2014, Newcastle completed the spin-off of New Senior Investment Group Inc. ("New Senior"). The November 6, 2014 closing price of Newcastle's common stock on the NYSE was $23.53, and the opening price of Newcastle's common stock on November 7, 2014 was $4.00.

(C) All 2015 shares were issued (i) pursuant to the exercise of options and (ii) as compensation to Newcastle's independent directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

Basis of Accounting — The accompanying Consolidated Financial Statements are prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). The Consolidated Financial Statements include the accounts of Newcastle and its consolidated subsidiaries. All significant intercompany transactions and balances have been eliminated. Newcastle consolidates those entities in which it has an investment of 50% or more and has control over significant operating, financial and investing decisions of the entity as well as those entities deemed to be variable interest entities ("VIEs") in which Newcastle is determined to be the primary beneficiary. VIEs are defined as entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. A VIE is required to be consolidated only by its primary beneficiary, which is defined as the party who has the power to direct the activities of a VIE that most significantly impact its economic performance and who has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. Newcastle's

(dollars in tables in thousands, except per share data)

CDO subsidiaries (with the exception of CDO V) (Note 11) are special purpose entities which are considered VIEs of which Newcastle is the primary beneficiary. Therefore, the debt issued by such entities is considered a non-recourse secured borrowing of Newcastle. The subprime securitizations and CDO V (Note 4) are also considered VIEs, but Newcastle does not control the decisions that most significantly impact their economic performance and, for the subprime securitizations, no longer receive a significant portion of their returns, and therefore do not consolidate them.

For entities over which Newcastle exercises significant influence, but which do not meet the requirements for consolidation, Newcastle uses the equity method of accounting whereby it records its share of the underlying income of such entities. Newcastle's investments in equity method investees were not significant at December 31, 2015, 2014 or 2013. With respect to investments in entities over which Newcastle does not meet the requirements for consolidation and does not exercise significant influence, Newcastle records these investments at cost, subject to impairment.

Noncontrolling interests represent the ownership interests in certain consolidated subsidiaries held by entities or persons other than Newcastle. This is primarily related to noncontrolling interests in the Golf business.

Certain prior period amounts have been reclassified to conform to the current period's presentation.

Risks and Uncertainties — In the normal course of business, Newcastle encounters primarily two significant types of economic risk: credit and market. Credit risk is the risk of default on Newcastle's investments in securities, loans, derivatives and leases that results from a borrower's, derivative counterparty's or lessee's inability or unwillingness to make contractually required payments. Market risk reflects changes in the value of investments in securities, loans and derivatives or in real estate due to changes in interest rates, spreads or other market factors, including the value of the collateral underlying loans and securities and the valuation of real estate held by Newcastle. Management believes that the carrying values of its investments are reasonable taking into consideration these risks along with estimated prepayments, financings, collateral values, payment histories, and other borrower information.

Additionally, Newcastle is subject to significant tax risks. If Newcastle were to fail to qualify as a REIT in any taxable year, Newcastle would be subject to U.S. federal corporate income tax (including any applicable alternative minimum tax), which could be material. Unless entitled to relief under certain statutory provisions, Newcastle would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification is lost.

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comprehensive Income — Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances, excluding those resulting from investments by and distributions to owners. For Newcastle's purposes, comprehensive income represents net income, as presented in the Consolidated Statements of Operations, adjusted for unrealized gains or losses on securities available for sale and derivatives designated as cash flow hedges and net unrecognized gain and prior period service costs and credits relating to pension and other postretirement benefits (included in discontinued operations).

The following table summarizes Newcastle's accumulated other comprehensive income:

	December 31,	
	2015	2014
Net unrealized gain on securities	$ 33,277	$ 67,682
Net unrealized gain (loss) on derivatives designated as cash flow hedges	20	(1,817)
Accumulated other comprehensive income	$ 33,297	$ 65,865

REVENUE RECOGNITION

Real Estate Securities and Loans Receivable — Newcastle invests in securities, including commercial mortgage backed securities, senior unsecured debt issued by property REITs, real estate related asset backed securities and FNMA/FHLMC securities. Income on these securities is recognized using a level yield methodology based upon a number of cash flow assumptions that are subject to uncertainties and contingencies. For securities that are not acquired at a discount for credit quality, these assumptions include the rate and timing of principal and interest receipts (which may be subject to prepayments and defaults). For securities acquired at a discount for credit quality and with respect to which management has determined at acquisition that it is probable that all contractually required principal and interest payments will not be collected, these assumptions also include expected losses. For these securities, Newcastle recognizes the excess of all expected cash flows over the investment in the securities, referred to as accretable yield, as interest income on a loss-adjusted yield basis. The loss adjusted yield is determined based on an evaluation of the credit status of securities, as described in connection with the analysis of impairment. The excess of total contractual cash flows over the cash flows expected to be collected is referred to as the nonaccretable difference and is not recognized as income. The assumptions that impact income recognition are updated on at least a quarterly basis if applicable to reflect changes related to a particular security, actual historical data, and market changes. These uncertainties and contingencies are difficult to predict and are subject to future events, and economic and market conditions, which may alter the assumptions.

Newcastle also invests in loans, including real estate related loans, commercial mortgage loans, residential mortgage loans and subprime mortgage loans. Newcastle determines at acquisition whether loans will be aggregated into pools based on common risk characteristics (credit quality, loan type, and date of origination or acquisition); loans aggregated into pools are accounted for as if each pool were a single loan. The loans are evaluated at acquisition for evidence of credit quality deterioration. Interest income on performing loans is accrued and recognized as interest income at the contractual rate of interest. Loans for which it is determined that it is probable that all contractually required principal and interest payments at acquisition will not be collected are categorized as loans acquired at a discount for credit quality. Loans receivable are presented in the Consolidated Balance Sheets net of any unamortized discount (or gross of any unamortized premium) and an allowance for loan losses. Discounts or premiums are accreted into interest income on an effective yield or "interest" method, based upon a comparison of actual and expected cash flows, through the expected maturity date of the security or loan. Depending on the nature of the investment, changes to expected cash flows may result in a prospective change to yield or a retrospective change which would include a catch up adjustment. For loans acquired at a discount for credit quality, the difference between contractual cash flows and expected cash flows at acquisition is not accreted (non-accretable difference) and is not recognized as income. Probable increases in expected cash flows would first reverse any previously recorded allowance for loan losses with any remaining increases recognized prospectively as a yield adjustment over the remaining expected life of the loan. Newcastle discontinues the accretion of discounts and amortization of premium on loans if they are reclassified from held-for-investment to held-for-sale. Interest income with respect to non-discounted securities or loans is recognized on an accrual basis. Deferred fees and costs, if any, are recognized as a reduction to the interest income over the terms of the securities or loans using the interest method. Upon settlement of securities and loans, the excess (or deficiency) of net proceeds over the net carrying value of such security or loan is recognized as a gain (or loss) in the period of settlement. Interest income includes prepayment penalties received of $0.2 million in 2013. There were no prepayment penalties received in2015 and 2014.

Impairment of Securities and Loans — Newcastle continually evaluates securities and loans for impairment. Securities and loans are considered to be other-than-temporarily impaired, for financial reporting purposes, generally when it is probable that Newcastle will be unable to collect all principal or interest when due according to the contractual terms of the original agreements, or, for securities or loans purchased at a discount for credit quality, whenever there has been a probable adverse change in the timing or amounts of expected cash flows, or that represent retained beneficial interests in securitizations, when Newcastle determines that it is probable that it will be unable to collect as anticipated. The evaluation of a security's estimated cash flows includes the following, as applicable: (i) review of the credit of the issuer or the borrower, (ii) review of the credit rating of the security, (iii) review of the key terms of the security or loan, (iv) review of the performance of the loan or underlying loans, including debt service coverage and loan to value ratios, (v) analysis of the value of the collateral for the loan or underlying loans, (vi) analysis of the effect of local, industry and broader economic factors, and (vii) analysis of historical and anticipated trends in defaults and loss severities for similar securities or loans. Furthermore, Newcastle must have the intent and ability to hold loans whose fair value is below carrying value until such fair value recovers, or until maturity, or else a write-down to fair value must be recorded. Similarly for securities, Newcastle must record a write-down if it has the intent to sell a given security in an unrealized loss position, or if it is more likely than not that it will be required to sell such a security. For certain securities which represent beneficial interests in securitized financial assets and non-Agency RMBS acquired with evidence of deteriorated credit quality for which it was deemed probable, at acquisition, that we would be unable to collect all contractually required payments as they come due, an other-than-temporary impairment also will be deemed to have occurred whenever there is a probable adverse change in the timing or amounts of previously projected estimated cash flows. Upon determination of impairment, Newcastle establishes specific valuation allowances for loans or records a direct write-down for securities based on the estimated fair value of the security or underlying collateral using a discounted cash flow analysis or based on an observable market value. Newcastle also establishes allowances for estimated unidentified incurred losses on pools of loans. The allowance for each loan is maintained at a level believed adequate by management to absorb probable losses, based on periodic reviews of actual and expected losses. It is Newcastle's policy to establish an allowance for uncollectible interest on performing securities or loans that are past due more than 90 days or sooner when, in the judgment of management, the probability of collection of interest is deemed to be insufficient to warrant further accrual. Upon such a determination, those loans are deemed to be non-performing and put on nonaccrual status. Actual losses may differ from Newcastle's estimates. Newcastle may resume accrual of income on a security or loan if, in management's opinion, full collection is probable. Subsequent to a determination of impairment, and a related write-down, income is accrued on an effective yield method from the new carrying value to the related expected cash flows, with cash received treated as a reduction of basis. Newcastle charges off the corresponding loan allowance when it determines the loans to be uncollectable.

Golf Revenues — Revenue from green fees, cart rentals, food and beverage sales, merchandise sales and other activities (consisting primarily of range income, banquets, instruction, and club and other rental income) are generally recognized at the time of sale, when services are rendered and collection is reasonably assured.

Revenue from membership dues is recognized in the month earned. Membership dues received in advance are included in deferred revenues and recognized as revenue ratably over the appropriate period, which is generally twelve months or less. The monthly dues are generally structured to cover the club operating costs and membership services.

Private country club members generally pay an advance initiation fee deposit upon their acceptance as a member to the respective country club. Initiation fee deposits are refundable 30 years after the date of acceptance as a member. The difference between the initiation fee deposit paid by the member and the present value of the refund obligation is deferred and recognized into revenue in the Consolidated Statements of Operations on a straight-line basis over the expected life of an active membership, which is estimated to be seven years. The present value of the refund obligation is recorded as a membership deposit liability in the Consolidated Balance Sheets and accretes over a30-year nonrefundable term using the effective interest method. This accretion is recorded as interest expense in the Consolidated Statements of Operations.

(dollars in tables in thousands, except per share data)

Gain (Loss) on Settlement of Investments, Net and Other Income (Loss), Net— These items are comprised of the following:

	Year Ended December 31,		
	2015	2014	2013
Gain on settlement of investments, net			
Gain on settlement of real estate securities	$ 42,356	$ 23,679	$ 9,853
Loss on settlement of real estate securities	(9,850)	—	(3,592)
Loss on settlement of TBAs	(12,907)	(4,151)	—
Gain on repayment/disposition of loans held-for-sale	1,533	32,500	10,716
Loss on repayment/disposition of loans held-for-sale	(14)	—	(354)
Gain (loss) recognized on termination of derivative instruments	(612)	—	813
	$ 20,506	$ 52,028	$ 17,436
Other income, net			
Gain on non-hedge derivative instruments	$ 1,758	$ 17,599	$ 10,525
Gain on lease modifications and terminations	471	7,219	—
Realized loss recognized upon de-designation of hedges	—	(34)	(110)
Equity in earnings (losses) of equity method investees	1,311	954	(97)
Collateral management fee income, net	708	963	1,279
Loss on disposal of long-lived assets	(1,403)	(1,294)	(67)
Other income	844	437	1,759
	$ 3,689	$ 25,844	$ 13,289

(dollars in tables in thousands, except per share data)

Reclassification From Accumulated Other Comprehensive Income Into Net Income— The following table summarizes the amounts reclassified out of accumulated other comprehensive income into net income:

		Year Ended December 31,		
Accumulated Other Comprehensive Income ("AOCI") Components	Income Statement Location	2015	2014	2013
Net realized gain (loss) on securities				
Reversal (impairment)	Portion of other-than-temporary impairment on securities recognized in other comprehensive income (loss)	$ 31	$ —	$ (44)
Gain on settlement of real estate securities	Gain on settlement of investments, net	42,356	23,679	9,853
Loss on settlement of real estate securities	Gain on settlement of investments, net	(9,850)	—	(3,592)
		$ 32,537	$ 23,679	$ 6,217
Net realized (loss) on derivatives designated as cash flow hedges				
Realized loss recognized upon de-designation of hedges	Other income, net	$ —	$ (34)	$ (110)
Realized loss recognized on termination of hedges	Gain on settlement of investments, net	$ (612)	$ —	$ —
Amortization of deferred gain	Interest expense	78	61	11
Loss reclassified from AOCI into income, related to effective portion	Interest expense	(1,363)	(4,379)	(6,128)
		$ (1,897)	$ (4,352)	$ (6,227)
Total reclassifications		$ 30,640	$ 19,327	$ (10)

EXPENSE RECOGNITION

Interest Expense **—** Newcastle finances its investments using both fixed and floating rate debt, including securitizations, loans, repurchase agreements, and other financing vehicles. Certain of this debt has been issued at a discount. Discounts are accreted into interest expense on the effective yield or interest method, based upon a comparison of actual and expected cash flows, through the expected maturity date of the financing.

Deferred Costs and Interest Rate Cap Premiums **—** Deferred costs consist primarily of costs incurred in obtaining financing which are amortized into interest expense over the term of such financing using either the straight-line basis or the interest method. Deferred financing costs are presented as a direct deduction from the carrying amount of the related debt liability. Interest rate cap premiums, if any, are included in receivables and other assets, and are amortized as described below.

Derivatives and Hedging Activities **—** All derivatives are recognized as either assets or liabilities on the balance sheet and measured at fair value. Newcastle reports the fair value of derivative instruments gross of cash paid or received pursuant to credit support agreements and fair value is reflected on a net counterparty basis when Newcastle believes a legal right of offset exists under an enforceable netting agreement. Fair value adjustments affect either equity or net income depending on whether the derivative instrument qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity. For those derivative instruments that are designated and qualify as hedging instruments, Newcastle designates the hedging instrument, based upon the exposure being hedged, as either a cash flow hedge, a fair value hedge or a hedge of a net investment in a foreign operation.

Derivative transactions are entered into by Newcastle solely for risk management purposes, except for total rate of return swaps. Such total rate of return swaps are essentially financings of certain reference assets which are treated as derivatives for accounting purposes. The decision of whether or not a given transaction/position (or portion thereof) is hedged is made on a case-by-case basis, based on the risks involved and other factors as determined by management, including restrictions imposed by the Internal Revenue Code of 1986, as amended (the "Code") among others. In determining whether to hedge a risk, Newcastle may consider whether other assets, liabilities, firm commitments and anticipated transactions already offset or reduce the risk. All transactions undertaken as hedges are entered into with a view towards minimizing the potential for economic losses that could be incurred by Newcastle. Generally, all derivatives entered into are intended to qualify as hedges under GAAP, unless specifically stated otherwise. To this end, terms of hedges are matched closely to the terms of hedged items.

Description of the risks being hedged

1) Interest rate risk, existing debt obligations – Newcastle has hedged (and may continue to hedge, when feasible and appropriate) the risk of interest rate fluctuations with respect to its borrowings, regardless of the form of such borrowings, which require payments based on a variable interest rate index. Newcastle generally intends to hedge only the risk related to changes in the benchmark interest rate (LIBOR or a Treasury rate). In order to reduce such risks, Newcastle may enter into swap agreements whereby Newcastle would receive floating rate payments in exchange for fixed rate payments, effectively converting the borrowing to fixed rate. Newcastle may also enter into cap agreements whereby, in exchange for a premium, Newcastle would be reimbursed for interest paid in excess of a certain cap rate.

2) Interest rate risk, anticipated transactions – Newcastle may hedge the aggregate risk of interest rate fluctuations with respect to anticipated transactions, primarily anticipated borrowings. The primary risk involved in an anticipated borrowing is that interest rates may increase between the date the transaction becomes probable and the date of consummation. Newcastle generally intends to hedge only the risk related to changes in the benchmark interest rate (LIBOR or a Treasury rate). This is generally accomplished through the use of interest rate swaps.

Cash Flow Hedges

To qualify for cash flow hedge accounting, interest rate swaps and caps must meet certain criteria, including (1) the items to be hedged expose Newcastle to interest rate risk, (2) the interest rate swaps or caps are highly effective in reducing Newcastle's exposure to interest rate risk, and (3) with respect to an anticipated transaction, such transaction is probable. Correlation and effectiveness are periodically assessed based upon a comparison of the relative changes in the fair values or cash flows of the interest rate swaps and caps and the items being hedged, or using regression analysis on an ongoing basis to assess retrospective and prospective hedge effectiveness.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss, and net payments received or made, on the derivative instrument are reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change. The premiums paid for interest rate caps, treated as cash flow hedges, are amortized into interest expense based on the estimated value of such cap for each period covered by such cap.

With respect to interest rate swaps which have been designated as hedges of anticipated financings, periodic net payments are recognized currently as adjustments to interest expense; any gain or loss from fluctuations in the fair value of the interest rate swaps is recorded as a deferred hedge gain or loss in accumulated other comprehensive income and treated as a component of the anticipated transaction. In the event the anticipated refinancing failed to occur as expected, the deferred hedge credit or charge would be recognized immediately in earnings. Newcastle's hedges of such financings were terminated upon the consummation of such financings.

Newcastle has designated certain of its derivatives, and in some cases re-designated all or a portion thereof as hedges. As a result of these designations, in the cases where the originally hedged items were still owned by Newcastle, the unrealized gain or loss was recorded in accumulated other comprehensive income as a deferred hedge gain or loss and is being amortized over the life of the hedged item.

As of December 31, 2015, Newcastle no longer has derivative instruments that are designated and qualify as hedging instruments based on ASC 815, *Derivatives and Hedging.* Newcastle terminated two interest rate swaps in connection with the liquidation of CDO VIII in June 2015, and an interest rate swap in CDO VI matured in March 2015.

Non-Hedge Derivatives

With respect to interest rate swaps and caps that have not been designated as hedges, any net payments under, or fluctuations in the fair value of, such swaps and caps have been recognized currently in other income (loss). These derivatives may, to some extent, be economically effective as hedges. Under these agreements, we paid fixed monthly coupons at fixed rates of 4.85% of the notional amount to the counterparty and received floating rate LIBOR. Our interest rate swaps not designated as hedges matured in March 2015.

Newcastle also transacts in the To Be Announced MBS ("TBA") market. TBA contracts are forward contracts to purchase mortgage-backed securities that will be issued by a U.S. government sponsored enterprise in the future. Newcastle primarily engages in TBA transactions for purposes of managing interest rate risk and market risk associated with our investment strategies. For example, Newcastle takes short positions in TBAs to offset - to varying degrees - changes in the values of our Agency RMBS investments for which we have exposure to interest rate volatility; therefore, these derivatives may, to some extent, be economically effective as hedges.

Newcastle typically does not take delivery of TBAs, but rather settles the associated receivable and payable with its trading counterparties on a net basis. As part of its TBA activities, Newcastle may "roll" its TBA positions, whereby we may sell (buy) securities for delivery (receipt) in an earlier month and simultaneously contract to repurchase (sell) similar securities at an agreed-upon price on a fixed date in a later month. Newcastle accounts for its TBA transactions as non-hedge instrument, with changes in market value recorded in the statement of operations. As of December 31, 2015, Newcastle held TBA contracts consisting of three short contracts totaling $705.0 million notional amount and two long contracts totaling $602.0 million notional amount of Agency RMBS.

Newcastle's derivative financial instruments contain credit risk to the extent that its bank counterparties may be unable to meet the terms of the agreements. Newcastle reduces such risk by limiting its counterparties to major financial institutions. In addition, the potential risk of loss with any one party resulting from this type of credit risk is monitored. Management does not expect any material losses as a result of default by other parties. Newcastle does not require collateral for the derivative financial instruments within its CDO financing structures.

Operating Leases and Other Operating Expenses — Other operating expenses for the Golf business consist primarily of equipment leases, utilities, repairs and maintenance, supplies, seed, soil and fertilizer, and marketing. Many of the golf properties and related facilities are leased under long-term operating leases. In addition to minimum payments, certain leases require payment of the excess of various percentages of gross revenue or net operating income over the minimum rental payments. The leases generally require the payment of taxes assessed against the leased property and the cost of insurance and maintenance. The majority of lease terms range from 10 to 20 years, and typically, the leases contain renewal options. Certain leases include minimum scheduled increases in rental payments at various times during the term of the lease. These scheduled rent increases are recognized on a straight-line basis over the term of the lease, resulting in an accrual, which is included in accounts payable, accrued expenses and other liabilities, for the amount by which the cumulative straight-line rent exceeds the contractual cash rent.

Management Fees to Affiliate — These represent amounts due to the Manager pursuant to the Management Agreement. For further information on the Management Agreement, see Note 13.

BALANCE SHEET MEASUREMENT

Investment in Real Estate Securities — Newcastle has classified its investments in securities as available-for-sale. Securities available-for-sale are carried at market value with the net unrealized gains or losses reported as a separate component of accumulated other comprehensive income, to the extent impairment losses are considered temporary. At disposition, the net realized gain or loss is determined on the basis of the cost of the specific investments and is included in earnings. Unrealized losses on securities are charged to earnings if they reflect a decline in value that is other-than-temporary, as described above.

Loans Held-for-Sale — Loans held-for-sale are recorded net of any unamortized discount (or gross of any unamortized premiums), including any fees received and are measured at the lower of cost or fair value, with valuation changes recorded in other income. As loans held-for-sale are recognized at the lower of cost or fair value, Newcastle's allowance for loss policy does not apply to these loans. Purchase price discounts or premiums are deferred in a contra loan account until the related loans is sold. The deferred discounts or premiums are an adjustment to the basis of the loan and are included in the quarterly determination of the lower of cost or fair value adjustments and/or the gain or loss recognized at the time of sale.

Acquisition Accounting — Newcastle has determined that all of its acquisitions should be accounted for under the acquisition method. The accounting for acquisitions requires the identification and measurement of all acquired tangible and intangible assets and assumed liabilities at their respective fair values, as of the respective transaction dates. The determination of the fair value of net assets acquired involves significant judgment and estimates, such as Newcastle's estimates of future cash flows based on a number of factors including known and anticipated trends, as well as market and economic conditions.

In measuring the fair value of tangible and identified intangible assets acquired and liabilities assumed, management uses information obtained as a result of pre-acquisition due diligence, marketing, leasing activities and independent appraisals. In the case of buildings, the fair value of the tangible assets acquired is determined by valuing the property as if it were vacant. Significant estimates impacting the measurement at fair value of real property includes qualitative selection of comparable market transactions as well as the assessment of the relative quality and condition of the acquired properties.

Acquisition and transaction expense includes costs related to completed and potential acquisitions and transactions and include advisory, legal, accounting, valuation and other professional or consulting fees.

Investments in CDO Servicing Rights — In February 2011, Newcastle, through one of its subsidiaries, purchased the management rights with respect to certain C-BASS Investment Management LLC ("C-BASS") CDOs for $2.2 million pursuant to a bankruptcy proceeding. Newcastle initially recorded the cost of acquiring the collateral management rights as a servicing asset and subsequently amortizes this asset in proportion to, and over the period of, estimated net servicing income. Servicing assets are assessed for impairment on a quarterly basis, with impairment recognized as a valuation allowance. Key economic assumptions used in measuring any potential impairment of the servicing assets include the prepayment speeds of the underlying loans, default rates, loss severities and discount rates. During the years ended December 31, 2015, 2014 and 2013, Newcastle recorded $0.3 million, $0.3 million, and $0.3 million, respectively, of servicing rights amortization and no servicing rights impairment. As of December 31, 2015 and 2014, Newcastle's servicing asset had a carrying value of $0.7 million and $1.0 million, respectively, recorded in receivables and other assets.

Investments in Other Real Estate, Net — Real estate and related improvements are recorded at cost less accumulated depreciation. Costs that both materially add value to an asset and extend the useful life of an asset by more than a year are capitalized. With respect to golf course improvements (included in buildings and improvements), costs associated with original construction, significant replacements, permanent landscaping, sand traps, fairways, tee boxes or greens are capitalized. All other asset-related costs that do not meet these criteria, such as minor repairs and routine maintenance, are expensed as incurred.

Long-lived assets to be disposed of by sale, which meet certain criteria, are reclassified to real estate held-for-sale and measured at the lower of their carrying amount or fair value less costs of sale. A disposal of a component of an entity or a group of components of an entity are reported in discontinued operations if the disposal represents a strategic shift that has or will have a major effect on Newcastle's operations and financial results. Discontinued operations are retroactively reclassified to income (loss) from discontinued operations for all periods presented.

The Golf business leases certain golf carts and other equipment that are classified as capital leases. The value of capital leases is recorded as an asset on the balance sheet, along with a liability related to the associated payments. Amortization of capital lease assets is calculated using the straight-line method over the shorter of the estimated useful lives and the expected lease terms. The cost of equipment under capital leases is included in investments in other real estate in the Consolidated Balance Sheets. Payments under the leases are treated as reductions of the liability, with a portion being recorded as interest expense under the effective interest method.

(dollars in tables in thousands, except per share data)

Depreciation is calculated using the straight-line method based on the following estimated useful lives:

Buildings and improvements	10-30 years
Capital leases - equipment	6-7 years
Furniture, fixtures, and equipment	3-7 years

Intangibles **—** Intangible assets and liabilities relating to the Golf business consist primarily of leasehold advantages (disadvantages), management contracts and membership base. A leasehold advantage (disadvantage) exists to Newcastle when it pays a contracted rent that is below (above) market rents at the date of the transaction. The value of a leasehold advantage (disadvantage) is calculated based on the differential between market and contracted rent, which is tax effected and discounted to present value based on an after-tax discount rate corresponding to each golf property, and is amortized over the term of the underlying lease agreement. The management contract intangible represents Newcastle's golf course management contracts for both leased and managed properties. The management contract intangible for leased and managed properties is valued utilizing a discounted cash flow methodology under the income approach and is amortized over the term of the underlying lease or management agreements, respectively. The membership base intangible represents Newcastle's relationship with its private golf club members. The membership base intangible is valued using the multi-period excess earnings method under the income approach, and is amortized over the average membership life.

Amortization of leasehold intangible assets and liabilities are included within operating expense - golf and amortization of all other intangible assets is included within depreciation and amortization in the Consolidated Statements of Operations. Amortization of all intangible assets is calculated using the straight-line method based on the following estimated useful lives:

Trade name	30 years
Leasehold intangibles	1 - 26 years
Management contracts	1 - 26 years
Internally-developed software	5 years
Membership base	7 years

Other Investment **—** Newcastle owns 23% of equity interests in a commercial real estate project which is recorded as an equity method investment. As of December 31, 2015 and 2014, the carrying value of this investment was $20.6 million and $26.8 million, respectively. Newcastle evaluates its equity method investment for impairment whenever events or changes in circumstances indicate that the carrying amount of the investment might not be recoverable. The evaluation of recoverability is based on management's assessment of the financial condition and near term prospects of the investee, the length of time and the extent to which the market value of the investment has been less than cost and the intent and ability of Newcastle to retain its investment.

Impairment of Real Estate and Finite-lived Intangible Assets **—** Newcastle periodically reviews the carrying amounts of its long-lived assets, including real estate and finite-lived intangible assets, to determine whether current events or circumstances indicate that such carrying amounts may not be recoverable. The assessment of recoverability is based on management's estimates by comparing the sum of the estimated undiscounted cash flows generated by the underlying asset, or other appropriate grouping of assets, to its carrying value to determine whether an impairment existed at its lowest level of identifiable cash flows. If the carrying amount of the asset is greater than the expected undiscounted cash flows to be generated by such asset, an impairment is recognized to the extent the carrying value of such asset exceeds its fair value. Newcastle generally measures fair value by considering sale prices for similar assets or by discounting estimated future cash flows using an appropriate discount rate. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

(dollars in tables in thousands, except per share data)

Cash and Cash Equivalents and Restricted Cash —Newcastle considers all highly liquid short-term investments with maturities of90 days or less when purchased to be cash equivalents. Substantially all amounts on deposit with major financial institutions exceed insured limits. Restricted cash consisted of:

	December 31,	
	2015	2014
CDO bond sinking funds	$ 51	$ 11,497
CDO trustee accounts	272	293
Derivative margin accounts	887	877
Collateral for Golf lease obligations	3,259	3,047
	$ 4,469	$ 15,714

Reduction of assets and liabilities relating to spin-offs and acquisitions that are non-cash are disclosed below (there were no such reductions for the year ended December 31, 2015):

	Year Ended December 31,	
	2014	2013
Reduction of Assets and Liabilities relating to the spin-off of New Residential/New Media/New Senior, non-cash portion		
Real estate securities, available-for-sale	$ —	$ 1,647,289
Residential mortgage loans, held-for-investment, net	$ —	$ 35,865
Investments in excess mortgage servicing rights at fair value	$ —	$ 229,936
Investments in equity method investees	$ —	$ 392,469
Investments in senior housing real estate, net	$ 1,574,048	$ —
Property, plant and equipment, net	$ 266,385	$ —
Goodwill and intangibles, net	$ 379,008	$ —
Restricted cash	$ 6,477	$ —
Receivables and other assets	$ 197,882	$ 37,844
Mortgage notes payable	$ 1,260,633	$ —
Credit facilities - media	$ 177,955	$ —
Repurchase agreements	$ —	$ 1,320,360
Accrued expenses and other liabilities	$ 189,940	$ 642
Acquisitions of Assets and Liabilities relating to media and golf investments, non-cash portion		
Investments in other real estate	$ —	$ 259,573
Property, plant and equipment	$ —	$ 272,153
Intangibles	$ —	$ 244,885
Goodwill	$ —	$ 126,686
Receivables and other assets	$ —	$ 145,191
Credit facilities	$ —	$ 334,498
Accounts payable, accrued expenses and other liabilities	$ —	$ 287,439
Noncontrolling interests	$ —	$ 366

(dollars in tables in thousands, except per share data)

Supplemental non-cash investing and financing activities relating to CDOs are disclosed below:

	Year Ended December 31,		
	2015	2014	2013
Restricted cash generated from sale of securities	$ 139,257	$ 125,850	$ 136,148
Restricted cash generated from sale of real estate related and other loans	$ 55,574	$ —	$ 104,837
Restricted cash generated from paydowns on securities and loans	$ 78,853	$ 325,932	$ 331,349
Restricted cash used for repayments of CDO bonds payable	$ 148,966	$ 382,177	$ 513,879
Restricted cash used for settlement of derivative instruments	$ —	$ —	$ 1,563

Receivables and Other Assets

Receivables and other assets are comprised of the following, net of allowances for doubtful accounts of$1.0 million and $0.9 million, as of December 31, 2015 and 2014:

	December 31,	
	2015	2014
Accounts receivable, net	$ 9,889	$ 7,369
Derivative assets	127	—
Prepaid expenses	3,205	4,691
Interest receivable	1,142	2,324
Deposits	7,437	7,339
Inventory	5,057	4,964
Miscellaneous assets, net (A)	11,157	8,504
	$ 38,014	$ 35,191

(A) In the first quarter of 2015, Newcastle adopted ASU 2015-03 (see *Recent Accounting Pronouncements* below), which requires retrospective application to all prior periods. Accordingly, Miscellaneous assets, net is reduced by $0.4 million for deferred financing costs as of December 31, 2014.

Accounts Receivable, Net – Accounts receivable are stated at amounts due from customers, net of an allowance for doubtful accounts. The allowance for doubtful accounts is based upon several factors including the length of time the receivables are past due, historical payment trends and current economic factors. Collateral is generally not required. The allowance for doubtful accounts increased by $0.09 million and $0.01 million for the years ended December 31, 2015 and 2014, respectively.

Derivative Assets – All derivatives are recognized as either assets or liabilities on the balance sheet and measured at fair value.

Prepaid Expenses – Prepaid expenses consists primarily of prepaid insurance and prepaid rent and are expensed over the usage period of the goods or services.

Interest Receivable – Interest receivable consists of interest earned on real estate securities, real estate related and other loans and residential mortgage loans that has not yet been received.

Deposits – Deposits consist primarily of certificates of deposits used as collateral for letters of credit related to the Golf business.

Inventory – Inventory is valued at the lower of cost or market. Cost is determined on the first-in, first-out (“FIFO”) method. Inventories in our Golf business consist primarily of food, beverages and merchandise for sale.

(dollars in tables in thousands, except per share data)

Repurchase Agreements

Securities sold under repurchase agreements are treated as collateralized financing transactions. Securities financed through a repurchase agreement remain on the Consolidated Balance Sheets as an asset and cash received from the purchaser is recorded on the Consolidated Balance Sheets as a liability. Interest paid in accordance with repurchase agreements is recorded as interest expense in the Consolidated Statements of Operations.

Membership Deposit Liabilities

Private country club members generally pay an advance initiation fee deposit upon their acceptance as a member to the respective country club. Initiation fee deposits are refundable 30 years after the date of acceptance as a member. The difference between the initiation fee deposit paid by the member and the present value of the refund obligation is deferred and recognized into revenue in the Consolidated Statements of Operations on a straight-line basis over the expected life of an active membership, which is estimated to be seven years.

The present value of the refund obligation is recorded as a membership deposit liability in the Consolidated Balance Sheets and accretes over a30-year nonrefundable term using the effective interest method. This accretion is recorded as interest expense in the Consolidated Statements of Operations.

Accounts Payable, Accrued Expenses and Other Liabilities

Accounts payable, accrued expenses and other liabilities are comprised of the following:

	December 31,	
	2015	2014
Accounts payable and accrued expenses	$ 26,966	$ 35,854
Deferred revenue	28,931	29,322
Security deposits payable	5,975	5,293
Unfavorable leasehold interests	5,485	6,443
Derivative liabilities	684	4,328
Accrued rent	3,135	2,605
Due to affiliates	892	1,125
Miscellaneous liabilities	11,876	14,742
	$ 83,944	$ 99,712

Accounts Payable and Accrued Expenses – Accounts payable reflect expenses related to goods and services received that have not yet been paid and accrued expenses reflect invoices that have not yet been received.

Deferred Revenue – Payments received in advance of the performance of services are recorded as deferred revenue until the services are performed.

Security Deposits Payable – Security deposits payable relate to deposits received for events at golf properties.

Unfavorable Leasehold Interests – Unfavorable leasehold interests relates to leases acquired as part of the Golf business where the terms of the leasehold contracts are less favorable than the estimated market terms of the leases at the acquisition date.

Derivative Liabilities – All derivatives are recognized as either assets or liabilities on the balance sheet and measured at fair value.

Accrued Rent – Golf properties pay rent on certain leased properties in arrears and scheduled rent increases are recognized on a straight-line basis over the term of the lease, resulting in an accrual.

Due to Affiliates – Represents amounts due to the Manager pursuant to the Management Agreement.

(dollars in tables in thousands, except per share data)

Options — The fair value of the options issued as compensation to the Manager for its successful efforts in raising capital for Newcastle was recorded as an increase in equity with an offsetting reduction of capital proceeds received. Options granted to Newcastle's directors were accounted for using the fair value method.

Preferred Stock — Newcastle's accounting policy for its preferred stock is described in Note 12.

Income Taxes – Newcastle operates so as to qualify as a REIT under the requirements of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. Requirements for qualification as a REIT include various restrictions on ownership of stock, requirements concerning distribution of taxable income and certain restrictions on the nature of assets and sources of income. A REIT must distribute at least 90% of its taxable income to its stockholders of which 85% plus any undistributed amounts from the prior year must be distributed within the taxable year in order to avoid the imposition of an excise tax. Distribution of the remaining balance may extend until timely filing of Newcastle's tax return in the subsequent taxable year. Qualifying distributions of taxable income are deductible by a REIT in computing taxable income.

Certain activities are conducted through taxable REIT subsidiaries ("TRS") and therefore are subject to federal and state income taxes. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases upon the change in tax status. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Newcastle recognizes tax benefits for uncertain tax positions only if it is more likely than not that the position is sustainable based on its technical merits. Interest and penalties on uncertain tax positions are included as a component of the provision for income taxes in the Consolidated Statements of Operations.

Accretion of Discount and Other Amortization — As reflected in the Consolidated Statements of Cash Flows, this item is comprised of the following:

	Year Ended December 31,		
	2015	2014	2013
Accretion of net discount on securities, loans and other investments	$ (5,802)	$ (28,638)	$ (34,525)
Amortization of net discount on debt obligations and deferred financing costs	3,325	14,217	3,915
Amortization of net deferred hedge gains - debt	(78)	(61)	(11)
Amortization of leasehold intangibles	4,942	5,000	—
Accretion of membership deposit liability	5,840	5,663	—
	$ 8,227	$ (3,819)	$ (30,621)

Securitization of Subprime Mortgage Loans — Newcastle's accounting policy for its securitization of subprime mortgage loans is disclosed in Note 6.

Recent Accounting Pronouncements — In May 2014, the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board ("IASB") issued Accounting Standards Update ("ASU") 2014-09 *Revenue from Contracts with Customers (Topic 606)*. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under today's guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In August 2015, the FASB issued ASU 2015-14 *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* which defers the effective date by one year. The standard will be effective for annual and interim periods beginning after December 15, 2017; however, all entities are allowed to adopt the standard as early as the original effective date (annual periods beginning after December 15, 2016). Entities have the option of using either a full retrospective or a modified approach to adopt the guidance. Newcastle is currently reviewing the guidance to determine its impact on the Consolidated Financial Statements.

In February 2015, the FASB issued ASU 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*. The standard amends the consolidation considerations when evaluating certain limited partnerships, variable interest entities and investment funds. The ASU is effective for Newcastle in the first quarter of 2016 and early adoption is permitted. The adoption of the new guidance will have no impact on the Consolidated Financial Statements.

In April 2015, the FASB issued ASU 2015-03, *Interest-Imputation of Interest (Topic 835): Simplifying the Presentation of Debt Issuance Costs*. The standard requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The new guidance is effective in the first quarter of 2016 and early adoption is permitted. Newcastle elected to early adopt this new guidance effective for the first quarter of 2015 to simplify presentation of debt issuance costs and has applied the changes retrospectively to all periods presented. Accordingly, "Receivables and other assets" excludes deferred financing costs, "Repurchase Agreements" is reported net of deferred financing costs of $0.2 million as of December 31, 2015 and "Credit facilities and obligations under capital leases" is reported net of deferred financing costs of $0.4 million as of December 31, 2014 in the Consolidated Balance Sheets.

In January 2016, the FASB issued ASU 2016-01 *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The effective date of the standard will be for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017. Newcastle is currently evaluating the new guidance to determine the impact it may have on its Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02 *Leases (Topic 842)*. The standard requires lessees to recognize most leases on the balance sheet and addresses certain aspects of lessor accounting. The effective date of the standard will be for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 and early adoption is permitted. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements, with an option to use certain relief. Newcastle is currently evaluating the new guidance to determine the impact it may have on its Consolidated Financial Statements.

The FASB has recently issued or discussed a number of proposed standards on such topics as financial statement presentation, leases, financial instruments and hedging. Some of the proposed changes are significant and could have a material impact on Newcastle's reporting. Newcastle has not yet fully evaluated the potential impact of these proposals, but will make such an evaluation as the standards are finalized.

3. DISCONTINUED OPERATIONS

On May 15, 2013, Newcastle completed the spin-off of New Residential from Newcastle.

On February 13, 2014, Newcastle completed the spin-off of New Media from Newcastle.

On November 6, 2014, Newcastle completed the spin-off of New Senior from Newcastle.

In April 2015, Newcastle closed the sale of its commercial real estate properties in Beavercreek, OH for $7.0 million, net of closing costs, and recognized a net gain on the sale of these assets of approximately $0.3 million. In addition, Newcastle repaid the related debt on this property of $6.0 million held within CDO IX, which was eliminated in consolidation.

As a result of the spin-offs and the sale of the commercial real estate properties in Beavercreek, OH (which was initially reported as held-for-sale as of September 30, 2014), the assets, liabilities and results of operations of those components of Newcastle's operations that (i) were part of the spin-offs and/or (ii) represent operations Newcastle plans to sell in which it has no significant continuing involvement, are presented separately in discontinued operations in Newcastle's Consolidated Financial Statements for all periods presented.

With respect to the sale of the commercial real estate properties in Beavercreek, OH, the assets of discontinued operations include no investments in other real estate as of December 31, 2015 and $6.6 million as of December 31, 2014, and no cash and cash equivalents, restricted cash and receivables and other assets as of December 31, 2015 and $0.2 million as of December 31, 2014. There were no liabilities of discontinued operations as of December 31, 2015. The liabilities of discontinued operations include accounts payable, accrued liabilities and other liabilities of $0.5 million as of December 31, 2014.

(dollars in tables in thousands, except per share data)

Results of operations from discontinued operations were as follows:

	Year Ended December 31,		
	2015	2014	2013
Interest income	$ —	$ —	$ 15,098
Interest expense	—	(49,705)	(12,372)
Net interest income (expense)	—	(49,705)	2,726
Operating Revenues			
Media income	—	68,212	61,637
Rental income	556	194,729	74,936
Care and ancillary income	—	20,428	12,387
Total operating revenues	556	283,369	148,960
Other Income			
Other income (loss)	—	1,444	(2,404)
Gain on settlement of investments	318	—	—
Change in fair value of investments in excess mortgage servicing rights	—	—	3,894
Change in fair value of investments in equity method investees	—	—	4,924
Earnings from investments in equity method investees	—	—	16,117
Total other income	318	1,444	22,531
Expenses			
Property operating expenses	187	152,896	53,733
Media operating expenses	—	—	49,092
General and administrative expense (A)	30	20,096	21,742
Depreciation and amortization	11	90,627	30,969
Management fee to affiliate	—	7,789	5,034
Income tax expense (benefit)	—	(1,111)	2,100
Total expenses	228	270,297	162,670
Income (loss) from discontinued operations, net of tax	$ 646	$ (35,189)	$ 11,547

(A) Includes acquisition and spin-off related expenses of $0.0 million, $15.8 million and $13.3 million for the years ended December 31, 2015, 2014 and 2013, respectively.

The February 13, 2014 spin-off of New Media resulted in a $391.3 million reduction in the basis upon which Newcastle's management fees are computed (and an equivalent reduction in the basis upon which the incentive compensation threshold is computed), as well as a reduction in the strike price of Newcastle's then outstanding options (see Note 12).

The November 6, 2014 spin-off of New Senior resulted in a $673.0 million reduction in the basis upon which Newcastle's management fees are computed (and an equivalent reduction in the basis upon which the incentive compensation threshold is computed), as well as a reduction in the strike price of Newcastle's then outstanding options (see Note 12).

4. SEGMENT REPORTING AND VARIABLE INTEREST ENTITIES

Newcastle conducts its business through the following segments: (i) debt investments financed with collateralized debt obligations ("CDOs"), (ii) other debt investments ("Other Debt"), (iii) investments in golf properties and facilities ("Golf") and (iv) corporate.

The corporate segment consists primarily of interest income on short-term investments, general and administrative expenses, interest expense on the junior subordinated notes payable (Note 11) and management fees pursuant to the Management Agreement (Note 13).

(dollars in tables in thousands, except per share data)

Summary financial data on Newcastle's segments is given below, together with reconciliation to the same data for Newcastle as a whole:

	Debt Investments (A)						
	CDOs	Other Debt (B)	Golf	Corporate	Discontinued Operations	Eliminations	Total
Year Ended December 31, 2015							
Interest income	$ 32,488	$ 66,233	$ 152	$ 23	$ —	$ (3,005)	$ 95,891
Interest expense	(6,587)	(38,244)	(16,520)	(3,783)	—	3,005	(62,129)
Inter-segment elimination	(3,005)	—	3,005	—	—	—	—
Net interest income (expense)	22,896	27,989	(13,363)	(3,760)	—	—	33,762
Total impairment (reversal)	12,569	6,832	—	—	—	—	19,401
Total operating revenues	—	—	295,856	—	—	—	295,856
Total other income (expense)	30,270	(4,003)	13,180	54	—	—	39,501
Loan and security servicing expense	283	8	—	—	—	—	291
Operating expenses - golf (C)	—	—	236,971	—	—	—	236,971
Operating expenses-golf, repairs and maintenance expenses	—	—	8,450	—	—	—	8,450
Cost of sales - golf	—	—	31,681	—	—	—	31,681
General and administrative expense	—	—	2,983	7,640	—	—	10,623
General and administrative expense - acquisition and transaction expenses (D)	—	60	1,364	(301)	—	—	1,123
Management fee to affiliate	—	—	—	10,692	—	—	10,692
Depreciation and amortization	—	—	28,682	(48)	—	—	28,634
Income tax expense	—	—	345	—	—	—	345
Income (loss) from continuing operations	40,314	17,086	(14,803)	(21,689)	—	—	20,908
Income from discontinued operations, net of tax	—	—	—	—	646	—	646
Net income (loss)	40,314	17,086	(14,803)	(21,689)	646	—	21,554
Preferred dividends	—	—	—	(5,580)	—	—	(5,580)
Net loss attributable to noncontrolling interests	—	—	293	—	—	—	293
Income (loss) applicable to common stockholders	$ 40,314	$ 17,086	$ (14,510)	$ (27,269)	$ 646	$ —	$ 16,267
December 31, 2015							
Investments	$ 46,392	$ 669,736	$ 302,379	$ —	$ —	$ —	$ 1,018,507
Cash and restricted cash	128	1,082	19,981	28,929	—	—	50,120
Other assets	77	365,104	33,765	409	—	—	399,355
Assets of discontinued operations	—	—	—	—	—	—	—
Total assets	46,597	1,035,922	356,125	29,338	—	—	1,467,982
Debt, net	97,605	740,921	81,091	51,225	—	—	970,842
Other liabilities	29	107,125	166,973	12,891	—	—	287,018
Liabilities of discontinued operations	—	—	—	—	—	—	—
Total liabilities	97,634	848,046	248,064	64,116	—	—	1,257,860
Preferred stock	—	—	—	61,583	—	—	61,583
Noncontrolling interests	—	—	(257)	—	—	—	(257)
Equity (deficit) attributable to common stockholders	$ (51,037)	$ 187,876	$ 108,318	$ (96,361)	$ —	$ —	$ 148,796

Summary segment financial data (continued).

(dollars in tables in thousands, except per share data)

	Debt Investments (A)						
	CDOs	Other Debt (B)	Golf	Corporate	Discontinued Operations	Eliminations	Total
Year Ended December 31, 2014							
Interest income	$ 84,938	$ 50,093	$ 147	$ 44	$ —	$ (7,595)	$ 127,627
Interest expense	(22,142)	(41,874)	(19,783)	(3,818)	—	7,595	(80,022)
Inter-segment elimination	(7,595)	1,861	5,734	—	—	—	—
Net interest income (expense)	55,201	10,080	(13,902)	(3,774)	—	—	47,605
Total impairment (reversal)	(3,303)	884	—	—	—	—	(2,419)
Total operating revenues	—	—	291,537	—	—	—	291,537
Total other income	41,780	26,819	5,863	—	—	—	74,462
Loan and security servicing expense	238	961	—	—	—	—	1,199
Operating expenses - golf (C)	—	—	244,234	—	—	—	244,234
Operating expenses - golf, repairs and maintenance expenses	—	—	9,870	—	—	—	9,870
Cost of sales - golf	—	—	30,271	—	—	—	30,271
General and administrative expense	14	2	1,435	7,722	—	—	9,173
General and administrative expense - acquisition and transaction expenses (D)	—	2,919	1,941	619	—	—	5,479
Management fee to affiliate	—	—	—	21,039	—	—	21,039
Depreciation and amortization	—	—	26,880	87	—	—	26,967
Income tax expense	—	—	208	—	—	—	208
Income (loss) from continuing operations	100,032	32,133	(31,341)	(33,241)	—	—	67,583
Loss from discontinued operations, net of tax	—	—	—	—	(35,189)	—	(35,189)
Net income (loss)	100,032	32,133	(31,341)	(33,241)	(35,189)	—	32,394
Preferred dividends	—	—	—	(5,580)	—	—	(5,580)
Net loss attributable to noncontrolling interests	—	—	329	—	523	—	852
Income (loss) applicable to common stockholders	$ 100,032	$ 32,133	$ (31,012)	$ (38,821)	$ (34,666)	$ —	$ 27,666
December 31, 2014							
Investments, net (E)	$ 473,209	$ 833,293	$ 323,969	$ —	$ —	$ —	$ 1,630,471
Cash and restricted cash	11,790	877	21,637	55,137	—	—	89,441
Other assets (F)	1,927	2,190	30,983	91	—	—	35,191
Assets of discontinued operations	—	—	—	—	6,803	—	6,803
Total assets	486,926	836,360	376,589	55,228	6,803	—	1,761,906
Debt, net (E)	310,636	791,499	161,474	51,231	—	—	1,314,840
Other liabilities	2,391	4,528	164,897	16,475	—	—	188,291
Liabilities of discontinued operations	—	—	—	—	447	—	447
Total liabilities	313,027	796,027	326,371	67,706	447	—	1,503,578
Preferred stock	—	—	—	61,583	—	—	61,583
Noncontrolling interest	—	—	36	—	—	—	36
Equity (deficit) attributable to common stockholders	$ 173,899	$ 40,333	$ 50,182	$ (74,061)	$ 6,356	$ —	$ 196,709

(dollars in tables in thousands, except per share data)

Summary segment financial data (continued).

	Debt Investments (A)						
	CDOs	Other Debt (B)	Golf	Corporate	Discontinued Operations	Eliminations	Total
Year Ended December 31, 2013							
Interest income	$ 119,292	$ 98,968	$ —	$ 198	$ —	$ (4,746)	$ 213,712
Interest expense	(24,996)	(54,534)	—	(3,817)	—	4,746	(78,601)
Inter-segment elimination	(4,746)	4,746	—	—	—	—	—
Net interest income (expense)	89,550	49,180	—	(3,619)	—	—	135,111
Total impairment (reversal)	(9,338)	(10,431)	—	—	—	—	(19,769)
Total other income	23,946	11,344	—	—	—	—	35,290
Loan and security servicing expense	741	3,113	—	3	—	—	3,857
General and administrative expense	—	18	—	17,440	—	—	17,458
Management fee to affiliate	—	—	—	28,057	—	—	28,057
Depreciation and amortization	—	—	—	4	—	—	4
Income (loss) from continuing operations	122,093	67,824	—	(49,123)		—	140,794
Income from discontinued operations, net of tax	—	—	—	—	11,547	—	11,547
Net income (loss)	122,093	67,824	—	(49,123)	11,547	—	152,341
Preferred dividends	—	—	—	(5,580)	—	—	(5,580)
Net income attributable to noncontrolling interests	—	—	—	—	(928)	—	(928)
Income (loss) applicable to common stockholders	$ 122,093	$ 67,824	$ —	$ (54,703)	$ 10,619	$ —	$ 145,833

(A) Assets held within non-recourse structures, including all of the assets in the CDO segment, are not available to satisfy obligations outside of such financings, except to the extent net cash flow distributions are received from such structures. Furthermore, creditors or beneficial interest holders of these structures generally have no recourse to the general credit of Newcastle. Therefore, the exposure to the economic losses from such structures generally is limited to invested equity in them and economically their book value cannot be less than zero. Therefore, impairment recorded in excess of Newcastle's investment, which results in negative GAAP book value for a given non-recourse financing structure, cannot economically be incurred and will eventually be reversed through amortization, sales at gains, or as gains at the deconsolidation or termination of such non-recourse financing structure.

(B) The following table summarizes the investments and debt in the Other Debt segment:

	December 31, 2015				December 31, 2014			
	Investments		Debt		Investments		Debt	
Non-Recourse	Outstanding Face Amount	Carrying Value	Outstanding Face Amount	Carrying Value	Outstanding Face Amount	Carrying Value	Outstanding Face Amount	Carrying Value
Subprime mortgage loans subject to call options	380,806	380,806	380,806	380,806	406,217	406,217	406,217	406,217
Other								
Unlevered real estate securities (G)	37,404	12,642	—	—	167,457	12,265	—	—
Levered real estate securities (H)	102,660	105,963	348,625	348,625	390,771	407,689	385,282	385,282
Real estate related and other loans	238,449	149,198	11,660	11,490	—	—	—	—
Other investments	N/A	20,595	—	—	N/A	6,479	—	—
Residential mortgage loans	922	532	—	—	934	643	—	—
	$ 760,241	$ 669,736	$ 741,091	$ 740,921	$ 965,379	$ 833,293	$ 791,499	$ 791,499

(C) Operating expenses - golf includes rental expenses recorded under operating leases for carts and equipment in the amount of $4.6 million and $5.0 million for the years ended December 31, 2015 and 2014, respectively.

(D) Includes all transaction related and spin-off related expenses.

(E) Net of $35.1 million of inter-segment eliminations as of 2014.

(F) In the first quarter of 2015, Newcastle adopted ASU 2015-03 (see Note 2) which requires retrospective application to all prior periods. Accordingly, Other assets is reduced by $0.4 million for deferred financing costs as of December 31, 2014.

(G) Excludes eight securities with zero value, which had an aggregate face amount of $116.0 million.

(H) These investments represent purchases that were traded on December 31, 2015 but settled on January 13, 2016. The debts represent repurchase agreements collateralized by sold investments that were traded on December 31, 2015 and settled on January 13, 2016. See Note 5 for additional detail.

(dollars in tables in thousands, except per share data)

Variable Interest Entities

The VIEs in which Newcastle has a significant interest include (i) Newcastle's CDOs, in which Newcastle has been determined to be the primary beneficiary and therefore consolidates them (with the exception of CDO V), since it has the power to direct the activities that most significantly impact the CDOs' economic performance and would absorb a significant portion of their expected losses and receive a significant portion of their expected residual returns. Newcastle's CDOs are held in special purpose entities whose debt is treated as non-recourse secured borrowings of Newcastle.

The following table presents certain assets of consolidated VIEs, which are included in the Consolidated Balance Sheets. The assets in the table below include only those assets that can be used to settle obligations of consolidated VIEs, and are in excess of those obligations. Additionally, the assets in the table below exclude intercompany balances that eliminate in consolidation.

	December 31,	
	2015	2014
Assets of consolidated VIEs that can only be used to settle obligations of consolidated VIEs		
Real estate securities, available-for-sale	$ 46,392	$ 219,490
Real estate related and other loans, held-for-sale, net	—	230,200
Residential mortgage loans, held-for-sale, net	—	3,211
Subprime mortgage loans subject to call option	380,806	406,217
Other investments	—	20,308
Restricted cash	128	11,790
Receivables and other assets	77	1,927
Assets of discontinued operations	—	6,803
Total assets of consolidated VIEs that can only be used to settle obligations of consolidated VIEs	$ 427,403	$ 899,946

The following table presents certain liabilities of consolidated VIEs, which are included in the Consolidated Balance Sheets. The liabilities in the table below include third-party liabilities of consolidated VIEs due to third parties only, and exclude intercompany balances that eliminate in consolidation. The liabilities also exclude amounts where creditors or beneficial interest holders have recourse to the general credit of Newcastle.

	December 31,	
	2015	2014
Liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of Newcastle		
CDO bonds payable	$ 92,933	$ 227,673
Other bonds and notes payable	4,672	27,069
Financing of subprime mortgage loans subject to call option	380,806	406,217
Accounts payable, accrued expenses and other liabilities	29	2,391
Liabilities of discontinued operations	—	447
Total liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of Newcastle	$ 478,440	$ 663,797

Newcastle's subprime securitizations and CDO V are also considered VIEs, but Newcastle does not control the decisions that most significantly impact their economic performance, and no longer receives a significant portion of their returns. Newcastle deconsolidated CDO V as of June 17, 2011 as a result of an event of default which allowed Newcastle to be removed as collateral manager and prevents purchasing and selling of certain collateral within CDO V.

In addition, Newcastle's investments in RMBS, CMBS, CDO securities and real estate related and other loans may be deemed to be variable interests in VIEs, depending on their structure. Newcastle monitors these investments and analyzes the potential need to consolidate the related securitization entities pursuant to the VIE consolidation requirements. These analyses require considerable judgment in determining whether an entity is a VIE and determining the primary beneficiary of a VIE since they involve subjective determinations of significance, with respect to both power and economics. The result could be the consolidation of an entity that otherwise would not have been consolidated or the de-consolidation of an entity that otherwise would have been consolidated.

(dollars in tables in thousands, except per share data)

As of December 31, 2015, Newcastle has not consolidated these potential VIEs. This determination is based, in part, on the assessment that Newcastle does not have the power to direct the activities that most significantly impact the economic performance of these entities, such as if Newcastle owned a majority of the currently controlling class. In addition, Newcastle is not obligated to provide, and has not provided, any financial support to these entities.

Newcastle had variable interests in the following unconsolidated VIEs at December 31, 2015, in addition to the subprime securitizations which are described in Note 6:

Entity	Gross Assets (A)	Debt (B)	Carrying Value of Newcastle's Investment (C)
Newcastle CDO V	$ 80,062	$ 107,113	$ 9,731

(A) Face amount.

(B) Newcastle CDO V includes $44.1 million face amount of debt owned by Newcastle with a carrying value of $9.7 million at December 31, 2015.

(C) This amount represents Newcastle's maximum exposure to loss from this entity.

(dollars in tables in thousands, except per share data)

5. REAL ESTATE SECURITIES

The following is a summary of Newcastle's real estate securities at December 31, 2015 and 2014, all of which are classified as available for sale and are, therefore, reported at fair value with changes in fair value recorded in other comprehensive income, except for securities that are other-than-temporarily impaired.

		Amortized Cost Basis			Gross Unrealized				Weighted Average				
Asset Type	Outstanding Face Amount	Before Impairment	Other-Than-Temporary-Impairment	After Impairment	Gains	Losses	Carrying Value (A)	Number of Securities	Rating (B)	Coupon	Yield	Life (Years) (C)	Principal Subordination (D)
December 31, 2015													
CMBS	$ 67,669	$ 78,416	$ (55,372)	$ 23,044	$ 16,673	$ (33)	$ 39,684	16	B	4.97%	14.78%	2.1	26.1%
Non-Agency RMBS	16,477	23,403	(20,667)	2,736	6,958	(75)	9,619	9	CC	1.89%	11.95%	11.0	9.7%
ABS-Franchise	8,464	7,647	(7,647)	—	—	—	—	1	C	6.69%	—%	0	—%
CDO (E)	14,632	—	—	—	9,731	—	9,731	2	C	1.80%	—%	7.2	25.1%
Debt Security Total/Average (F)	$ 107,242	$ 109,466	$ (83,686)	$ 25,780	$ 33,362	$ (108)	$ 59,034	28	CCC+	4.20%	14.48%	4.0	
Equity Securities		—	—	—	—	—	—	2					
Total Securities, Available-for-Sale		$ 109,466	$ (83,686)	$ 25,780	$ 33,362	$ (108)	$ 59,034	30					
Agency RMBS (FNMA/FHLMC)	102,660	105,940	—	105,940	23	—	105,963	3	AAA	3.50%	2.99%	7.8	N/A
Total Securities, Pledged as Collateral	$ 102,660	$ 105,940	$ —	$ 105,940	$ 23	$ —	$ 105,963	3					
December 31, 2014													
CMBS	$ 214,026	$ 218,900	$ (75,574)	$ 143,326	$ 35,441	$ (4)	$ 178,763	32	B	5.86%	11.00%	2.6	10.4%
Non-Agency RMBS	67,475	79,808	(54,589)	25,219	19,816	—	45,035	28	CCC	1.21%	9.66%	7.7	21.8%
ABS-Franchise	8,464	7,647	(7,647)	—	—	—	—	1	C	6.69%	—%	0	—%
CDO (E)	14,413	—	—	—	7,956	—	7,956	2	CCC-	1.46%	—%	11.5	13.7%
Debt Security Total/Average (F)	$ 304,378	$ 306,355	$ (137,810)	$ 168,545	$ 63,213	$ (4)	$ 231,754	63	B-	4.64%	10.80%	4.1	
Equity Securities		—	—	—	—	—	—	1					
Total Securities, Available-for-Sale		$ 306,355	$ (137,810)	$ 168,545	$ 63,213	$ (4)	$ 231,754	64					
Agency RMBS (FNMA/FHLMC)	390,771	403,216	—	403,216	4,473	—	407,689	9	AAA	3.50%	2.94%	5.6	N/A
Total Securities, Pledged as Collateral	$ 390,771	$ 403,216	$ —	$ 403,216	$ 4,473	$ —	$ 407,689	9					

(A) See Note 10 regarding the estimation of fair value, which is equal to carrying value for all securities.

(B) Represents the weighted average of the ratings of all securities in each asset type, expressed as an S&P equivalent rating. For each security rated by multiple rating agencies, the lowest rating is used. Newcastle used an implied AAA rating for the FNMA/FHLMC securities. Ratings provided were determined by third party rating agencies, represent the most resent credit ratings available as of the reporting date and may not be current.

(C) The weighted average life is based on the timing of expected principal reduction on the assets.

(D) Percentage of the outstanding face amount of securities and residual interests that is subordinate to Newcastle's investments.

(E) Represents non-consolidated CDO securities, excluding eight securities with zero value which had an aggregate face amount of $116.0 million and $113.3 million as of December 31, 2015 and 2014, respectively.

(F) As of December 31, 2015 and 2014, the total outstanding face amount of fixed rate securities was $168.5 million and $600.9 million, respectively, and of floating rate securities were $41.4 million and $94.2 million, respectively.

Unrealized losses that are considered other-than-temporary are recognized currently in earnings. During the years ended December 31, 2015, 2014 and 2013, Newcastle recorded other-than-temporary impairment charges ("OTTI") of $2.4 million, $0.0 million and $5.2 million, respectively, (gross of less than $0.1 million, $0.0 million and $0.0 million of other-than-temporary impairment recognized (reversed) in other comprehensive income in 2015, 2014 and 2013, respectively). During the year ended December 31, 2013, $3.8 million of the OTTI recorded was on certain real estate securities included in the spin-off of New

(dollars in tables in thousands, except per share data)

Residential as Newcastle determined it did not have the intent to hold the securities past May 15, 2013. Based on management's analysis of the securities, the performance of the underlying loans and changes in market factors, Newcastle noted adverse changes in the expected cash flows on certain of these securities and concluded that they were other-than-temporarily impaired. Any remaining unrealized losses as of each balance sheet date on Newcastle's securities were primarily the result of changes in market factors, rather than issuer-specific credit impairment. Newcastle performed analyses in relation to such securities, using management's best estimate of their cash flows, which support that the carrying values of such securities were fully recoverable over their expected holding period. The following table summarizes Newcastle's securities in an unrealized loss position as of December 31, 2015.

		Amortized Cost Basis			Gross Unrealized				Weighted Average			
Securities in an Unrealized Loss Position	Outstanding Face Amount	Before Impairment	Other-than-Temporary Impairment	After Impairment	Gains	Losses	Carrying Value	Number of Securities	Rating	Coupon	Yield	Life (Years)
Less Than Twelve Months	$ 3,699	$ 4,389	$ (3,010)	$ 1,379	$ —	$ (108)	$ 1,271	2	CC	3.46%	11.20%	7.4
Twelve or More Months	—	—	—	—	—	—	—	—	—	—	—	0
Total	$ 3,699	$ 4,389	$ (3,010)	$ 1,379	$ —	$ (108)	$ 1,271	2	CC	3.46%	11.20%	7.4

Newcastle performed an assessment of all of its debt securities that are in an unrealized loss position (unrealized loss position exists when a security's amortized cost basis, excluding the effect of OTTI, exceeds its fair value) and determined the following:

	December 31, 2015			
		Amortized Cost Basis	Unrealized Losses	
	Fair Value	After Impairment	Credit (B)	Non-Credit (C)
Securities Newcastle intends to sell	$ —	$ —	$ —	N/A
Securities Newcastle is more likely than not to be required to sell (A)	—	—	—	N/A
Securities Newcastle has no intent to sell and is not more likely than not to be required to sell:				
Credit impaired securities	1,271	1,379	(3,010)	(108)
Non-credit impaired securities	—	—	—	—
Total debt securities in an unrealized loss position	$ 1,271	$ 1,379	$ (3,010)	$ (108)

(A) Newcastle may, at times, be more likely than not to be required to sell certain securities for liquidity purposes. While the amount of the securities to be sold may be an estimate, and the securities to be sold have not yet been identified, Newcastle must make its best estimate, which is subject to significant judgment regarding future events, and may differ materially from actual future sales.

(B) This amount is required to be recorded as other-than-temporary impairment through earnings. In measuring the portion of credit losses, Newcastle's management estimates the expected cash flow for each of the securities. This evaluation includes a review of the credit status and the performance of the collateral supporting those securities, including the credit of the issuer, key terms of the securities and the effect of local, industry and broader economic trends. Significant inputs in estimating the cash flows include management's expectations of prepayment speeds, default rates and loss severities. Credit losses are measured as the decline in the present value of the expected future cash flows discounted at the investment's effective interest rate.

(C) This amount represents unrealized losses on securities that are due to non-credit factors and is required to be recorded through other comprehensive income.

(dollars in tables in thousands, except per share data)

The following table summarizes the activity related to credit losses on debt securities:

	2015	2014
Beginning balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	$ (4,174)	$ (2,873)
Additions for credit losses on securities for which an OTTI was not previously recognized	(1,567)	—
Increases to credit losses on securities for which an OTTI was previously recognized and a portion of an OTTI was recognized in other comprehensive income	—	(4,174)
Additions for credit losses on securities for which an OTTI was previously recognized without any portion of OTTI recognized in other comprehensive income	(1,443)	—
Reduction for credit losses on securities for which no OTTI was recognized in other comprehensive income at the current measurement date	4,174	—
Reduction for securities sold during the period	—	2,873
Reduction for increases in cash flows expected to be collected that are recognized over the remaining life of the security	—	—
Ending balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	$ (3,010)	$ (4,174)

The table below summarizes the geographic distribution of the collateral securing the CMBS and ABS atDecember 31, 2015:

	CMBS		ABS	
Geographic Location	Outstanding Face Amount	Percentage	Outstanding Face Amount	Percentage
Northeastern U.S.	$ 12,303	18.2%	$ 7,922	31.8%
Southeastern U.S.	16,954	25.0%	3,798	15.2%
Midwestern U.S.	21,105	31.2%	7,630	30.6%
Western U.S.	9,857	14.6%	4,184	16.8%
Southwestern U.S.	7,450	11.0%	1,407	5.6%
	$ 67,669	100.0%	$ 24,941	100.0%

Geographic concentrations of investments expose Newcastle to the risk of economic downturns within the relevant regions, particularly given the current unfavorable market conditions. These market conditions may make regions more vulnerable to downturns in certain market factors. Any such downturn in a region where Newcastle holds significant investments could have a material, negative impact on Newcastle.

In March 2015, Newcastle sold $380.4 million face amount of agency RMBS fixed-rate securities at an average price of104.72% of par for total proceeds of $398.4 million, and repaid $385.6 million of repurchase agreements associated with these securities and recognized a gain of approximately$5.9 million.

Additionally, in March 2015, Newcastle purchased $389.1 million face amount of agency RMBS fixed-rate securities at an average price of104.77% of par for total proceeds of $407.6 million. This transaction was financed with repurchase financing of$386.1 million.

In May 2015, Newcastle sold $98.6 million face amount of CMBS securities at an average price of 104.03% of par for total proceeds of $102.6 million, and recognized a gain of $14.0 million. Newcastle also sold $42.8 million face amount of non-Agency RMBS securities at an average price of 85.54% of par for total proceeds of $36.7 million, and recognized a gain of $14.1 million. The proceeds from these CMBS and non-Agency RMBS sales were used to repay the associated outstanding notes in CDO VI, CDO VIII and CDO IX.

Additionally in May 2015, Newcastle received a $25.0 million par paydown of CMBS securities held in CDO IX. These funds were used to repay the associated outstanding notes in CDO IX.

In May 2015, Newcastle also sold $3.9 million face amount of unencumbered non-Agency RMBS at an average price of 24.11% of par for total proceeds of $0.9 million and recognized a gain of $0.8 million.

In July 2015, Newcastle sold $380.4 million face amount of agency RMBS at an average price of 103.13% of par for total proceeds of approximately $392.3 million and recognized a loss of $5.9 million. Newcastle repaid $375.7 million of outstanding repurchase agreement liabilities in connection with this sale.

In July 2015, Newcastle purchased $201.9 million face amount of agency RMBS at an average price of 102.87% of par for total proceeds of approximately $207.7 million. This transaction was financed with $196.7 million of repurchase agreements.

In July 2015, Newcastle settled on a trade to purchase $403.9 million face amount of agency RMBS at an average price of 102.88% of par for total proceeds of approximately $415.6 million. This transaction was financed with $393.8 million of repurchase agreements.

In September 2015, Newcastle sold $250.4 million face amount of agency RMBS at an average price of 103.83% of par for total proceeds of approximately $260.0 million, and recognized a gain of $2.5 million. Newcastle repaid $250.1 million of outstanding repurchase agreement liabilities in connection with this sale.

In October 2015, Newcastle sold $348.9 million face amount of agency RMBS at an average price of 104.32% of par for total proceeds of approximately $364.0 million, and recognized a gain of $5.1 million. Newcastle repaid $345.9 million of outstanding repurchase agreement liabilities in connection with this sale.

In October 2015, Newcastle purchased $354.8 million face amount of agency RMBS at an average price of 104.42% of par for total proceeds of approximately $370.5 million. This transaction was financed with $352.6 million of repurchase agreements.

In December 2015, Newcastle entered into a trade to sell $350.3 million face amount of agency RMBS at an average price of 103.2% of par for total proceeds of approximately $361.3 million, and recognized a loss of $3.9 million. Newcastle repaid $348.6 million of outstanding repurchase agreement liabilities in connection with this sale. This trade settled in January 2016.

In December 2015, Newcastle entered into a trade to purchase $102.7 million face amount of agency RMBS at an average price of 103.2% of par for total proceeds of approximately $105.9 million. This transaction was financed with $102.2 million of repurchase agreements. This trade settled in January 2016.

Securities Pledged as Collateral

These government agency securities were sold under agreements to repurchase which are treated as collateralized financing transactions. Although being pledged as collateral, securities financed through a repurchase agreement remains on Newcastle's Consolidated Balance Sheets as an asset and cash received from the purchaser is recorded on Newcastle's Consolidated Balance Sheets as a liability.

(dollars in tables in thousands, except per share data)

6. REAL ESTATE RELATED AND OTHER LOANS, RESIDENTIAL MORTGAGE LOANS AND SUBPRIME MORTGAGE LOANS

The following is a summary of real estate related and other loans, residential mortgage loans and subprime mortgage loans. The loans contain various terms, including fixed and floating rates, self-amortizing and interest only. They are generally subject to prepayment.

	December 31, 2015									December 31, 2014	
Loan Type	Outstanding Face Amount	Carrying Value (A)	Valuation Allowance (Reversal)	Loan Count	Wtd. Avg Yield	Wtd Avg Coupon	Wtd Avg Life (Years) (B)	Floating Rate Loans as a % of Face Amount	Delinquent Face Amount (C)	Carrying Value	Wtd. Avg. Yield
Mezzanine Loans	$ 37,200	$ 19,433	$ 4,386	3	8.00%	8.27%	0.3	100.0%	$ 17,767	$ 103,582	7.79%
Corporate Bank Loans	201,249	129,765	5,218	4	22.42%	18.47%	1.0	0.0%	45,687	107,715	22.08%
B-Notes	—	—	—	—	—%	—%	0	—%	—	18,748	12.00%
Whole Loans	—	—	—	—	—%	—%	0	—%	—	155	4.00%
Total Real Estate Related and other Loans Held-for-Sale, Net (D)	$ 238,449	$ 149,198	$ 9,604	7	20.54%	16.88%	0.9	15.6%	$ 63,454	$ 230,200	14.82%
Residential Mortgage Loans Held-for-Sale, Net (E)(F)	$ 922	$ 532	$ 96	4	62.02%	2.84%	1.6	100.0%	$ 766	$ 3,854	23.48%
Subprime Mortgage Loans Subject to Call Option	$ 380,806	$ 380,806								$ 406,217	

(A) The aggregate United States federal income tax basis for such assets at December 31, 2015 was approximately $175.9 million (unaudited), excluding the securitized subprime mortgage loans, which are fully consolidated for tax purposes. Carrying value includes negligible interest receivable for the residential housing loans.

(B) The weighted average maturity is based on the timing of expected principal reduction on the assets.

(C) Includes loans that are 60 days or more past due (including loans that are in foreclosure and borrowers in bankruptcy) or considered real estate owned ("REO"). As of December 31, 2015 and December 31, 2014, $63.5 million and $76.5 million face amount of real estate related and other loans, respectively, was on non-accrual status.

(D) Loans which are more than 3% of the total current carrying value (or $4.5 million) at December 31, 2015 are as follows:

	December 31, 2015						
Loan Type	Outstanding Face Amount	Carrying Value	Prior Liens	Loan Count	Yield (1)	Coupon (1)	Weighted Average Life (Years)
Individual Corporate Bank Loan (2)	$ 141,865	$ 125,793	$ 621,088	1	22.50%	22.50%	1.0
Individual Mezzanine Loan (3)	19,433	19,433	114,111	1	8.00%	8.00%	0.5
Others (4)	77,151	3,972	22,500	5	20.00%	8.78%	0.6
	$ 238,449	$ 149,198		7	20.54%	16.88%	0.9

(1) For Others, represents weighted average yield and weighted average coupon.

(2) Interest accrued to principal balance over life to maturity. Prior Liens reflect indebtedness and other claims on the assets of the related companies which support the Individual Corporate Bank Loan.

(3) Interest only payments over life to maturity and balloon principal payment upon maturity. Prior Liens reflect loans in this capital structure which are ranked pari passu to the Individual Mezzanine Loan.

(4) Various terms of payment. This represents $59.4 million and $17.8 million of bank loans and mezzanine loans, respectively. Each of the five loans had a carrying value of less than $4.5 million at December 31, 2015. Prior Liens reflect face amounts of third party liens that are senior to Newcastle's position for Others.

(dollars in tables in thousands, except per share data)

(E) The following is an aging analysis of past due residential loans held-for-sale as of December 31, 2015:

	30-59 Days Past Due	60-90 Days Past Due	Over 90 Days Past Due	REO	Total Past Due	Current	Total Outstanding Face Amount
Residential Loans	$ —	$ —	$ —	$ 766	$ 766	$ 156	$ 922

Newcastle’s management monitors the credit qualities of the residential loans primarily by using the aging analysis, current trends in delinquencies and the actual loss incurrence rate.

(F) Loans acquired at a discount for credit quality.

Newcastle's investments in real estate related and other loans were classified as held-for-sale as of December 31, 2015 and December 31, 2014. Loans held-for-sale are marked to the lower of carrying value or fair value.

In June 2015, Newcastle sold $12.0 million face amount of commercial real estate related loans from CDO VIII at a price of 100.01% of par for total proceeds of $12.0 million, and recognized a gain of $0.9 million. Newcastle also sold $45.7 million face amount of commercial real estate related loans from CDO IX at an average price of 95.35% for total proceeds of $43.5 million, and recognized a gain of $0.6 million. These proceeds were used to repay the outstanding notes in CDO VIII and CDO IX, respectively.

In August 2015, Newcastle closed on the sale of two residential mortgage loans with face amount of $3.3 million, for total proceeds of $2.9 million net of transaction expenses.

The following is a summary of real estate related and other loans by maturity at December 31, 2015:

Year of Maturity (1)	Outstanding Face Amount	Carrying Value	Number of Loans
Delinquent (2)	$ 63,454	$ —	4
2016	19,433	19,433	1
2017	—	—	—
2018	—	—	—
2019	155,562	129,765	2
2020	—	—	—
Thereafter	—	—	—
Total	$ 238,449	$ 149,198	7

(1) Based on the final extended maturity date of each loan investment as of December 31, 2015.
(2) Includes loans that are non-performing, in foreclosure, or under bankruptcy.

(dollars in tables in thousands, except per share data)

Activities relating to the carrying value of real estate related and other loans and residential mortgage loans are as follows:

	Held for Sale		Held for Investment	
	Real Estate Related Loans	Residential Mortgage Loans	Residential Mortgage Loans	NPL Reverse Mortgage Loans
Balance at December 31, 2012	$ 843,132	$ 2,471	$ 292,461	$ —
Purchases / additional fundings	315,296	—	—	35,138
Interest accrued to principal balance	26,588	—	—	—
Principal paydowns	(257,335)	(373)	(45,665)	—
Sales	(101,338)	—	—	—
New Residential spin-off	—	—	—	(35,865)
Conversion to equity-GateHouse	(393,531)	—	—	—
Elimination after restructure-Golf	(29,412)	—	—	—
Valuation (allowance) reversal on loans	19,479	105	5,451	—
Gain on repayment of loans held for sale	7,216	—	—	—
Accretion of loan discount and other amortization	6,689	—	3,684	727
Other	746	(18)	(481)	—
Balance at December 31, 2013	$ 437,530	$ 2,185	$ 255,450	$ —
Purchases / additional fundings	—	—	—	—
Interest accrued to principal balance	20,830	—	—	—
Principal paydowns	(240,937)	(9,574)	(9,436)	—
Sales	—	(233,349)	—	—
Transfer to held-for-sale	—	246,121	(246,121)	—
Valuation (allowance) reversal on loans	3,303	(51)	(833)	—
Accretion of loan discount and other amortization	8,867	—	115	—
Other	607	(1,478)	825	—
Balance at December 31, 2014	$ 230,200	$ 3,854	$ —	$ —
Purchases / additional fundings	—	—	—	—
Interest accrued to principal balance	27,717	—	—	—
Principal paydowns	(46,696)	(134)	—	—
Sales	(55,574)	(2,925)	—	—
Valuation (allowance) reversal on loans	(9,284)	(257)	—	—
Accretion of loan discount and other amortization	3,203	—	—	—
Other	(368)	(6)	—	—
Balance at December 31, 2015	$ 149,198	$ 532	$ —	$ —

(dollars in tables in thousands, except per share data)

The following is a rollforward of the related loss allowance:

	Held for Sale		Held for Investment
	Real Estate Related and Other Loans	Residential Mortgage Loans	Residential Mortgage Loans (A)
Balance at December 31, 2012	$ (182,062)	$ (1,072)	$ (22,478)
Charge-offs (B)	68,546	143	4,780
Valuation (allowance) reversal on loans	19,479	105	5,451
Balance at December 31, 2013	(94,037)	(824)	(12,247)
Charge-offs (B)	14,808	84	711
Transfer to held-for-sale	—	(12,369)	12,369
Sales	—	13,006	—
Valuation (allowance) reversal on loans	3,303	(51)	(833)
Balance at December 31, 2014	$ (75,926)	$ (154)	$ —
Charge-offs (B)	14,345	160	—
Sales	—	—	—
Valuation (allowance) reversal on loans	(9,284)	(257)	—
Balance at December 31, 2015	$ (70,865)	$ (251)	$ —

(A) The allowance for credit losses was determined based on the guidance for loans acquired with deteriorated credit quality.

(B) The charge-offs for real estate related loans represent four, three and three loans which were written off, sold, restructured, or paid off at a discounted price during 2015, 2014 and 2013, respectively.

The average carrying amount of Newcastle's real estate related and other loans was approximately $172.8 million, $270.1 million and $761.7 million during 2015, 2014 and 2013, respectively, on which Newcastle earned approximately $36.8 million, $49.3 million and $81.5 million of gross interest revenues, respectively.

The average carrying amount of Newcastle's residential mortgage loans was approximately $2.4 million, $90.5 million and $282.7 million during 2015, 2014 and 2013, respectively, on which Newcastle earned approximately $0.1 million, $8.3 million and $27.3 million of gross interest revenues, respectively.

The table below summarizes the geographic distribution of real estate related and other loans and residential loans at December 31, 2015:

	Real Estate Related and Other Loans		Residential Mortgage Loans	
Geographic Location	Outstanding Face Amount	Percentage	Outstanding Face Amount	Percentage
Northeastern U.S.	$ 7,967	9.6%	$ 523	56.7%
Southeastern U.S.	7,754	9.3%	260	28.2%
Midwestern U.S.	—	—%	139	15.1%
Southwestern U.S.	3,712	4.5%	—	—
Foreign	63,454	76.6%	—	—
	$ 82,887	100.0%	$ 922	100.0%
Other	155,562	(A)		
	$ 238,449			

(A) Includes corporate bank loans which are not directly secured by real estate assets.

Securitization of Subprime Mortgage Loans

Newcastle acquired and securitized two portfolios of subprime residential mortgage loans ("Subprime Portfolio I" and "Subprime Portfolio II"), through subsidiaries, as summarized in the table below. Both portfolios are being serviced by an affiliate of the Manager for a servicing fee equal to 0.50% per annum on their respective unpaid principal balances.

Both portfolios were securitized through special purpose entities ("Securitization Trust 2006") and ("Securitization Trust 2007") which are not consolidated by Newcastle. Newcastle retained a portion of the notes issued by, and all of the equity of, both entities.

(dollars in tables in thousands, except per share data)

Newcastle, as holder of the equity (or residual interest), has the option (a call option) to redeem the notes once the aggregate principal balance of Subprime Portfolio I or Subprime Portfolio II is equal to or less than 20% or 10%, respectively, of such balance at the date of the transfer. The transactions between Newcastle and each securitization trust qualified as sales for accounting purposes. However, the loans which are subject to a call option by Newcastle were not treated as being sold and are classified as "held for investment" subsequent to the completion of the securitizations. The loans subject to call option and the corresponding financing recognize interest income and expense based on the expected weighted average coupons of the loans subject to call options at the call date of 9.24% and 8.68% for Subprime Portfolios I and II, respectively. The call options are "out of the money," meaning that the price Newcastle would have to pay to acquire such loans exceeds their fair value at this time, and there is no requirement to exercise such options.

In both transactions, the residual interests and the retained bonds are reported as real estate securities, available for sale. The retained loans subject to call option and corresponding financing are reported as separate line items on Newcastle's balance sheet.

Newcastle has no obligation to repurchase any loans from either of its subprime securitizations. Therefore, it is expected that its exposure to loss is limited to the carrying amount of its retained interests in the securitization entities, as described above. A subsidiary of Newcastle gave limited representations and warranties with respect to Subprime Portfolio II and is required to pay the difference, if any, between the repurchase price of any loan in such portfolio and the price required to be paid by a third party originator for such loan. Such subsidiary, however, has no assets and does not have recourse to the general credit of Newcastle.

	Subprime Portfolio	
	I	II
Date of acquisition	March 2006	March 2007
Original number of loans (approximate)	11,300	7,300
Predominant origination date of loans	2005	2006
Original face amount of purchase	$1.5 billion	$1.3 billion
Pre-securitization loan write-down	($4.1 million)	($5.8 million)
Gain on pre-securitization hedge	$5.5 million	$5.8 million
Gain on sale	Less than $0.1 million	$0.1 million
Securitization date	April 2006	July 2007
Face amount of loans at securitization	$1.5 billion	$1.1 billion
Face amount of notes sold by trust	$1.4 billion	$1.0 billion
Stated maturity of notes	March 2036	April 2037
Face amount of notes retained by Newcastle	$37.6 million	$38.8 million
Fair value of equity retained by Newcastle	$62.4 million (A)	$46.7 million (A)
Key assumptions in measuring such fair value (A):		
Weighted average life (years)	3.1	3.8
Expected credit losses	5.3%	8.0%
Weighted average constant prepayment rate	28.0%	30.1%
Discount rate	18.8%	22.5%

(A) As of the date of transfer.

(dollars in tables in thousands, except per share data)

The following table presents information on the retained interests in the securitizations of Subprime Portfolios I and II at December 31, 2015:

	Subprime Portfolio		
	I	II	Total
Total securitized loans (unpaid principal balance)(A)	$ 274,956	$ 389,827	$ 664,783
Loans subject to call option (carrying value)	$ 273,765	$ 107,041	$ 380,806
Retained interests (fair value)(B)	$ 2,911	$ —	$ 2,911

(A) Average loan seasoning of 125 months and 107 months for Subprime Portfolios I and II, respectively, at December 31, 2015.

(B) The retained interests include retained bonds of the securitizations. Their fair value is estimated based on pricing models. Newcastle's residual interests were written off in 2010. The weighted average yield of the retained note was 21.80% as of December 31, 2015.

The following table summarizes certain characteristics of the underlying subprime mortgage loans, and related financing, in the securitizations as of December 31, 2015 (unaudited, except stated otherwise):

	Subprime Portfolio	
	I	II
Loan unpaid principal balance (UPB) (A)	$ 274,956	$ 389,827
Weighted average coupon rate of loans	5.52%	4.36%
Delinquencies of 60 or more days (UPB) (A)(B)	$ 54,197	$ 108,817
Net credit losses for year ended		
December 31, 2015	$ 13,295	$ 27,942
December 31, 2014	$ 25,225	$ 34,102
Cumulative net credit losses	$ 285,324	$ 363,618
Cumulative net credit losses as a % of original UPB	19.0%	33.4%
Percentage of ARM loans (C)	51.4%	63.9%
Percentage of loans with loan-to-value ratio >90%	10.6%	16.1%
Percentage of interest-only loans	1.9%	3.4%
Face amount of debt (A) (D)	$ 269,765	$ 389,827
Weighted average funding cost of debt (E)	0.79%	0.69%

(A) Audited.

(B) Delinquencies include loans 60 or more days past due, in foreclosure, under bankruptcy filing or real estate owned.

(C) ARM loans are adjustable-rate mortgage loans. An option ARM is an adjustable-rate mortgage that provides the borrower with an option to choose from several payment amounts each month for a specified period of the loan term. None of the loans in the subprime portfolios are option ARMs.

(D) Excludes face amount of $4.0 million of retained notes for Subprime Portfolio I and overcollateralization of $1.2 million on Subprime Portfolio I at December 31, 2015.

(E) Includes the effect of applicable hedges.

Newcastle received negligible cash flows from the retained interests of Subprime Portfolios I and II during the years ended December 31, 2015, 2014 and 2013.

(dollars in tables in thousands, except per share data)

7. INVESTMENTS IN OTHER REAL ESTATE, NET OF ACCUMULATED DEPRECIATION

The following table summarizes the balances of other real estate assets atDecember 31, 2015.

			Initial Cost					Gross Carrying Amount (A) (C)						
Property Name	City	State	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Construction In-Progress	Costs Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Construction In-Progress	Total	Accumulated Depreciation (A)(B)	Net Book Value
Owned Properties														
Bear Creek	Woodinville	WA	$ 3,573	$ 2,178	$ 179	$ 28	$ 214	$ 3,573	$ 2,271	$ 327	$ 1	$ 6,172	$ (582)	$ 5,590
Bradshaw Farm	Woodstock	GA	773	1,962	92	—	405	773	1,972	487	—	3,232	(544)	2,688
Brookstone	Acworth	GA	579	2,448	200	—	808	579	2,927	529	—	4,035	(692)	3,343
Canyon Oaks	Chico	CA	1,545	4,127	205	13	144	1,545	4,156	323	10	6,034	(946)	5,088
Casta Del Sol	Mission Viejo	CA	5,794	—	—	—	495	5,794	28	152	315	6,289	(26)	6,263
El Camino	Oceanside	CA	4,635	2,960	158	80	380	4,635	3,237	312	29	8,213	(684)	7,529
Forrest Crossing	Franklin	TN	3,187	807	76	55	215	3,187	848	264	41	4,340	(263)	4,077
Gettysvue	Knoxville	TN	2,994	1,428	235	181	284	2,994	1,647	396	85	5,122	(561)	4,561
Lomas Santa Fe (Executive)	Solana Beach	CA	3,766	—	—	—	120	3,766	63	21	36	3,886	(18)	3,868
Marbella	SJ Capistrano	CA	5,794	9,114	410	—	1,944	5,794	9,215	857	1,396	17,262	(1,948)	15,314
Monterey	Palm Desert	CA	5,698	3,004	202	19	892	5,698	3,471	646	—	9,815	(903)	8,912
Oakhurst	Clayton	CA	1,449	2,575	428	1,645	(1,251)	1,449	2,649	653	95	4,846	(946)	3,900
Oregon Golf Club	West Linn	OR	4,828	8,011	416	51	604	4,828	8,039	856	187	13,910	(1,742)	12,168
Palm Valley	Palm Desert	CA	7,531	8,864	379	56	232	7,531	8,744	665	122	17,062	(1,845)	15,217
Plantation	Boise	ID	2,607	2,236	262	13	248	2,607	2,314	445	—	5,366	(663)	4,703
Rancho San Joaquin	Irvine	CA	12,650	3,775	279	1,366	(12)	12,650	4,668	730	10	18,058	(995)	17,063
Seascape	Aptos	CA	2,897	4,944	108	67	289	2,897	4,967	360	81	8,305	(904)	7,401
Summitpointe	Milpitas	CA	2,511	3,271	128	8	746	2,511	3,542	584	27	6,664	(717)	5,947
Sunset Hills	Thousand Oaks	CA	2,125	5,447	383	—	799	2,125	5,525	1,022	82	8,754	(1,329)	7,425
Tanoan	Albuquerque	NM	1,642	7,600	431	364	419	1,642	8,020	786	8	10,456	(1,996)	8,460
Trophy Club of Apalachee	Dacula	GA	483	640	55	—	397	483	879	166	47	1,575	(221)	1,354

(dollars in tables in thousands, except per share data)

			Initial Cost					Gross Carrying Amount (A) (C)						
Property Name	City	State	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Construction In-Progress	Costs Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Furniture, Fixtures and Equipment	Construction In-Progress	Total	Accumulated Depreciation (A)(B)	Net Book Value
Trophy Club of Atlanta	Alpharetta	GA	483	3,898	60	—	377	483	3,935	198	202	4,818	(638)	4,180
Vista Valencia	Valencia	CA	1,352	5,199	91	—	344	1,352	5,399	225	10	6,986	(948)	6,038
Wood Ranch	Simi Valley	CA	2,125	1,951	239	416	678	2,125	2,284	927	73	5,409	(789)	4,620
Other	N/A	N/A	9,303	—	—	—	689	9,303	236	362	91	9,992	(99)	9,893
Total Owned Properties			$ 90,324	$ 86,439	$ 5,016	$ 4,362	$ 10,460	$ 90,324	$ 91,036	$ 12,293	$ 2,948	$ 196,601	$ (20,999)	$ 175,602
Managed Properties														
Candler Park	Atlanta	GA	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
El Cariso	Sylmar	CA	—	—	—	—	32	—	—	32	—	32	(2)	30
Fullerton	Fullerton	CA	—	—	—	—	478	—	—	373	105	478	(37)	441
John A White	Atlanta	GA	—	—	—	—	—	—	—	—	—	—	—	—
Lomas Santa Fe	Solana Beach	CA	—	—	8	—	290	—	—	298	—	298	(36)	262
Paradise Knolls	Riverside	CA	—	—	46	—	—	—	—	46	—	46	(46)	—
Santa Clara	Santa Clara	CA	—	—	—	—	—	—	—	—	—	—	—	—
Westchester	Los Angeles	CA	—	—	—	—	19	—	—	19	—	19	—	19
Woodlands	Wayne	MI	—	—	—	—	8	—	—	8	—	8	—	8
Yorba Linda	Yorba Linda	CA	—	—	5	—	95	—	—	100	—	100	(16)	84
Total Managed Properties			$ —	$ —	$ 59	$ —	$ 922	$ —	$ —	$ 876	$ 105	$ 981	$ (137)	$ 844
Total Leased Properties			—	48,412	8,798	1,273	15,694	—	51,522	21,207	1,448	74,177	(23,660)	50,517
Corporate	N/A	N/A	—	—	3,219	—	1,141	—	—	4,360	—	4,360	(3,416)	944
Total Properties			$ 90,324	$ 134,851	$ 17,092	$ 5,635	$ 28,217	$ 90,324	$ 142,558	$ 38,736	$ 4,501	$ 276,119	$ (48,212)	$ 227,907

(A) The following is a rollforward of the gross carrying amount and accumulated depreciation of other real estate for the years ended December 31, 2015 and 2014.

(dollars in tables in thousands, except per share data)

	Year ended December 31, 2015	Year ended December 31, 2014
Gross Carrying Amount		
Balance at beginning of year	$ 263,103	$ 250,208
Additions:		
Acquisitions of other real estate	—	—
Improvements	14,970	15,109
Disposals:		
Disposal of long-lived assets	(1,954)	(2,214)
Balance at end of year	$ 276,119	$ 263,103
Accumulated Depreciation		
Balance at beginning of year	$ (23,820)	$ —
Additions:		
Depreciation expense	(24,943)	(24,740)
Disposals:		
Disposal of long-lived assets	551	920
Balance at end of year	$ (48,212)	$ (23,820)

(B) Depreciation is calculated on a straight line basis using the estimated useful lives detailed in Note 2.

(C) The aggregate United States federal income tax basis for Newcastle's other operating real estate, including furniture, fixtures and equipment at December 31, 2015 was approximately $344.8 million.

The real estate assets in the Golf business are encumbered by various debt obligations, as described in Note 11, at December 31, 2015.

In March 2015, the Golf business entered into a lease for a 27-hole municipal golf property owned by Los Angeles County, California. The lease is for a term of 21 years and encompasses the golf course, a driving range, food and beverage facilities and a pro shop. In August 2015, the lease on a golf property in Hawaii expired, and the Golf business did not renew the lease for such property. In October 2015, the owner of a managed golf property in Oregon sold it to a third party who terminated the management agreement on such property.

(dollars in tables in thousands, except per share data)

8. INTANGIBLES, NET OF ACCUMULATED AMORTIZATION

The following table summarizes Newcastle's intangibles related to its Golf business:

	December 31, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Trade name	$ 700	$ (47)	$ 653	$ 700	$ (23)	$ 677
Leasehold intangibles (A)	49,962	(9,817)	40,145	50,275	(5,206)	45,069
Management contracts	36,500	(7,911)	28,589	37,650	(4,666)	32,984
Internally-developed software	800	(320)	480	800	(160)	640
Membership base	5,236	(1,496)	3,740	5,214	(748)	4,466
Nonamortizable liquor licenses	865	—	865	850	—	850
Total intangibles	$ 94,063	$ (19,591)	$ 74,472	$ 95,489	$ (10,803)	$ 84,686

(A) The amortization expense for leasehold intangibles is reported in operating expense - golf in the Consolidated Statements of Operations.

The unamortized balance of intangible assets at December 31, 2015 are expected to be amortized as follows:

2016	$ 8,815
2017	8,246
2018	8,074
2019	7,442
2020	6,763
Thereafter	34,267
	$ 73,607

9. DERIVATIVES

Newcastle's derivative instruments are comprised of interest rate swaps and TBAs. The table below presents the fair value of the derivative financial instruments as well as their classification on the Consolidated Balance Sheets as of December 31, 2015 and 2014:

		Fair Value	
		December 31,	
	Balance sheet location	2015	2014
Derivative Assets			
TBAs, not designated as hedges	Receivables and other assets	$ 127	$ —
		$ 127	$ —
Derivative Liabilities			
Interest rate swaps, designated as hedges	Accounts payable, accrued expenses and other liabilities	$ —	$ 1,963
Interest rate swaps, not designated as hedges	Accounts payable, accrued expenses and other liabilities	—	334
TBAs, not designated as hedges	Accounts payable, accrued expenses and other liabilities	684	2,031
		$ 684	$ 4,328

(dollars in tables in thousands, except per share data)

The following table summarizes gains (losses) recorded in relation to derivatives:

	Income Statement Location	Year Ended December 31,		
Cash flow hedges		2015	2014	2013
Loss immediately recognized at de-designation	Other income	$ —	$ (34)	$ (110)
Loss recognized on termination of derivative instruments	Gain on settlement of investments, net	(612)	—	—
Deferred hedge gain reclassified from AOCI into earnings	Interest expense	78	61	11
Amount of loss reclassified from AOCI into income (effective portion)	Interest expense	(1,363)	(4,379)	(6,128)
Amount of unrealized loss recognized in OCI on derivatives (effective portion)	N/A	(60)	(177)	(195)
Non-hedge derivatives				
Gain recognized related to interest rate swaps	Other income	$ 284	$ 7,131	$ 9,764
Gain recognized related to linked transactions	Other income	—	12,498	1,168
Loss recognized related to linked transactions	Interest expense	—	(211)	(236)
Gain (loss) recognized related to TBAs	Other income	1,474	(2,030)	—
Loss on settlement of TBAs	Gain on settlement of investments, net	(12,907)	(4,151)	—
Gain recognized on termination of derivative instruments	Gain on settlement of investments, net	—	—	813

The following table presents additional information about cash flow hedge transactions:

	December 31,	
	2015	2014
Cash flow hedges		
Expected reclassification of deferred hedges from accumulated other comprehensive income (“AOCI”) into earnings over the next 12 months	$ 20	$ 78
Expected reclassification of current hedges from AOCI into earnings over the next 12 months	—	(1,730)

(dollars in tables in thousands, except per share data)

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table summarizes the carrying values and estimated fair values of Newcastle's financial instruments at December 31, 2015 and 2014:

	December 31, 2015			December 31, 2014	
	Carrying Value	Estimated Fair Value	Fair Value Method (A)	Carrying Value	Estimated Fair Value
Assets					
Real estate securities, available-for-sale	$ 59,034	$ 59,034	Broker/counterparty quotations, pricing services, pricing models	$ 231,754	$ 231,754
Real estate securities, pledged as collateral	105,963	105,963	Broker/counterparty quotations, pricing services	407,689	407,689
Real estate related and other loans, held-for-sale, net	149,198	165,270	Broker/counterparty quotations, pricing services, pricing models	230,200	246,678
Residential mortgage loans, held-for-sale, net	532	569	Broker/counterparty quotations, pricing models	3,854	4,076
Subprime mortgage loans subject to call option (B)	380,806	380,806	(B)	406,217	406,217
Restricted cash	4,469	4,469		15,714	15,714
Cash and cash equivalents	45,651	45,651		73,727	73,727
Non-hedge derivative assets (C)	127	127	Counterparty quotations, pricing services	—	—
Liabilities					
CDO bonds payable (D)	$ 92,933	$ 15,193	Pricing models	$ 227,673	$ 134,491
Other bonds and notes payable (D)	16,162	16,620	Pricing models	27,069	28,102
Repurchase agreements	418,458	418,625	Counterparty quotations, market comparables	441,176	441,176
Credit facilities and obligations under capital leases	11,258	11,258	Pricing models	161,474	161,474
Financing of subprime mortgage loans subject to call option (B)	380,806	380,806	(B)	406,217	406,217
Junior subordinated notes payable	51,225	24,649	Pricing models	51,231	28,918
Interest rate swaps, treated as hedges (C)	—	—	Counterparty quotations	1,963	1,963
Non-hedge derivative liabilities (C)	684	684	Counterparty quotations, pricing services	2,365	2,365

(A) Methods are listed in order of priority. In the case of real estate securities and real estate related and other loans, broker quotations are obtained if available and practicable, otherwise counterparty quotations or pricing service valuations are obtained or, finally, internal pricing models are used. Internal pricing models are only used for (i) securities and loans that are not traded in an active market, and, therefore, have little or no price transparency, and for which significant unobservable inputs must be used in estimating fair value, or (ii) loans or debt obligations which are private and untraded.

(B) Represents an option, not an obligation, to repurchase loans from Newcastle's subprime mortgage loan securitizations (Note 6).

(C) Represents derivative assets and liabilities including interest rate swaps and TBA forward contracts (Note 9).

(D) Newcastle notes that the unrealized gain on the liabilities within such structures cannot be fully realized. Assets held within CDOs and other non- recourse structures are generally not available to satisfy obligations outside of such financings, except to the extent Newcastle receives net cash flow distributions from such structures. Furthermore, creditors or beneficial interest holders of these structures have no recourse to the general credit of Newcastle. Therefore, Newcastle's exposure to the economic losses from such structures is limited to its invested equity in them and economically their book value cannot be less than zero. As a result, the fair value of Newcastle's net investments in these non-recourse financing structures is equal to the present value of their expected future net cash flows.

Fair Value Measurements

Valuation Hierarchy

The fair value of financial instruments is categorized based on the priority of the inputs to the valuation technique and categorized into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Newcastle follows this hierarchy for its financial instruments measured at fair value.

Level 1 - Quoted prices in active markets for identical instruments.
Level 2 - Valuations based principally on observable market parameters, including:

- quoted prices for similar assets and liabilities in active markets,

- inputs other than quoted prices that are observable for the asset or liability (such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads), and
- market corroborated inputs (derived principally from or corroborated by observable market data).

Level 3 - Valuations determined using unobservable inputs that are supported by little or no market activity, and that are significant to the overall fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using non-binding market quotations, pricing models, discounted cash flow methodologies, or similar techniques where significant inputs are unobservable, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Fair value may be based upon broker quotations, counterparty quotations or pricing services quotations, which provide valuation estimates based upon reasonable market order indications or management's good faith estimate, and are subject to significant variability based on market conditions, such as interest rates, credit spreads and market liquidity. A significant portion of Newcastle's loans, securities and debt obligations are currently not traded in active markets and therefore have little or no price transparency. As a result, Newcastle has estimated the fair value of these illiquid instruments based on internal pricing models or quotations subject to Newcastle's controls described below.

Newcastle has various processes and controls in place to ensure that fair value measurements are reasonably estimated. With respect to broker and pricing service quotations, and in order to ensure these quotes represent a reasonable estimate of fair value, Newcastle's quarterly procedures include a comparison of such quotations to quotations from different sources, outputs generated from its internal pricing models and transactions completed, as well as on its knowledge and experience of these markets. With respect to fair value estimates generated based on Newcastle's internal pricing models, Newcastle's management validates the inputs and outputs of the internal pricing models by comparing them to available independent third party market parameters and models, where available, for reasonableness. Newcastle believes its valuation methods and the assumptions used are appropriate and consistent with other market participants.

Fair value measurements categorized within Level 3 are sensitive to changes in the assumptions or methodology used to determine fair value and such changes could result in a significant increase or decrease in the fair value. For Newcastle's investments in real estate securities, real estate related and other loans and residential mortgage loans categorized within Level 3 of the fair value hierarchy, the significant unobservable inputs include the discount rates, assumptions relating to prepayments, default rates and loss severities. Significant increases (decreases) in any of the discount rates, default rates or loss severities in isolation would result in a significantly lower (higher) fair value measurement. The impact of changes in prepayment speeds would have differing impacts on fair value, depending on the seniority of the investment. Generally, a change in the default assumption is accompanied by directionally similar changes in the assumptions used for the loss severity and the prepayment speed.

(dollars in tables in thousands, except per share data)

Recurring Fair Value Measurements - Real Estate Securities and Derivatives

The following table summarizes financial assets and liabilities measured at fair value on a recurring basis at December 31, 2015:

		Fair Value			
	Carrying Value	Level 2	Level 3		Total
		Market Quotations (Observable)	Market Quotations (Unobservable)	Internal Pricing Models	
Assets:					
Real estate securities, available for sale:					
CMBS	$ 39,684	$ —	$ 39,684	$ —	$ 39,684
Non-Agency RMBS	9,619	—	9,619	—	9,619
CDO (A)	9,731	—	—	9,731	9,731
Real estate securities, available for sale total	$ 59,034	$ —	$ 49,303	$ 9,731	$ 59,034
Real estate securities, pledged as collateral:					
FNMA/FHLMC	$ 105,963	$ 105,963	$ —	$ —	$ 105,963
Real estate securities, pledged as collateral	$ 105,963	$ 105,963	$ —	$ —	$ 105,963
Derivative assets:					
TBAs, not treated as hedges	$ 127	$ 127	$ —	$ —	$ 127
Derivative assets total	$ 127	$ 127	$ —	$ —	$ 127
Liabilities:					
Derivative liabilities:					
TBAs, not treated as hedges	$ 684	$ 684	$ —	$ —	$ 684
Derivative liabilities total	$ 684	$ 684	$ —	$ —	$ 684

(A) Represents non-consolidated CDO securities, excluding eight securities with zero value, which had an aggregate face amount of $116.0 million as of December 31, 2015.

(dollars in tables in thousands, except per share data)

Significant Unobservable Inputs
The following table provides quantitative information regarding the significant unobservable inputs used by Newcastle for assets and liabilities measured at fair value on a recurring basis as of December 31, 2015 This table excludes inputs used to measure fair value that are not developed by Newcastle, such as broker prices and other third-party pricing service valuations.

			Weighted Average Significant Input			
Asset Type	Amortized Cost Basis	Fair Value	Discount Rate	Prepayment Speed	Cumulative Default Rate	Loss Severity
CDO	$ —	$ 9,731	10.3%	4.7%	18.5%	32.2%
Total	$ —	$ 9,731				

All of the inputs used in the table have some degree of market observability, based on Newcastle's knowledge of the market, relationships with market participants, and use of common market data sources. Collateral prepayment, default and loss severity projections are in the form of "curves" or "vectors" that vary for each monthly collateral cash flow projection. Methods used to develop these projections vary by asset class (e.g., CMBS projections are developed differently than home equity ABS projections) but conform to industry conventions. Newcastle uses assumptions that generate its best estimate of future cash flows of each respective security.

The prepayment speed vector specifies the percentage of the collateral balance that is expected to voluntarily pay off at each point in the future. The prepayment speed vector is based on projections from a widely published investment bank model, which considers factors such as collateral FICO score, loan-to-value ratio, debt-to-income ratio, and vintage on a loan level basis. This vector is scaled up or down to match recent collateral-specific prepayment experience, as obtained from remittance reports and market data services.

Loss severities are based on recent collateral-specific experience with additional consideration given to collateral characteristics. Collateral age is taken into consideration because severities tend to initially increase with collateral age before eventually stabilizing. Newcastle typically uses projected severities that are higher than the historic experience for collateral that is relatively new to account for this effect. Collateral characteristics such as loan size, lien position, and location (state) also affect loss severity. Newcastle considers whether a collateral pool has experienced a significant change in its composition with respect to these factors when assigning severity projections.

Default rates are determined from the current "pipeline" of loans that are more than 90 days delinquent, in foreclosure, or are REO. These significantly delinquent loans determine the first 24 months of the default vector. Beyond month 24, the cumulative default vector transitions to a steady-state value that is generally equal to or greater than that given by the widely published investment bank model.

The discount rates Newcastle uses are derived from a range of observable pricing on securities backed by similar collateral and offered in a live market. As the markets in which Newcastle transacts have become less liquid, Newcastle has had to rely on fewer data points in this analysis.

(dollars in tables in thousands, except per share data)

Newcastle's investments in instruments measured at fair value on a recurring basis using Level 3 inputs changed as follows:

	Level 3 Assets				
	CMBS	Non-Agency RMBS	Equity/Other Securities	Derivative Transactions	Total
Balance at December 31, 2013	$ 284,469	$ 57,581	$ 59,757	$ 43,662	$ 445,469
Total gains (losses) (A)					
Included in net income (B)	15,384	4,165	976	12,498	33,023
Included in other comprehensive income (loss)	(21,154)	2,909	5,193	—	(13,052)
Amortization included in interest income	17,184	5,218	1,924	—	24,326
Purchases, sales and settlements					
Purchases	—	—	—	—	—
Proceeds from sales	(73,252)	(15,787)	(57,053)	—	(146,092)
Proceeds from repayments	(43,868)	(9,051)	(2,841)	(56,160)	(111,920)
Balance at December 31, 2014	$ 178,763	$ 45,035	$ 7,956	$ —	$ 231,754
Transfers					
Transfer into Level 3	—	—	367	—	367
Total gains (losses) (A)					
Included in net income (B)	12,038	14,826	(367)	—	26,497
Included in other comprehensive income (loss)	(18,797)	(12,933)	1,775	—	(29,955)
Amortization included in interest income	6,866	2,849	—	—	9,715
Purchases, sales and settlements					
Purchases	—	—	—	—	—
Proceeds from sales	(102,607)	(37,582)	—	—	(140,189)
Proceeds from repayments	(36,579)	(2,576)	—	—	(39,155)
Balance at December 31, 2015	$ 39,684	$ 9,619	$ 9,731	$ —	$ 59,034

(A) None of the gains (losses) recorded in earnings during the periods is attributable to the change in unrealized gains (losses) relating to Level 3 assets still held at the reporting dates.
(B) These gains (losses) are recorded in the following line items in the Consolidated Statements of Operations:

	Year Ended December 31,	
	2015	2014
Gain on settlement of investments, net	$ 28,854	$ 20,525
Other income, net	—	12,498
OTTI	(2,357)	—
Total	$ 26,497	$ 33,023
Gain on sale of investments, net, from investments transferred into Level 3 during the period	$ —	$ —

(dollars in tables in thousands, except per share data)

Non Recurring Fair Value Measurements - Loans

Loans which Newcastle does not have the ability or intent to hold into the foreseeable future are classified as held-for-sale. Held-for-sale loans are carried at the lower of amortized cost or fair value and are therefore recorded at fair value on a non-recurring basis. These loans were written down to fair value at the time of the impairment, based on broker quotations, pricing service quotations or internal pricing models. All the loans were within Level 3 of the fair value hierarchy. For real estate related and other loans, the most significant inputs used in the valuations are the amount and timing of expected future cash flows, market yields and the estimated collateral value of such loan investments. For residential mortgage loans, significant inputs include management's expectations of prepayment speeds, default rates, loss severities and discount rates that market participants would use in determining the fair values of similar pools of residential mortgage loans.

The following tables summarize certain information for real estate related and other loans as well as for residential mortgage loans held-for-sale as of December 31, 2015:

			Significant Input			
			Range		Weighted Average	
Loan Type	Carrying Value	Fair Value	Discount Rate	Loss Severity	Discount Rate	Loss Severity
Mezzanine	$ 19,433	$ 19,433	0.0% - 8.0%	0.0% - 100.0%	8.0%	47.8%
Bank Loan	129,765	145,837	0% - 22.5%	0.0% - 100.0%	22.4%	22.7%
Total Real Estate Related and Other Loans Held for Sale, Net	$ 149,198	$ 165,270				

			Significant Input (Weighted Average)			
Loan Type	Carrying Value	Fair Value	Discount Rate	Prepayment Speed	Constant Default Rate	Loss Severity
Residential Loans	$ 532	$ 569	62.0%	0.8%	75.7%	22.5%
Total Residential Mortgage Loans, Held-for-Sale, Net	$ 532	$ 569				

Liabilities for Which Fair Value is Only Disclosed

The following table summarizes the level of the fair value hierarchy, valuation techniques and inputs used for estimating each class of liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed:

Type of Liabilities Not Measured At Fair Value for Which Fair Value Is Disclosed	Fair Value Hierarchy	Valuation Techniques and Significant Inputs
CDO bonds payable	Level 3	Valuation technique is based on discounted cash flows. Significant inputs include: • Underlying security and loan prepayment, default and cumulative loss expectations • Amount and timing of expected future cash flows • Market yields and credit spreads implied by comparisons to transactions of similar tranches of CDO debt by the varying levels of subordination
Other bonds and notes payable	Level 3	Valuation technique is based on discounted cash flows. Significant inputs include: • Amount and timing of expected future cash flows • Interest rates • Broker quotations • Market yields and credit spreads implied by comparisons to transactions of similar tranches of securitized debt by the varying levels of subordination
Repurchase agreements	Level 2	Valuation technique is based on market comparables. Significant variables include: • Amount and timing of expected future cash flows • Interest rates • Collateral funding spreads
Golf credit facilities	Level 3	Valuation technique is based on discounted cash flows. Significant inputs include: • Amount and timing of expected future cash flows • Interest rates
Junior subordinated notes payable	Level 3	Valuation technique is based on discounted cash flows. Significant inputs include: • Amount and timing of expected future cash flows • Interest rates • Market yields and the credit spread of Newcastle

(dollars in tables in thousands, except per share data)

11. DEBT OBLIGATIONS

The following table presents certain information regarding Newcastle's debt obligations and related hedges:

	December 31, 2015													December 31, 2014	
									Collateral						
Debt Obligation/Collateral	Month Issued	Outstanding Face Amount	Carrying Value	Final Stated Maturity	Weighted Average Coupon (A)	Weighted Average Funding Cost (B)	Weighted Average Life (Years)	Face Amount of Floating Rate Debt	Outstanding Face Amount (C)	Amortized Cost Basis (C)	Carrying Value (C)	Weighted Average Life (Years)	Floating Rate Face Amount (C)	Outstanding Face Amount	Carrying Value
CDO Bonds Payable															
CDO VI (D)	Apr 2005	$ 92,933	$ 92,933	Apr 2040	1.12%	1.12%	4.1	$ 89,183	$ 69,838	$ 25,124	$ 46,392	3.9	$ 12,477	$ 92,462	$ 92,462
CDO VIII	Nov 2006	—	—	—	—%	—%	0.0	—	—	—	—	0.0	—	71,813	71,717
CDO IX	May 2007	—	—	—	—%	—%	0.0	—	—	—	—	0.0	—	62,578	63,494
		92,933	92,933			1.12%	4.1	89,183	69,838	25,124	46,392	3.9	12,477	226,853	227,673
Other Bonds & Notes Payable															
NCT 2013-VI IMM-1 (E)	Nov 2013	4,984	4,672	Apr 2040	LIBOR+0.25%	21.78%	0.4	4,984	N/A	N/A	N/A	N/A	N/A	31,060	27,069
Mezzanine Note Payable	Oct 2015	11,660	11,490	Oct 2016	LIBOR+3.00%	6.38%	0.8	11,660	19,433	19,433	19,433	0.5	19,433	—	—
		16,644	16,162			10.83%	0.7	16,644	19,433	19,433	19,433	0.5	19,433	31,060	27,069
Repurchase Agreements (F)															
CDO Securities	Dec 2013	—	—	—	—%	—%	0.0	—	N/A	N/A	N/A	N/A	N/A	55,894	55,894
FNMA/FHLMC securities	Dec 2015	348,625	348,625	Jan 2016	0.71%	0.71%	0.1	—	350,280	365,265	365,265	7.7	—	385,282	385,282
Golf Loans (G)	Aug 2015	70,000	69,833	Feb 2016	LIBOR + 3.50%	5.13%	0.4	70,000	N/A	N/A	N/A	N/A	—	—	—
		418,625	418,458			1.45%	0.2	70,000	350,280	365,265	365,265	7.7	—	441,176	441,176

(dollars in tables in thousands, except per share data)

	December 31, 2015														December 31, 2014	
										Collateral						
Debt Obligation/Collateral	Month Issued	Outstanding Face Amount	Carrying Value	Final Stated Maturity	Weighted Average Coupon (A)		Weighted Average Funding Cost (B)	Weighted Average Life (Years)	Face Amount of Floating Rate Debt	Outstanding Face Amount (C)	Amortized Cost Basis (C)	Carrying Value (C)	Weighted Average Life (Years)	Floating Rate Face Amount (C)	Outstanding Face Amount	Carrying Value
Golf Credit Facilities																
First Lien Loan (G)	Dec 2013	—	—	—	—		—%	0.0	—	N/A	N/A	N/A	N/A	N/A	49,923	49,800
Second Lien Loan (G)	Dec 2013	—	—	—%	—%		—%	0.0	—	N/A	N/A	N/A	N/A	N/A	105,575	105,315
Vineyard II	Dec 1993	200	200	Dec 2043	2.11%		2.11%	28.0	200	N/A	N/A	N/A	N/A	N/A	200	200
Capital Leases (Equipment)	May 2014 - Dec 2015	11,058	11,058	Jun 2021	3.83% to 11.54%		6.46%	4.5	—	N/A	N/A	N/A	N/A	N/A	6,159	6,159
		11,258	11,258				6.38%	4.9	200	N/A	N/A	N/A	N/A	N/A	161,857	161,474
Corporate																
Junior subordinated notes payable	Mar 2006	51,004	51,225	Apr 2035	7.57%	(H)	7.36%	19.3	—	N/A	N/A	N/A	N/A	N/A	51,004	51,231
		51,004	51,225				7.36%	19.3	—	N/A	N/A	N/A	N/A	N/A	51,004	51,231
Subtotal debt obligation		590,464	590,036				2.26%	2.6	$ 176,027	$ 439,551	$ 409,822	$ 431,090	6.7	$ 31,910	911,950	908,623
Financing on subprime mortgage loans subject to call option	(I)	380,806	380,806												406,217	406,217
Total debt obligation		$ 971,270	$ 970,842												$ 1,318,167	$ 1,314,840

See notes on next page.

(A) Weighted average, including floating and fixed rate classes.

(B) Including the effect of applicable hedges and deferred financing cost.

(C) Excluding restricted cash held in CDOs to be used for principal and interest payments of CDO debt.

(D) This CDO was not in compliance with its applicable over collateralization tests as of December 31, 2015. Newcastle is not receiving cash flows from this CDO (other than senior management fees and cash flows on senior classes of bonds that were repurchased), because net interest is being used to repay debt, and expects this CDO to remain out of compliance for the forseeable future.

(E) Represents financings of previously repurchased Newcastle CDO bonds for which the collateral is eliminated in consolidation.

(F) These repurchase agreements had $ 0.5 million accrued interest payable at December 31, 2015. The counterparties on these repurchase agreements are Nomura ($48.6 million), Morgan Stanley ($53.7 million), Citi ($246.3 million) and Credit Suisse ($70.0 million). Newcastle has margin exposure on $418.6 million of repurchase agreements related to the financing of FNMA/FHLMC securities and Golf loans. To the extent that the value of the collateral underlying these repurchase agreements declines, Newcastle may be required to post margin, which could significantly impact its liquidity. $348.6 million of repurchase agreements were repaid in 2016 as part of the sale of the FNMA/FHLMC securities.

(G) The golf repurchase agreement is collateralized by assets of the Golf business. The carrying amount of the golf repurchase agreement is reported net of deferred financing costs of $0.2 million as of December 31, 2015. The First Lien Loan and Second Lien Loan are reported net of deferred financing costs of $0.4 million as of December 31, 2014.

(H) LIBOR +2.25% after April 2016.

(I) Issued in April 2006 and July 2007, and secured by the general credit of Newcastle. See Note 6 regarding the securitizations of Subprime Portfolio I and II.

Certain of the debt obligations included above are obligations of consolidated subsidiaries of Newcastle which own the related collateral. In some cases, including the CDO and Other Bonds Payable, such collateral is not available to other creditors of Newcastle.

<u>CDO Bonds Payable</u>

Each CDO financing is subject to tests that measure the amount of over collateralization and excess interest in the transaction. Failure to satisfy these tests would cause the principal and/or interest cashflow that would otherwise be distributed to more junior classes of securities (including those held by Newcastle) to be redirected to pay down the most senior class of securities outstanding until the tests are satisfied. As a result, cash flow and liquidity are negatively impacted upon such a failure. As of December 31, 2015, CDO VI was not in compliance with its over collateralization tests.

In June 2011, Newcastle deconsolidated a non-recourse financing structure, CDO V. Newcastle determined that it does not currently have the power to direct the relevant activities of CDO V as an event of default had occurred and Newcastle may be removed as the collateral manager by a single party. So long as the event of default continues, Newcastle will not be permitted to purchase or sell any collateral in CDO V. If Newcastle is removed as the collateral manager of CDO V, it would no longer receive the senior management fees from such CDO. As of February 29, 2016, Newcastle has not been removed as collateral manager. Newcastle does not expect the failure of these additional tests to have a material negative impact on its cash flows, business, results of operations or financial condition.

In June 2013, Newcastle completed the sale of 100% of the assets in CDO IV. Newcastle sold $153.4 million face amount of collateral at an average price of 95% of par, or $145.2 million. Subsequently, Newcastle paid off $71.9 million of outstanding third party debt and terminated the CDO. This transaction resulted in approximately $73.1 million of proceeds to Newcastle of which approximately $5.3 million was received in Newcastle CDO VIII. Newcastle recovered par on $59.5 million of CDO debt which had been repurchased in the past at an average price of 52% of par and $8.0 million of proceeds on its subordinated interests. This transaction has also decreased Newcastle's comprehensive income by $0.6 million and resulted in a net gain on sale of assets of $4.2 million and a $0.8 million gain on hedge termination.

In June 2013, Newcastle completed the purchase of $116.8 million aggregate face amount of securities that are collateralized by certain Newcastle CDO VIII Class I notes for an aggregate purchase of approximately $103.1 million, or an average price of 88.3% of par. Simultaneously, Newcastle financed the purchase with $60.0 million received pursuant to a master repurchase agreement with the seller of the securities ("CDO VIII Repack"). The terms of the repurchase agreement included a rate of one-month LIBOR plus 150 bps and a 30-day maturity. The purchase of the securities and the repurchase agreement were treated as a linked transaction and accordingly recorded on a net basis as a non-hedge derivative instrument, with changes in market value recorded on the statement of operations. In May 2014, the CDO VIII Class I notes were repaid in full and the repurchase agreement was terminated.

During the second quarter of 2015, approximately $60.3 million of Newcastle CDO VIII notes were repaid primarily due to the sale of securities and loans. See Notes 5 and 6. As a result of the repayment of the Newcastle CDO VIII notes, Newcastle also repaid $13.3 million of repurchase agreements associated with Newcastle CDO VIII.

During the second quarter of 2015, approximately $51.4 million of Newcastle CDO IX notes were repaid primarily due to the sales and paydown of securities and loans. See Notes 5 and 6. As a result of the repayment of the Newcastle CDO IX notes, Newcastle also repaid $22.3 million of repurchase agreements associated with Newcastle CDO IX.

In June 2015, Newcastle repurchased $11.5 million face amount of CDO bonds payable issued by Newcastle CDO VIII at a price of 95.50% of par for total proceeds of $11.0 million. As a result, Newcastle extinguished $11.5 million face amount of CDO bonds payable and recorded a gain on extinguishment of debt of $0.5 million.

As of December 31, 2015, CDO VI was not in compliance with its applicable over collateralization tests and, consequently, Newcastle was not receiving cash flows from this CDO currently (other than senior management fees and interest distributions from senior classes of bonds Newcastle owns). Based upon Newcastle's current calculations, Newcastle expects this CDO to remain out of compliance for the foreseeable future.

Other Bonds and Notes Payable

In October 2015, Newcastle financed an unencumbered real estate related loan with a face amount of $19.4 million with a mezzanine note payable for $11.7 million. This note payable bears interest at one month LIBOR + 3.00%, matures in October 2016 and is subject to customary margin provisions.

Repurchase Agreements

In July 2014, Newcastle financed an additional $20.0 million face amount of previously repurchased CDO bonds payable with repurchase agreements for $12.0 million. These repurchase agreements bore interest at one-month LIBOR + 1.65%, matured in January 2015 and were subject to customary margin provisions.

In November 2014, Newcastle financed $391.9 million face amount of purchased FNMA/FHLMC securities with repurchase agreements with carrying value of $385.3 million as of December 31, 2014. These repurchase agreements bore interest at 0.36%, matured in February 2015 and were subject to customary margin provisions.

In March 2015, Newcastle sold Agency RMBS with a face amount of approximately $380.4 million at an average price of 104.72% for a gain of $5.9 million, and repaid associated repurchase agreements. Also in March 2015, Newcastle financed $389.1 million face amount of purchased FNMA/FHLMC securities with repurchase agreements with carrying value of $386.1 million as of March 31, 2015. These repurchase agreements bore interest at 0.37%, matured in April 2015 and were subject to customary margin provisions.

In July 2015, Newcastle sold $380.4 million face amount of agency RMBS at an average price of 103.13% for total proceeds of approximately $392.3 million, and recognized a loss of approximately $5.9 million. Newcastle repaid $375.7 million of outstanding repurchase agreement liabilities in connection with this sale.

In September 2015, Newcastle sold $250.4 million face amount of agency RMBS at an average price of 103.83% of par for total proceeds of approximately $260.0 million, and recognized a gain of $2.5 million. Newcastle repaid $250.1 million of outstanding repurchase agreement liabilities in connection with this sale.

In October 2015, Newcastle sold $348.9 million face amount of agency RMBS at an average price of 104.32% of par for total proceeds of approximately $364.0 million, and recognized a gain of $5.1 million. Newcastle repaid $345.9 million of outstanding repurchase agreement liabilities in connection with this sale.

In October 2015, Newcastle purchased $354.8 million face amount of agency RMBS at an average price of 104.42% of par for total proceeds of approximately $370.5 million. This transaction was financed with $352.6 million of repurchase agreements.

In December 2015, Newcastle entered into a trade to sell $350.3 million face amount of agency RMBS at an average price of 103.2% of par for total proceeds of approximately $361.3 million, and recognized a loss of $3.9 million. Newcastle repaid $348.6 million of outstanding repurchase agreement liabilities in connection with this sale. This trade settled in January 2016.

(dollars in tables in thousands, except per share data)

In December 2015, Newcastle entered into a trade to purchase $102.7 million face amount of agency RMBS at an average price of 103.2% of par for total proceeds of approximately $105.9 million. This transaction was financed with $102.2 million of repurchase agreements. This trade settled in January 2016.

Golf Credit Facilities and Repurchase Agreement

In December 2013, the Golf business entered into two loan agreements (“First Lien Loan” and “Second Lien Loan”) with General Electric Capital Corporation (“GECC”). In August 2015, Newcastle acquired from GECC $51.4 million outstanding face amount of the First Lien Loan at a price of 90.0% of par, or $46.3 million, and $105.6 million outstanding face amount of the Second Lien Loan at a price of 90.0% of par, or $95.0 million. The purchases were funded with $71.3 million cash and a $70.0 million repurchase agreement. The repurchase agreement was extended, and bears interest at LIBOR + 4.00% and matures on May 31, 2016 (see Note 17 for additional information). Newcastle recorded a gain on extinguishment of debt of $15.4 million.

The Golf business is obligated under a $0.2 million loan with the City of Escondido, California (“Vineyard II”). The principal amount of the loan is payable in five equal installments upon reaching the "Achievement Date”, which is the date on which the previous 36-month period equals or exceeds 240,000 rounds of golf played on the property. As of December 31, 2015, 240,000 rounds of golf have not been achieved within an applicable 36-month period. The interest rate is adjusted annually and is equal to 1% plus an Index amount, as defined in the loan agreement. As of December 31, 2015, the interest rate is 2.11%.

Capital Leases - Equipment

The Golf business leases certain golf carts and other equipment under capital lease agreements. The agreements typically provide for minimum rentals plus executory costs. Lease terms range from 36-66 months. Certain leases include bargain purchase options at lease expiration.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of December 31, 2015 are as follows:

2016	$ 2,848
2017	2,844
2018	2,837
2019	2,720
2020	1,425
Thereafter	128
Total minimum lease payments	12,802
Less: imputed interest	1,744
Present value of net minimum lease payments	$ 11,058

Maturity Table

Newcastle’s debt obligations (gross of $0.4 million of discounts at December 31, 2015) have contractual maturities as follows:

	Nonrecourse	Recourse	Total
2016	$ 13,858	$ 418,625	$ 432,483
2017	2,339	—	2,339
2018	2,488	—	2,488
2019	2,534	—	2,534
2020	1,372	—	1,372
Thereafter	479,050	51,004	530,054
Total	$ 501,641	$ 469,629	$ 971,270

(dollars in tables in thousands, except per share data)

Debt Covenants

Newcastle's non-CDO financings and Golf credit facilities contain various customary loan covenants. Newcastle was in compliance with all of these covenants as of December 31, 2015.

12. EQUITY AND EARNINGS PER SHARE

Earnings per Share

Newcastle is required to present both basic and diluted earnings per share ("EPS"). The following table shows the amounts used in computing basic and diluted EPS:

	For Year Ended December 31,		
	2015	2014	2013
Numerator for basic and diluted earnings per share:			
Income from continuing operations after preferred dividends and noncontrolling interest	$ 15,621	$ 62,855	$ 134,286
Income (loss) from discontinued operations, net of tax	646	(35,189)	11,547
Income Applicable to Common Stockholders	$ 16,267	$ 27,666	$ 145,833
Denominator:			
Denominator for basic earnings per share - weighted average shares	66,479,321	61,500,913	46,146,882
Effect of dilutive securities			
Options	2,168,594	1,630,314	1,071,392
Denominator for diluted earnings per share - adjusted weighted average shares	68,647,915	63,131,227	47,218,274
Basic earnings per share:			
Income from continuing operations per share of common stock, after preferred dividends and noncontrolling interest	$ 0.23	$ 1.02	$ 2.91
Income (loss) from discontinued operations per share of common stock	$ 0.01	$ (0.57)	$ 0.25
Income Applicable to Common Stock, per share	$ 0.24	$ 0.45	$ 3.16
Diluted earnings per share:			
Income from continuing operations per share of common stock, after preferred dividends and noncontrolling interest	$ 0.23	$ 1.00	$ 2.84
Income (loss) from discontinued operations per share of common stock	$ 0.01	$ (0.57)	$ 0.24
Income Applicable to Common Stock, per share	$ 0.24	$ 0.44	$ 3.09

Basic EPS is calculated by dividing net income (loss) applicable to common stockholders by the weighted average number of shares of common stock outstanding during each period. Diluted EPS is calculated by dividing net income (loss) applicable to common stockholders by the weighted average number of shares of common stock outstanding plus the additional dilutive effect of common stock equivalents during each period. Due to rounding, income per share from continuing operations and income per share from discontinued operations may not sum to the income per share of common stock. Newcastle's common stock equivalents are its options. During 2015, 2014 and 2013, based on the treasury stock method, Newcastle had 2,168,594, 1,630,314, and 1,071,392, dilutive common stock equivalents, respectively, resulting from its outstanding options. As of December 31, 2015, 2014 and 2013, Newcastle had 259,277, 1,931,257, and 387,044 antidilutive options, respectively. Net income (loss) applicable to common stockholders is equal to net income (loss) less preferred dividends.

(dollars in tables in thousands, except per share data)

Common Stock Offerings

The following table presents shares of common stock issued by Newcastle in connection with public offerings since 2013:

Date	Number of Shares Issued	Price per Share: To Public	Price per Share: To Underwriters	Net Proceeds (millions)	Aggregate Shares purchased by Principals of Fortress: Number of Shares	Aggregate Shares purchased by Principals of Fortress: Price	Options Granted to Manager (A): Number of Shares	Options Granted to Manager (A): Grant Date Strike Price	Options Granted to Manager (A): Grant Date Value (millions)
January 2013	9,583,333	$ 56.10	N/A	$ 526.2	35,650	$ 56.10	958,333	$ 56.10	$ 18.0
February 2013	3,833,333	N/A	$ 62.04	$ 237.4	31,833	$ 62.88	383,333	$ 62.88	$ 8.4
June 2013	6,708,333	N/A	$ 29.52	$ 197.6	125,000	$ 29.82	670,833	$ 29.82	$ 3.8
November 2013	9,658,492	N/A	$ 31.26	$ 301.4	75,159	$ 31.50	965,849	$ 31.50	$ 6.0
August 2014	7,654,166	N/A	$ 25.92	$ 197.9	83,333	$ 26.34	765,416	$ 26.34	$ 1.7

(A) In connection with these offerings, Newcastle granted options to the Manager for the purpose of compensating the Manager for its role in raising capital for Newcastle.
(B) This figure also includes shares purchased by officers of Newcastle.

In December 2015, Newcastle issued an aggregate of 18,798 shares of its common stock to its independent directors as part of annual compensation.

Option Plan

In June 2002, (with the approval of our board of directors) we adopted the Newcastle Nonqualified Stock Option and Incentive Award Plan (the "Newcastle Option Plan"), for officers, directors, consultants and advisors, including the Manager and its employees.

In May 2012, our board of directors adopted the 2012 Newcastle Nonqualified Stock Option and Incentive Plan (the "2012 Plan") which was approved by our shareholders. The 2012 Plan was adopted as the successor to the Newcastle Option Plan for officers, directors, consultants and advisors, including the Manager and its employees, and facilitated the continued use of long-term equity-based awards and incentives for the benefit of the service providers to us and our Manager.

On April 8, 2014, our board of directors adopted the 2014 Plan, which was approved by our shareholders and was amended and restated by our board of directors as of September 17, 2014 to reflect the 1-for-3 reverse stock split, which was effective after the close of trading on August 18, 2014, and as of November 3, 2014 to reflect the 1-for-2 reverse stock split, which was effective after the close of trading on October 22, 2014. The 2014 Plan was adopted as the successor to the 2012 Plan for officers, directors, consultants and advisors, including the Manager and its employees, and facilitated the continued use of long-term equity-based awards and incentives for the benefit of the service providers to us and our Manager.

On April 16, 2015, our board of directors adopted the 2015 Newcastle Investment Corp. Nonqualified Option and Incentive Award Plan (the “2015 Plan”), which was approved by our shareholders. The 2015 Plan is the successor to the 2014 Plan for officers, directors, consultants and advisors, including the Manager and its employees, and is intended to facilitate the continued use of long-term equity-based awards and incentives for the benefit of the service providers to us and our Manager. The maximum number of shares available for issuance under the 2015 Plan is 300,000 shares, as increased on the date of any equity issuance by us during the one-year term of the 2015 Plan by ten percent of the equity securities issued by us in such equity issuance.

All outstanding options granted under the 2014 Plan, 2012 Plan and the Newcastle Option Plan will continue to be subject to the terms and conditions set forth in the agreements evidencing such options and the terms of the 2014 Plan, 2012 Plan and the Newcastle Option Plan. Our board of directors may also determine to issue options to the Manager that are not subject to the 2015 Plan, provided that the number of shares underlying any options granted to the Manager in connection with capital raising efforts would not exceed 10% of the shares sold in such offering and would be subject to NYSE rules. Upon exercise, all options will be settled in an amount of cash equal to the excess of the fair market value of a share of common stock on the date of exercise over the strike price per share, unless advance approval is made to settle the option in shares of common stock.

On May 7, 2015, and pursuant to the anti-dilution provisions of the the 2014 Plan, the 2012 Plan and Newcastle Option Plan, as applicable, Newcastle's board of directors approved an equitable adjustment of all outstanding options in order to account for the impact of the 2014 return of capital distributions. The equitable adjustment entails a strike price adjustment and the issuance of additional options which were determined so as to compensate for the loss in value that would have otherwise occurred as a result of the 2014 return of capital distributions. As a result of this adjustment, options relating to a total of 178,740 shares were issued on May 7, 2015 at a strike price of $1.00 per share.

Upon joining the board, the non-employee directors were, in accordance with the Newcastle Option Plan or the 2015 Plan, as applicable, automatically granted options relating to an aggregate of 3,333 shares of common stock. The fair value of such options was not material at the date of grant.

For the purpose of compensating the Manager for its role in raising capital for Newcastle, the Manager has been granted options relating to shares of Newcastle's common stock, with strike prices subject to adjustment as necessary to preserve the value of such options in connection with the occurrence of certain events (including capital dividends and capital distributions made by Newcastle). These options represented an amount equal to 10% of the shares of common stock of Newcastle sold in its public offerings and the value of such options was recorded as an increase in equity with an offsetting reduction of capital proceeds received. The options granted to the Manager, which may be assigned by Fortress to its employees, were fully vested on the date of grant and one thirtieth of the options become exercisable on the first day of each of the following thirty calendar months, or earlier upon the occurrence of certain events, such as a change in control of Newcastle or the termination of the Management Agreement. These options will be settled in an amount of cash equal to the excess of the fair market value of a share of common stock on the date of exercise over the strike price per share, unless a majority of the independent members of Newcastle's board of directors determine to settle the option in shares of common stock. The options expire ten years from the date of issuance.

In connection with the spin-off of New Residential on May 15, 2013, 3.6 million options that were held by the Manager, or by the directors, officers or employees of the Manager, were converted into an adjusted Newcastle option and a new New Residential option. The strike price of each adjusted Newcastle option and New Residential option was set to collectively maintain the intrinsic value of the Newcastle option immediately prior to the spin-off of New Residential and to maintain the ratio of the strike price of the adjusted Newcastle option and the New Residential option, respectively, to the fair market value of the underlying shares as of the spin-off date, in each case based on the five day average closing price subsequent to the spin-off date.

In connection with the spin-off of New Media on February 13, 2014, the strike price of each Newcastle option was reduced by $5.34 to reflect the adjusted value of Newcastle's shares as a result of the spin-off. The adjusted value was calculated based on the five day average closing price of the New Media's shares subsequent to the spin-off date.

In connection with the spin-off of New Senior on November 6, 2014, 5.5 million options that were held by the Manager, or by the directors, officers or employees of the Manager, were converted into an adjusted Newcastle option and a new New Senior option. The strike price of each adjusted Newcastle option and New Senior option was set to collectively maintain the intrinsic value of the Newcastle option immediately prior to the spin-off of New Senior and to maintain the ratio of the strike price of the adjusted Newcastle option and the New Senior option, respectively, to the fair market value of the underlying shares as of the spin-off date, in each case based on the five day average closing price subsequent to the spin-off date.

(dollars in tables in thousands, except per share data)

The following is a summary of the changes in Newcastle's outstanding options for the year endedDecember 31, 2015.

	Number of Options	Weighted Average Strike Price	Weighted Average Life Remaining (in years)
Balance at December 31, 2014	5,500,599	$ 4.26	
Granted	178,740	1.00	
Exercised	(202,446)	1.00	
Expired	(55,332)	14.92	
Forfeited	—	—	
Balance at December 31, 2015	5,421,561	$ 2.85	6.79 years
Exercisable at December 31, 2015	4,723,210	$ 2.75	6.52 years

Newcastle's outstanding options were summarized as follows:

	Year Ended December 31, 2015			Year Ended December 31, 2014		
	Issued Prior to 2011	Issued in 2011 and thereafter	Total	Issued Prior to 2011	Issued in 2011 and thereafter	Total
Held by the Manager	115,239	5,010,243	5,125,482	157,791	4,833,961	4,991,752
Issued to the Manager and subsequently transferred to certain Manager's employees	29,422	266,657	296,079	41,869	466,645	508,514
Issued to the independent directors	—	—	—	333	—	333
Total	144,661	5,276,900	5,421,561	199,993	5,300,606	5,500,599

The following table summarizes Newcastle's outstanding options atDecember 31, 2015. Note that the last sales price on the New York Stock Exchange for Newcastle's common stock in the year ended December 31, 2015 was $4.08 per share.

(dollars in tables in thousands, except per share data)

Recipient	Date of Grant/Exercise	Number of Options (A)	Options Exercisable at December 31, 2015	Weighted Average Strike Price (A)	Fair Value At Grant Date (millions) (B)		Intrinsic Value at December 31, 2015 (millions)
Directors	Various	3,333	—	$ —	Not Material		—
Manager (C)	2002 - 2007	587,277	144,661	$ 13.18	$ 6.4		—
Manager (C)	Mar-11	311,853	206,881	$ 1.00	$ 7.0	(I)	$ 0.6
Manager (C)	Sep-11	524,212	376,268	$ 1.00	$ 5.6	(J)	$ 1.2
Manager (C)	Apr-12	348,352	279,452	$ 1.00	$ 5.6	(K)	$ 0.9
Manager (C)	May-12	396,316	316,871	$ 1.00	$ 7.6	(L)	$ 1.0
Manager (C)	Jul-12	437,991	353,674	$ 1.00	$ 8.3	(M)	$ 1.1
Manager (C)	Jan-13	958,331	872,528	$ 2.32	$ 18.0	(N)	$ 1.5
Manager (C)	Feb-13	383,331	349,011	$ 2.95	$ 8.4	(O)	$ 0.4
Manager (C)	Jun-13	670,829	610,770	$ 3.23	$ 3.8	(P)	0.5
Manager (C)	Nov-13	965,847	804,873	$ 3.57	$ 6.0	(Q)	0.4
Manager (C)	Aug-14	765,416	408,221	$ 4.01	$ 1.7	(R)	0.1
Exercised (D)	Prior to 2008	(173,853)	N/A	$ 14.09	N/A		N/A
Exercised (E)	Oct-12	(15,972)	N/A	$ 1.48	N/A		N/A
Exercised (F)	Sep-13	(51,306)	N/A	$ 1.67	N/A		N/A
Exercised (G)	2014	(216,186)	N/A	$ 1.46	N/A		N/A
Exercised (H)	2015	(202,446)	N/A	1.00	N/A		N/A
Expired unexercised	2002-2005	(271,764)	N/A	N/A	N/A		N/A
Outstanding		5,421,561	4,723,210				

(A) The strike prices are subject to adjustment in connection with return of capital dividends and spin-offs. A portion of Newcastle's 2008 dividends was deemed return of capital dividends. The effect on the strike prices was not significant. In the first quarter of 2014, strike prices were adjusted by $0.32 reflecting the portion of Newcastle's 2013 dividends which was deemed return of capital. The strike prices were adjusted for the New Residential, New Media and New Senior spin-offs as described above. On May 7, 2015, and pursuant to the anti-dilution provisions of the 2014 Plan, 2012 Plan and Newcastle Option Plan, as applicable, Newcastle's board of directors approved an equitable adjustment of all outstanding options in order to account for the impact of the 2014 return of capital distributions. The equitable adjustment entails a strike price adjustment and the issuance of additional options which were determined so as to compensate for the loss in value that would have otherwise occurred as a result of the 2014 return of capital distributions. As a result of this adjustment, options relating to a total of 178,740 shares were issued on May 7, 2015 at a strike price of $1.00 per share as detailed below.

Grant Date	Number of Options Issued
Mar-11	24,354
Sep-11	92,963
Apr-12	32,105
May-12	12,987
Jul-12	16,331
Total options issued	178,740

As of December 31, 2015, the weighted average strike price of the outstanding options issued prior to 2011 was $13.18.

(B) The fair value of the options was estimated using an option valuation model. Since the Newcastle Option Plan, 2012 Plan, 2014 Plan and 2015 Plan have characteristics significantly different from those of traded options, and since the assumptions used in such model, particularly the volatility assumption, are subject to significant judgment and variability, the actual value of the options could vary materially from management's estimate. The volatility assumption for these options was estimated based primarily on the historical volatility of Newcastle's common stock and management's expectations regarding future volatility. The expected life assumption for options issued prior to 2011 was estimated based on the simplified term method. This simplified method was used because Newcastle did not have sufficient historical data to conclude on the appropriate expected life of its options and because historical data to date was consistent with the simplified term method. The expected life assumption for options issued in 2011 and thereafter was estimated based primarily on the historical expected life of applicable previously issued options.

(dollars in tables in thousands, except per share data)

(C) The Manager assigned certain of its options to Fortress's employees as follows:

Date of Grant	Range of Strike Prices	Total Unexercised Inception to Date
2006	$13.38	6,373
2007	$12.44 - $14.44	23,049
2011	$1.00	—
2012	$1.00	—
2013	$2.32 - $3.57	266,657
	Total	296,079

(D) 111,770 of the total options exercised were by the Manager. 61,417 of the total options exercised were by employees of Fortress subsequent to their assignment. 666 of the total options exercised were by directors.

(E) Exercised by employees of Fortress subsequent to their assignment. The options exercised had an intrinsic value of $0.2 million.

(F) Exercised by employees of Fortress subsequent to their assignment. The options exercised had an intrinsic value of $0.9 million.

(G) 215,853 options were exercised by employees of Fortress subsequent to their assignment with an intrinsic value of $4.1 million. 333 options were exercised by directors with a minimal intrinsic value.

(H) Exercised by employees of Fortress subsequent to their assignment. The options exercised had an intrinsic value of $0.8 million.

(I) The assumptions used in valuing the options were: a 1.7% risk-free rate, 107.8% volatility and a 3.3 year expected term.

(J) The assumptions used in valuing the options were: a 1.13% risk-free rate, 13.2% dividend yield, 151.1% volatility and a 4.6 year expected term.

(K) The assumptions used in valuing the options were: a 1.3% risk-free rate, 12.9% dividend yield, 149.4% volatility and a 4.7 year expected term.

(L) The assumptions used in valuing the options were: a 1.05% risk-free rate, 11.9% dividend yield, 148.4% volatility and a 4.8 year expected term.

(M) The assumptions used in valuing the options were: a 0.75% risk-free rate, 11.9% dividend yield, 147.5% volatility and a 4.8 year expected term.rice

(N) The assumptions used in valuing the options were: a 2.0% risk-free rate, 8.8% dividend yield, 56.2% volatility and a 10 year term.

(O) The assumptions used in valuing the options were: a 2.1% risk-free rate, 7.8% dividend yield, 55.5% volatility and a 10 year term.

(P) The assumptions used in valuing the options were: a 2.5% risk-free rate, 8.8% dividend yield, 36.9% volatility and a 10 year term.

(Q) The assumptions used in valuing the options were: a 2.8% risk-free rate, 6.7% dividend yield, 32.0% volatility and a 10 year term.

(R) The assumptions used in valuing the options were: a 2.7% risk-free rate, 8.6% dividend yield, 23.4% volatility and a 10 year term.

Preferred Stock

In March 2003, Newcastle issued 2.5 million shares ($62.5 million face amount) of its 9.75% Series B Cumulative Redeemable Preferred Stock (the "Series B Preferred"). In October 2005, Newcastle issued 1.6 million shares ($40.0 million face amount) of its 8.05% Series C Cumulative Redeemable Preferred Stock (the "Series C Preferred"). In March 2007, Newcastle issued 2.0 million shares ($50.0 million face amount) of its 8.375% Series D Cumulative Redeemable Preferred Stock (the "Series D Preferred"). The Series B Preferred, Series C Preferred and Series D Preferred are non-voting, have a $25 per share liquidation preference, no maturity date and no mandatory redemption. Newcastle has the option to redeem the Series B Preferred, the Series C Preferred and the Series D Preferred, at their liquidation preference. If the Series C Preferred or Series D Preferred cease to be listed on the NYSE or the AMEX, or quoted on the NASDAQ, and Newcastle is not subject to the reporting requirements of the Exchange Act, Newcastle has the option to redeem the Series C Preferred or Series D Preferred, as applicable, at their liquidation preference and, during such time any shares of Series C Preferred or Series D Preferred are outstanding, the dividend will increase to 9.05% or 9.375% per annum, respectively.

In connection with the issuance of the Series B Preferred, Series C Preferred and Series D Preferred, Newcastle incurred approximately $2.4 million, $1.5 million, and $1.8 million of costs, respectively, which were netted against the proceeds of such offerings. If any series of preferred stock were redeemed, the related costs would be recorded as an adjustment to income available for common stockholders at that time.

In March 2010, Newcastle settled its offer to exchange (the "Exchange Offer") shares of its common stock and cash for shares of its preferred stock. After settlement of the Exchange Offer, 1,347,321 shares of Series B Preferred Stock, 496,000 shares of Series C Preferred Stock and 620,000 shares of Series D Preferred Stock remain outstanding for trading on the New York Stock Exchange.

As of January 31, 2016, Newcastle had paid all current and accrued dividends on its preferred stock.

Noncontrolling Interest

Newcastle's noncontrolling interest in 2015 and 2014 is related to our investment in the Golf business, a portion of which Newcastle does not own.

13. TRANSACTIONS WITH AFFILIATES AND AFFILIATED ENTITIES

Management Agreement

Newcastle is party to a Management Agreement with FIG, LLC, its Manager and an affiliate of Fortress, which provides for automatically renewingone-year terms subject to certain termination rights. The Manager's performance is reviewed annually and the Management Agreement may be terminated by Newcastle by payment of a termination fee, as defined in the Management Agreement, equal to the amount of management fees earned by the Manager during the twelve consecutive calendar months immediately preceding the termination, upon the affirmative vote of at least two-thirds of the independent directors, or by a majority vote of the holders of common stock. Pursuant to the Management Agreement, the Manager provides for a management team and other professionals who are responsible for implementing our business strategy, subject to the supervision of our board of directors. Our Manager is responsible for, among other things, (i) setting investment criteria in accordance with broad investment guidelines adopted by our board of directors, (ii) sourcing, analyzing and executing acquisitions, (iii) providing financial and accounting management services and (iv) performing other duties as specified in the Management Agreement. For performing these services, Newcastle pays the Manager an annual management fee equal to1.5% of the gross equity of Newcastle, as defined, including adjustments for return of capital dividends.

The Management Agreement provides that Newcastle will reimburse the Manager for various expenses incurred by the Manager or its officers, employees and agents on Newcastle's behalf, including costs of legal, accounting, tax, auditing, administrative and other similar services rendered for Newcastle by providers retained by the Manager or, if provided by the Manager's employees, in amounts which are no greater than those which would be payable to outside professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis.

To provide an incentive for the Manager to enhance the value of the common stock, the Manager is entitled to receive an incentive return (the "Incentive Compensation") on a cumulative, but not compounding, basis in an amount equal to the product of (A) 25% of the dollar amount by which (1) (a) the Funds from Operations (defined as the net income available for common stockholders before Incentive Compensation, excluding extraordinary items, plus depreciation of operating real estate and after adjustments for unconsolidated subsidiaries, if any) of Newcastle per share of common stock (based on the weighted average number of shares of common stock outstanding) plus (b) gains (or losses) from debt restructuring and from sales of property and other assets per share of common stock (based on the weighted average number of shares of common stock outstanding), exceed (2) an amount equal to (a) the weighted average of the price per share of common stock in the IPO and the value attributed to the net assets transferred to Newcastle by its predecessor, and in any subsequent offerings by Newcastle (adjusted for prior return of capital dividends or capital distributions) multiplied by (b) a simple interest rate of 10% per annum (divided by four to adjust for quarterly calculations) multiplied by (B) the weighted average number of shares of common stock outstanding.

	Amounts incurred under the management agreement (in millions)		
	2015	2014	2013
Management Fees	$ 10.2	$ 20.5	$ 27.6
Expense Reimbursement to the Manager	0.5	0.5	0.5
Incentive Compensation	—	—	—
Total management fees to affiliate	$ 10.7	$ 21.0	$ 28.1

At December 31, 2015, Fortress, through its affiliates, and principals of Fortress, owned1.0 million shares of Newcastle's common stock and Fortress, through its affiliates, had options relating to an additional 5.1 million shares of Newcastle's common stock (Note 12).

At December 31, 2015 and 2014, due to affiliates (Note 2) was comprised of$0.9 million and $1.1 million, respectively, of management fees and expense reimbursements payable to the Manager.

Other Affiliated Entities

In April 2006, Newcastle securitized Subprime Portfolio I and, through Securitization Trust 2006, entered into a servicing agreement with a subprime home equity mortgage lender (the "Subprime Servicer") to service this portfolio. In July 2006, private equity funds managed by an affiliate of Newcastle's Manager completed the acquisition of the Subprime Servicer. As compensation under the servicing agreement, the Subprime Servicer will receive, on a monthly basis, a net servicing fee equal to 0.5% per annum on the unpaid principal balance of the portfolio. In March 2007, through Securitization Trust 2007, Newcastle entered into a servicing agreement with the Subprime Servicer to service Subprime Portfolio II under substantially the same terms. At December 31, 2015, the outstanding unpaid principal balances of Subprime Portfolios I and II were approximately $275.0 million and $389.8 million, respectively.

In April 2010, Newcastle, through two of its CDOs, made a cash investment of $75.0 million in a new real estate related loan to a portfolio company of a private equity fund managed by an affiliate of Newcastle's Manager. Newcastle's chairman is an officer of the borrower. This investment improved the applicable CDOs' results under some of their respective tests, and is expected to yield approximately 22%. The loan is secured by subordinated interests in the properties of the borrower and its maturity has been extended to June 2019. Interest on the loan will be accrued and deferred until maturity.

As of December 31, 2015, Newcastle held on its balance sheet total investments of $141.9 million face amount of real estate securities and related loans issued by affiliates of the Manager. Newcastle earned approximately $25.8 million, $20.0 million and $36.5 million of interest on investments issued by affiliates of the Manager for the years ended December 31, 2015, 2014 and 2013, respectively.

In each instance described above, affiliates of Newcastle's Manager have an investment in the applicable affiliated fund and receive from the fund, in addition to management fees, incentive compensation if the fund's aggregate investment returns exceed certain thresholds.

A principal of the Manager owned or leased aircraft that Newcastle chartered from a third-party aircraft operator for business purposes in the course of operations. Newcastle paid the aircraft operator market rates for the charters.

14. COMMITMENTS AND CONTINGENCIES

Litigation — Newcastle is and may become, from time to time, involved in legal actions in the ordinary course of business, including governmental and administrative investigations, inquiries and proceedings concerning employment, labor, environmental and other claims. Although management is unable to predict with certainty the eventual outcome of any legal action, management believes the ultimate liability arising from such actions, individually and in the aggregate, which existed at December 31, 2015, if any, will not materially affect Newcastle's consolidated results of operations, financial position or cash flow. Given the inherent unpredictability of these types of proceedings, however, it is possible that future adverse outcomes could have a material effect on our financial results.

Environmental Costs — As a commercial real estate owner, Newcastle is subject to potential environmental costs. At December 31, 2015, management of Newcastle is not aware of any environmental concerns that would have a material adverse effect on Newcastle's consolidated financial position or results of operations.

Debt Covenants — Newcastle's debt obligations contain various customary loan covenants. See Note 11.

Subprime Securitizations — Newcastle has no obligation to repurchase any loans from either of its subprime securitizations. Therefore, it is expected that Newcastle's exposure to loss is limited to the carrying amount of its retained interests in the securitization entities (Note 6). A subsidiary of Newcastle gave limited representations and warranties with respect to the second securitization; however, it has no assets and does not have recourse to the general credit of Newcastle.

Operating lease obligations – The Golf business leases many of its golf courses and related facilities under long-term operating leases, including triple net leases. In addition to minimum payments, certain leases require the payment of the excess of various percentages of gross revenue or net operating income over the minimum rental payments. The triple net leases require the payment of taxes assessed against the leased property and the cost of insurance and maintenance. The majority of the lease terms range from 10 to 20 years and, typically, the leases contain renewal options. Certain leases include minimum scheduled increases in rental payments at various times during the term of the lease. These scheduled rent increases are recognized on a straight-line basis over the term of the lease, resulting in an accrual, which is included in accounts payable, accrued expenses and other liabilities, for the amount by which the cumulative straight-line rent exceeds the contractual cash rent.

(dollars in tables in thousands, except per share data)

The Golf business is required to maintain bonds under certain third-party agreements, as requested by certain utility providers, and under the rules and regulations of licensing authorities and other governmental agencies. The Golf business had bonds outstanding of approximately $0.9 million as of December 31, 2015.

Rental expenses recorded under operating leases for carts and equipment were $4.6 million and $5.0 million for the years ended December 31, 2015 and 2014, respectively.

The Golf business has three month-to-month leases with an aggregate monthly expense of $0.1 million, which are cancellable by the parties with 30 days written notice. The future minimum rental commitments under non-cancellable leases, net of subleases, as of December 31, 2015 were as follows:

For the years ending December 31:		
2016	$	33,957
2017		29,858
2018		27,338
2019		24,857
2020		21,582
Thereafter		148,144
Total Minimum lease payments	$	285,736

Membership Deposit Liability – In the Golf business, private country club members generally pay an advance initiation fee deposit upon their acceptance as a member to the respective country club. Initiation fee deposits are refundable 30 years after the date of acceptance as a member. As of December 31, 2015, the total face amount of initiation fee deposits was approximately $242.0 million.

Restricted Cash – Approximately $3.3 million of restricted cash at December 31, 2015 is used as credit enhancement for the Golf business's obligations related to the performance of lease agreements and certain insurance claims.

15. INCOME TAXES

The provision for income taxes (including discontinued operations) consists of the following:

	Year Ended December 31,		
	2015	2014	2013
Current:			
Federal	$ 298	$ 704	$ 2,170
State and Local	101	318	381
Total Current Provision	$ 399	$ 1,022	$ 2,551
Deferred			
Federal	$ (46)	$ (1,293)	$ (404)
State and Local	(8)	(632)	(47)
Total Deferred Provision	$ (54)	$ (1,925)	$ (451)
Total Provision (benefit) for Income Taxes	$ 345	$ (903)	$ 2,100
Provision (benefit) for income taxes from discontinued operations	$ —	$ (1,111)	$ 2,100
Provision (benefit) for income taxes from continuing operations	$ 345	$ 208	$ —

Newcastle is organized and conducts its operations to qualify as a REIT under the Code. A REIT will generally not be subject to U.S. federal corporate income tax on that portion of its net income that is distributed to stockholders if it distributes at least 90% of its REIT taxable income to its stockholders by prescribed dates and complies with various other requirements. A portion of this distribution requirement may be met through stock dividends rather than cash, subject to limitations based on the value of Newcastle's stock.

(dollars in tables in thousands, except per share data)

Common stock distributions relating to 2015, 2014, and 2013 were taxable as follows:

	Dividends Per Share			Ordinary Income	Long-term Capital Gain	Return of Capital
2015	$	0.60		30.41%	69.59%	0.00%
2014	$	25.76	(A)	32.64%	7.57%	59.79%
2013	$	44.28	(B)	33.91%	0.00%	66.09%

(A) Includes the distribution of New Media common stock valued at $5.34 per share and the distribution of New Senior common stock valued at $18.02 per share.

(B) Includes the distribution of New Residential common stock valued at $41.34 per share.

During 2010 and 2009, Newcastle repurchased an aggregate of $787.8 million face amount of its outstanding CDO debt and junior subordinated notes at a discount and recorded $521.1 million of aggregate gain. The gain recorded upon such cancellation of indebtedness is characterized as ordinary income for tax purposes. In compliance with current tax laws, Newcastle has the ability to defer such ordinary income to future years and has deferred all or a portion of such gain for 2010 and 2009. However, cancellation of indebtedness income recognized on or after January 1, 2011 cannot be deferred and must generally be recognized as ordinary income in the year of such cancellation. During 2011, Newcastle repurchased $188.9 million face amount of its outstanding CDO debt and notes payable at a discount and recorded $81.1 million of gain for tax purposes, of which only $66.1 million gain relating to $171.8 million face amount of debt repurchased was recognized for GAAP purposes. During 2012, Newcastle repurchased $39.3 million face amount of Newcastle CDO debt and notes payable at a discount and recorded a $24.1 million gain on extinguishment of debt for GAAP, of which only $23.2 million of gain relating to $34.1 million face amount of debt repurchased was recognized for tax purposes. During 2013, Newcastle repurchased $35.9 million face amount of Newcastle CDO debt and notes payable at a discount and recorded a $4.6 million gain on extinguishment of debt for GAAP and tax purposes. During 2014, Newcastle did not repurchase any of the outstanding CDO debt and notes payable. During 2015, Newcastle repurchased $11.5 million face amount of Newcastle CDO debt and notes payable at a discount and recorded a $0.5 million gain on extinguishment of debt for GAAP and tax purposes.

In addition, Newcastle may recognize material ordinary income from the cancellation of debt within its non-recourse financing, and structures, including its subprime securitizations, while losses on the related collateral may be recognized as capital losses. Through December 31, 2015, $159.4 million of debt in Newcastle's subprime securitizations has been cancelled as a result losses incurred on the underlying assets in the securitization trusts.

As of December 31, 2014, Newcastle had a loss carryforward, inclusive of net operating loss and capital loss, of approximately $644.1 million. The net operating loss carryforward and capital loss carryforward can generally be used to offset future ordinary taxable income and taxable capital gains, for up to 20 years and 5 years, respectively. The amounts of net operating loss carryforward and net long-term capital loss carryforward as of December 31, 2015 are subject to the finalization of the 2015 tax returns. The net operating loss carryforward and capital loss carryforward will begin to expire in 2029 and 2015, respectively.

Newcastle experienced an "ownership change" for purposes of Section 382 of the Code in January 2013. The provisions of Section 382 of the Code will impose an annual limit on the amount of net operating loss and net capital loss carryforwards that Newcastle can use to offset future taxable income. Such limitation may increase Newcastle's dividend distribution requirement in the future. Newcastle does not believe that the limitation as a result of the ownership change will prevent it from satisfying the REIT distribution requirement for the current year and future years.

The Golf business is held through TRSs and, as such, is subject to regular corporate income taxes. At December 31, 2015, Newcastle's TRSs had approximately $78.2 million of net operating loss carryforwards for federal and state income tax purposes which may be available to offset future taxable income, if any. These federal and state net operating loss carryforwards will begin to expire in 2018. A significant portion of these net operating losses are subject to the limitations of Code Section 382. This section provides substantial limitations on the availability of net operating losses to offset current taxable income if significant ownership changes have occurred for federal tax purposes.

Newcastle and its TRSs file income tax returns with the U.S. federal government and various state and local jurisdictions. Newcastle is no longer subject to tax examinations by tax authorities for years prior to 2012. Generally, Newcastle has assessed its tax positions for all open years, which includes 2012 to 2015, and concluded that there are no material uncertainties to be recognized. Newcastle does not believe that it is reasonably possible that the total amount of unrecognized tax benefits will significantly change within the next twelve months.

(dollars in tables in thousands, except per share data)

During the years ended December 31, 2015, 2014 and 2013, Newcastle's TRSs recorded approximately $0.3 million, $(0.9) million and $2.1 million, respectively, of income tax expense (benefit). Generally, the Newcastle's effective tax rate differs from the federal statutory rate as a result of state and local taxes and non-taxable REIT income.

The difference between Newcastle's reported provision for income taxes and the U.S. federal statutory rate of 35% is as follows:

	December 31,		
	2015	2014	2013
Provision at the statutory rate	35.00 %	35.00 %	35.00 %
Non-taxable REIT income	(86.91)%	(56.20)%	(33.88)%
Permanent items	31.24 %	— %	— %
State and local taxes	0.32 %	(1.18)%	0.21 %
Valuation allowance (reversal)	22.04 %	21.70 %	(0.50)%
Other	(0.04)%	(1.80)%	0.90 %
Total provision (benefit)	1.65 %	(2.48)%	1.73 %

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets as of December 31, 2015 and 2014 are presented below:

	December 31,	
	2015	2014
Deferred tax assets:		
Allowance for loan losses	$ 399	$ 366
Depreciation and amortization	33,495	13,938
Accrued expenses	2,008	2,006
Net operating losses	22,524	26,543
Other	—	2,365
Total deferred tax assets	58,426	45,218
Less valuation allowance	(42,158)	(27,434)
Net deferred tax assets	$ 16,268	$ 17,784
Deferred tax liabilities:		
Leaseholds	15,366	17,741
Other	805	—
Total deferred tax liabilities	$ 16,171	$ 17,741
Net deferred tax assets (A)	$ 97	$ 43

(A) Recorded in receivables and other assets on the Consolidated Balance Sheets.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible.

Newcastle had recorded a valuation allowance against a significant portion of its deferred tax assets as of December 31, 2015 as management does not believe that it is more likely than not that the deferred tax assets will be realized.

(dollars in tables in thousands, except per share data)

The following table summarizes the change in the deferred tax asset valuation allowance:

Valuation allowance at December 31, 2014	$	27,434
Current year income		14,724
Valuation allowance at December 31, 2015	$	42,158

16. OTHER-THAN-TEMPORARY-IMPAIRMENT

The following table summarizes the amounts Newcastle recorded in the statement of operations:

	Year Ended December 31,		
	2015	2014	2013
Debt securities	$ 1,988	$ —	$ 5,266
Equity securities	367	—	—
Other investments	7,505	—	—
Total impairment expense	$ 9,860	$ —	$ 5,266

17. SUBSEQUENT EVENTS

These financial statements include a discussion of material events which have occurred subsequent toDecember 31, 2015 through the issuance of these Consolidated Financial Statements.

In January 2016, Newcastle settled on a trade to sell$350.3 million face amount of agency RMBS at an average price of103.2% of par for total proceeds of approximately $361.3 million and recognized a loss of$3.9 million. Newcastle repaid $348.6 million of outstanding repurchase agreement liabilities in connection with this sale (see Note 5).

In January 2016, Newcastle settled on a trade to purchase$102.7 million face amount of agency RMBS at an average price of103.2% of par for total proceeds of approximately $105.9 million. This transaction was financed with$102.2 million of repurchase agreements (see Note 5).

In January 2016, Newcastle settled on a trade to purchase$250.1 million face amount of agency RMBS at an average price of103.2% of par for total proceeds of approximately $258.1 million. This transaction was financed with $249.1 million of repurchase agreements.

On February 26, 2016, Newcastle extended the repurchase agreement on the Golf loans to mature on May 31, 2016, with an option to extend to June 30, 2016. The repurchase agreement bears interest at LIBOR + 4.00%.

(dollars in tables in thousands, except per share data)

18. SUMMARY QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

2015	Quarter Ended				Year Ended
	March 31 (A)(B)	June 30 (A)	September 30 (A)	December 31 (B)	December 31
Interest income	$ 27,078	$ 24,265	$ 23,010	$ 21,538	$ 95,891
Interest expense	(16,727)	(16,950)	(14,715)	(13,737)	(62,129)
Net interest income	10,351	7,315	8,295	7,801	33,762
Impairment	405	13,679	3,460	1,857	19,401
Operating revenues	60,826	82,803	82,864	69,363	295,856
Other income (loss) (C)	501	29,373	11,987	(2,360)	39,501
Property operating expenses	60,990	74,546	76,826	64,740	277,102
Depreciation and amortization	6,753	7,119	7,111	7,651	28,634
Other operating expenses	4,477	6,279	6,592	5,381	22,729
Income tax expense	46	27	1,257	(985)	345
Income (loss) from continuing operations	(993)	17,841	7,900	(3,840)	20,908
Income from discontinued operations	115	524	7	—	646
Preferred dividends	(1,395)	(1,395)	(1,395)	(1,395)	(5,580)
Net loss (income) attributable to noncontrolling interests	181	49	(13)	76	293
Income (loss) applicable to common stockholders	$ (2,092)	$ 17,019	$ 6,499	$ (5,159)	$ 16,267
Net income (loss) per share of common stock					
Basic	$ (0.03)	$ 0.26	$ 0.10	$ (0.08)	$ 0.24
Diluted	$ (0.03)	$ 0.25	$ 0.09	$ (0.08)	$ 0.24
Income from discontinued operations per share of common stock					
Basic	$ —	$ 0.01	$ —	$ —	$ 0.01
Diluted	$ —	$ 0.01	$ —	$ —	$ 0.01
Weighted average number of shares of common stock outstanding					
Basic	66,424,508	66,426,980	66,484,962	66,579,072	66,479,321
Diluted	66,424,508	69,204,717	69,069,659	66,579,072	68,647,915

2014	Quarter Ended				Year Ended
	March 31 (A)	June 30 (A)	September 30 (A)	December 31 (B)	December 31
Interest income	$ 46,452	$ 29,893	$ 27,544	$ 23,738	$ 127,627
Interest expense	(22,170)	(20,328)	(18,411)	(19,113)	(80,022)
Net interest income	24,282	9,565	9,133	4,625	47,605
Impairment (reversal)	1,246	1,526	(4,015)	(1,176)	(2,419)
Operating revenues	62,632	82,737	81,494	64,674	291,537
Other income (loss) (C)	15,808	41,707	12,618	4,329	74,462
Property operating expenses	65,603	75,289	77,167	66,316	284,375
Depreciation and amortization	5,863	6,317	7,204	7,583	26,967
Other operating expenses	10,314	10,471	8,955	7,150	36,890
Income tax expense	140	4	—	64	208
Income (loss) from continuing operations	19,556	40,402	13,934	(6,309)	67,583
Income (loss) from discontinued operations	(15,299)	(8,504)	(8,624)	(2,762)	(35,189)
Preferred dividends	(1,395)	(1,395)	(1,395)	(1,395)	(5,580)
Net income attributable to noncontrolling interests	661	29	21	141	852
Income (loss) applicable to common stockholders	$ 3,523	$ 30,532	$ 3,936	$ (10,325)	$ 27,666
Net income (loss) per share of common stock					
Basic	$ 0.06	$ 0.52	$ 0.06	$ (0.16)	$ 0.45
Diluted	$ 0.06	$ 0.50	$ 0.06	$ (0.16)	$ 0.44
Income (loss) from discontinued operations per share of common stock					
Basic	$ (0.26)	$ (0.15)	$ (0.14)	$ (0.04)	$ (0.57)
Diluted	$ (0.26)	$ (0.15)	$ (0.14)	$ (0.04)	$ (0.57)
Weighted average number of shares of common stock outstanding					
Basic	58,575,582	58,599,666	62,329,023	66,404,248	61,500,913
Diluted	60,511,128	60,477,084	63,865,796	66,404,248	63,131,227

See footnotes on next page.

(A) The Income Available for Common Stockholders shown agrees with Newcastle's quarterly report(s) on Form 10-Q as filed with the Securities and Exchange Commission. However, individual line items may vary from such report(s) due to the operations of properties sold, or classified as held for sale, during subsequent periods being retroactively reclassified to Income for Discontinued Operations for all periods presented (Note 3).
(B) The options outstanding are excluded from the diluted share calculation as their effect would have been anti-dilutive.
(C) Includes equity in earnings of unconsolidated subsidiaries.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

a) Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report. The Company's disclosure controls and procedures are designed to provide reasonable assurance that information is recorded, processed, summarized and reported accurately and on a timely basis. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

b) There were no material changes noted during the timeframe of October2015 to December 2015.

Management's Report on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act, as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States and includes those policies and procedures that**:**

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the *Internal Control-Integrated Framework (2013)*.

Based on our assessment, management concluded that, as ofDecember 31, 2015, the Company's internal controls over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2015 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report included herein.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Incorporated by reference to our definitive proxy statement for the2015 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A Exchange Act, within 120 days after the fiscal year ended December 31, 2015.

Item 11. Executive Compensation.

Incorporated by reference to our definitive proxy statement for the2015 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A Exchange Act, within 120 days after the fiscal year ended December 31, 2015.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Incorporated by reference to our definitive proxy statement for the2015 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A Exchange Act, within 120 days after the fiscal year ended December 31, 2015.

Item 13. Certain Relationships and Related Transactions, Director Independence.

Incorporated by reference to our definitive proxy statement for the2015 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A Exchange Act, within 120 days after the fiscal year ended December 31, 2015.

Item 14. Principal Accounting Fees and Services.

Incorporated by reference to our definitive proxy statement for the2015 annual meeting of stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A Exchange Act, within 120 days after the fiscal year ended December 31, 2015.

PART IV

Item 15. Exhibits; Financial Statement Schedules.

(a) and (c) Financial statements and schedules:
See "Financial Statements and Supplementary Data."

(b) Exhibits filed with this Form 10-K:

2.1	Separation and Distribution Agreement dated April 26, 2013, between New Residential Investment Corp. and the Registrant (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 2.1, filed on May 3, 2013).
2.2	Separation and Distribution Agreement dated October 16, 2014, between New Senior Investment Group Inc. and the Registrant (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.2, filed on November 5, 2014).
3.1	Articles of Amendment and Restatement (incorporated by reference to the Registrant's Registration Statement on Form S-11 (File No. 333-90578), Exhibit 3.1, filed on September 24, 2002).
3.2	Articles Supplementary relating to the Series B Preferred Stock (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 3.3, filed on May 13, 2003).
3.3	Articles Supplementary relating to the Series C Preferred Stock (incorporated by reference to the Registrant's Report on Form 8-K, Exhibit 3.3, filed on October 25, 2005).
3.4	Articles Supplementary relating to the Series D Preferred Stock (incorporated by reference to the Registrant's Report on Form 8-A, Exhibit 3.1, filed on March 14, 2007).
3.5	Articles of Amendment (incorporated by reference to the Registrant's Report on Form 8-K, Exhibit 3.1, filed on June 10, 2013).
3.6	Amended and Restated By-laws (incorporated by reference to the Registrant's Current Report on Form 8-K, Exhibit 3.1, filed on May 8, 2006).
3.7	Articles of Amendment (incorporated by reference to the Registrant's Report on Form 8-K, Exhibit 3.1, filed on August 19, 2014).
3.8	Articles of Amendment (incorporated by reference to the Registrant's Report on Form 8-K, Exhibit 3.1, filed on October 22, 2014).
4.1	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).
4.2	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).
4.3	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).
10.1	Amended and Restated Management and Advisory Agreement by and among the Registrant and FIG LLC, dated April 25, 2013 (incorporated by reference to the Registrant's Quarterly Report on Form 10-Q, Exhibit 10.1, filed on May 3, 2013).

10.2	2012 Newcastle Investment Corp. Nonqualified Stock Option and Incentive Award Plan, adopted as of May 7, 2012 (incorporated by reference to the Registrant’s Report on Form 10-K, Exhibit 10.3, filed on February 28, 2013).
10.3	2014 Newcastle Investment Corp. Nonqualified Stock Option and Incentive Award Plan (incorporated by reference to Annex A of the Registrant’s definitive proxy statement for the 2014 annual meeting of stockholders filed on April 17, 2014).
10.4	Amended and Restated 2014 Newcastle Investment Corp. Nonqualified Stock Option and Incentive Award Plan, adopted as of September 17, 2014 (incorporated by reference to the Registrant's Report on Form 10-K, Exhibit 10.4, filed on March 2, 2015).
10.5	Amended and Restated 2014 Newcastle Investment Corp. Nonqualified Stock Option and Incentive Award Plan, adopted as of November 3, 2014 (incorporated by reference to the Registrant's Report on Form 10-K, Exhibit 10.5, filed on March 2, 2015).
10.6	2015 Newcastle Investment Corp. Nonqualified Option and Incentive Award Plan, adopted as of April 16, 2015 (incorporated by reference to Annex A of the Registrant's definitive proxy statement for the 2015 annual meeting of stockholders filed on April 17, 2015).
10.7	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).
10.8	Exchange Agreement, dated as of January 29, 2010, by and among Newcastle Investment Corp., Taberna Capital Management, LLC, Taberna Preferred Funding IV, Ltd., Taberna Preferred Funding V, Ltd., Taberna Preferred Funding VI, Ltd. And Taberna Preferred Funding VII, Ltd. (incorporated by reference to the Registrant’s Report on Form 8-K, Exhibit 10.1, filed on February 2, 2010).
10.9	Sale and Cooperation Agreement, dated September 7, 2012, among Newcastle Investment Corp., Barclays Bank PLC and ED LIMITED (incorporated by reference to the Registrant’s Report on Form 10- Q, Exhibit 10.33, filed on October 26, 2012).
10.10	Purchase and Sale Agreement, dated November 18, 2013, by and between the Sellers named therein and the Purchasers named therein (incorporated by reference to the Registrant's Annual Report on Form 10-K, Exhibit 10.16, filed on March 3, 2014).
10.11	Master Lease, dated December 23, 2013, by and among the Landlords named therein and NCT Master Tenant I LLC (incorporated by reference to the Registrant's Annual Report on Form 10-K, Exhibit 10.17, filed on March 3, 2014).
10.12	Form of Indemnification Agreement (incorporated by reference to the Registrant's Report on Form 10-Q, Exhibit 10.19, filed on August 8, 2014).
10.13	Settlement Agreement by and among Newcastle Investment Corp. and BLR Partners LP, and the persons listed on Schedule A thereto, dated as of February 2, 2016 (incorporated by reference to the Registrant's Report on Schedule 13D, Amendment No. 2, filed on February 4, 2016).
12.1	Statements re: Computation of Ratios.
21.1	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm.

31.1	Certification of Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

*XBRL (Extensible Business Reporting Language) information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized:

NEWCASTLE INVESTMENT CORP.

By: /s/ Wesley R. Edens

Wesley R. Edens

Chairman of the Board

March 10, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Wesley R. Edens

Wesley R. Edens
Chairman of the Board

March 10, 2016

By: /s/ Kenneth M. Riis

Kenneth M. Riis
Director and Chief Executive Officer

March 10, 2016

By: /s/ Justine A. Cheng

Justine A. Cheng
Chief Financial Officer, Chief Operating Officer and Treasurer

March 10, 2016

By: /s/ Julien P. Hontang

Julien P. Hontang
Principal Accounting Officer

March 8, 2016

By: /s/ Kevin J. Finnerty

Kevin J. Finnerty
Director

March 10, 2016

By: /s/ Stuart A. McFarland

Stuart A. McFarland
Director

March 10, 2016

By: /s/ David K. McKown

David K. McKown
Director

March 10, 2016

By: /s/ Alan L. Tyson

Alan L. Tyson
Director

March 10, 2016

By: /s/ Clifford Press

Clifford Press
Director

March 10, 2016

SPECIAL NOTE REGARDING EXHIBITS

In reviewing the agreements included as exhibits to this Annual Report on Form 10-K, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk tone of the parties if those statements prove to be inaccurate;
- have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this Annual Report on Form 10-K and the Company's other public filings, which are available without charge through the SEC's website at http://www.sec.gov. See "Business – Corporate Governance and Internet Address; Where Readers Can Find Additional Information."

The Company acknowledges that, notwithstanding the inclusion of the foregoing cautionary statements, it is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this report not misleading.

Exhibit Index

2.1	Separation and Distribution Agreement dated April 26, 2013, between New Residential Investment Corp. and the Registrant (incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q, Exhibit 2.1, filed on May 3, 2013).
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3.2	Articles Supplementary relating to the Series B Preferred Stock (incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q, Exhibit 3.3, filed on May 13, 2003).
3.3	Articles Supplementary relating to the Series C Preferred Stock (incorporated by reference to the Registrant’s Report on Form 8-K, Exhibit 3.3, filed on October 25, 2005).
3.4	Articles Supplementary relating to the Series D Preferred Stock (incorporated by reference to the Registrant’s Report on Form 8-A, Exhibit 3.1, filed on March 14, 2007).
3.5	Articles of Amendment (incorporated by reference to the Registrant’s Report on Form 8-K, Exhibit 3.1, filed on June 10, 2013).
3.6	Amended and Restated By-laws (incorporated by reference to the Registrant’s Report on Form 8-K, Exhibit 3.1, filed on May 5, 2006).
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10.2	2012 Newcastle Investment Corp. Nonqualified Stock Option and Incentive Award Plan, adopted as of May 7, 2012 (incorporated by reference to the Registrant’s Report on Form 10-K, Exhibit 10.3, filed on February 28, 2013).
10.3	2014 Newcastle Investment Corp. Nonqualified Stock Option and Incentive Award Plan (incorporated by reference to Annex A of the Registrant’s definitive proxy statement for the 2014 annual meeting of stockholders filed on April 17, 2014).
10.4	Amended and Restated 2014 Newcastle Investment Corp. Nonqualified Stock Option and Incentive Award Plan, adopted as of September 17, 2014 (incorporated by reference to the Registrant's Report on Form 10-K, Exhibit 10.4, filed on March 2, 2015).

10.5	Amended and Restated 2014 Newcastle Investment Corp. Nonqualified Stock Option and Incentive Award Plan, adopted as of November 3, 2014 (incorporated by reference to the Registrant's Report on Form 10-K, Exhibit 10.5, filed on March 2, 2015).
10.6	2015 Newcastle Investment Corp. Nonqualified Option and Incentive Award Plan, adopted as of April 16, 2015 (incorporated by reference to Annex A of the Registrant's definitive proxy statement for the 2015 annual meeting of stockholders filed on April 17, 2015).
10.7	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).
10.8	Exchange Agreement, dated as of January 29, 2010, by and among Newcastle Investment Corp., Taberna Capital Management, LLC, Taberna Preferred Funding IV, Ltd., Taberna Preferred Funding V, Ltd., Taberna Preferred Funding VI, Ltd. And Taberna Preferred Funding VII, Ltd. (incorporated by reference to the Registrant’s Report on Form 8-K, Exhibit 10.1, filed on February 2, 2010).
10.9	Sale and Cooperation Agreement, dated September 7, 2012, among Newcastle Investment Corp., Barclays Bank PLC and ED LIMITED (incorporated by reference to the Registrant’s Report on Form 10-Q, Exhibit 10.33, filed on October 26, 2012).
10.10	Purchase and Sale Agreement, dated November 18, 2013, by and between the Sellers named therein and the Purchasers named therein (incorporated by reference to the Registrant's Annual Report on Form 10-K, Exhibit 10.16, filed on March 3, 2014).
10.11	Master Lease, dated December 23, 2013, by and among the Landlords named therein and NCT Master Tenant I LLC (incorporated by reference to the Registrant's Annual Report on Form 10-K, Exhibit 10.17, filed on March 3, 2014).
10.12	Form of Indemnification Agreement (incorporated by reference to the Registrant's Report on Form 10-Q, Exhibit 10.19, filed on August 8, 2014).
10.13	Settlement Agreement by and among Newcastle Investment Corp. and BLR Partners LP, and the persons listed on Schedule A thereto, dated as of February 2, 2016 (incorporated by reference to the Registrant's Report on Schedule 13D, Amendment No. 2, filed on February 4, 2016).
12.1	Statements re: Computation of Ratios.
21.1	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP, independent registered public accounting firm.
31.1	Certification of Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.

101.LAB* XBRL Taxonomy Extension Label Linkbase Document.

101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document.

*XBRL (Extensible Business Reporting Language) information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

EXHIBIT 12.1

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED DIVIDENDS AND RATIO OF EARNINGS TO FIXED CHARGES

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:

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Ratio of Earnings to Combined Fixed Charges and Preferred Dividends	1.23	1.73	2.61	4.5	3.08
Ratio of Earning to Fixed Charges	1.34	1.85	2.79	4.73	3.2

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.

EXHIBIT 21.1

NEWCASTLE INVESTMENT CORP. SUBSIDIARIES

	Subsidiary	Jurisdiction of Incorporation/Organization
1	Fortress Asset Trust	Delaware
2	IMPAC CMB Trust 1998-C1	Delaware
3	IMPAC Commercial Assets Corporation	California
4	IMPAC Commercial Capital Corporation	California
5	IMPAC Commercial Holdings, Inc.	Maryland
6	LIV Holdings LLC	Delaware
7	NCT Holdings LLC	Delaware
8	Newcastle 2005-1 Asset Backed Note LLC	Delaware
9	Newcastle 2006-1 Asset Backed Note LLC	Delaware
10	Newcastle 2006-1 Depositor LLC	Delaware
11	Newcastle CDO V Corp.	Delaware
12	Newcastle CDO V Holdings LLC	Delaware
13	Newcastle CDO V, Ltd.	Cayman Islands
14	Newcastle CDO VI Corp.	Delaware
15	Newcastle CDO VI Holdings LLC	Delaware
16	Newcastle CDO VI, Ltd.	Cayman Islands
17	Newcastle CDO VII Holdings LLC	Delaware
18	Newcastle CDO VII Corp.	Delaware
19	Newcastle CDO VII Limited	Cayman Islands
20	Newcastle CDO VIII 1, Limited	Cayman Islands
21	Newcastle CDO VIII 2, Limited	Cayman Islands
22	Newcastle CDO VIII Holdings LLC	Delaware
23	Newcastle CDO VIII LLC	Delaware
24	Newcastle CDO IX 1, Limited	Cayman Islands
25	Newcastle CDO IX Holdings LLC	Delaware
26	Newcastle CDO IX LLC	Delaware
27	Newcastle MH I LLC	Delaware
28	Newcastle Mortgage Securities LLC	Delaware
29	Newcastle Mortgage Securities Trust 2004-1	Delaware
30	Newcastle Mortgage Securities Trust 2006-1	Delaware
31	Newcastle Mortgage Securities Trust 2007-1	Delaware
32	Newcastle Trust 1	Delaware
33	NIC Airport Corporate Center LLC	Delaware
34	NIC Apple Valley I LLC	Delaware
35	NIC Apple Valley II LLC	Delaware
36	NIC Apple Valley III LLC	Delaware
37	NIC CRA LLC	Delaware
38	NIC Dayton Towne Center LLC	Delaware
39	NIC DB LLC	Delaware
40	NIC DP LLC	Delaware
41	NIC OTC LLC	Delaware

	Subsidiary	Jurisdiction of Incorporation/Organization
42	NIC TP LLC	Delaware
43	NIC WL II LLC	Delaware
44	NIC WL LLC	Delaware
45	NIC SF LLC	Delaware
46	NIC Management LLC	Delaware
47	NIC SN LLC	Delaware
48	Xanadu Asset Holdings LLC	Delaware
49	SP I Term Facility LLC	Delaware
50	Dayton Asset Holding LLC	Delaware
51	NCT Holdings II LLC	Delaware
52	Newcastle Investment Trust 2010-MH1	Delaware
53	Newcastle Investment Trust 2011-MH1	Delaware
54	SSL Term Loan LLC	Delaware
55	NIC GH I LLC	Delaware
56	NIC GH II LLC	Delaware
57	NIC GH III LLC	Delaware
58	NIC GH IV LLC	Delaware
59	NIC GH V LLC	Delaware
60	NIC GH VI LLC	Delaware
61	NIC GH VII LLC	Delaware
62	NIC GH VIII LLC	Delaware
63	NIC GH IX LLC	Delaware
64	NIC GH X LLC	Delaware
65	NIC GH XI LLC	Delaware
66	NIC GH Equity LLC	Delaware
67	NIC GH XII LLC	Delaware
68	NIC GH XIII LLC	Delaware
69	NIC GH XIV LLC	Delaware
70	NIC GH XV LLC	Delaware
71	NIC GH XVI LLC	Delaware
72	NIC GH XVII LLC	Delaware
73	NIC GH XVIII LLC	Delaware
74	NIC GH XIX LLC	Delaware
75	NIC GH XXI LLC	Delaware
76	NIC GH XXII LLC	Delaware
77	NIC GH XXIII LLC	Delaware
78	NIC GH XXIV LLC	Delaware
79	CDO VIII Repack Limited	Cayman Islands
80	NIC GH XX LLC	Delaware
81	NCT 2013 – VI Funding Ltd.	Cayman Islands
82	American Golf Leasing LLC	Delaware
83	NCT 2013-VI Funding Investors LLC	Delaware
84	Castle Sports & Entertainment Group, Inc.	Delaware
85	American Golf Group Holdings LLC	Delaware
86	Castle Sports & Entertainment Partners LLC	Delaware

	Subsidiary	Jurisdiction of Incorporation/Organization
87	Tower A LLC	Delaware
88	Tower A1 Holdings LLC	Delaware
89	Tower A2 Holdings LLC	Delaware
90	Tower B Holdings LLC	Delaware
91	Tower C Holdings LLC	Delaware
92	Tower B LLC	Delaware
93	Tower C LLC	Delaware
94	Vineyards Holdings LLC	Delaware
95	American Golf Partners LLC	Delaware
96	NGP Mezzanine, LLC	Delaware
97	NGP Realty Sub GP, LLC	Delaware
98	NGP Realty Sub, L.P.	Delaware
99	AGC Mezzanine Pledge LLC	Delaware
100	New AGC LLC	Delaware
101	American Golf Corporation	Delaware
102	American Golf of Atlanta	Georgia
103	CW Golf Partners LP	California
104	Golf Enterprises Inc.	Kansas
105	Persimmon Golf Club LLC	Delaware
106	Newcastle MH Depositor LLC	Delaware
107	Newcastle 2014-MH1 Property Owner LLC	Delaware
108	Drive Shack Holdings LLC	Delaware
109	NIC Taberna LLC	Delaware
110	NIC Trust Holdings Inc.	Delaware

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-3 No. 333-202500) of Newcastle Investment Corp., and

(2) Registration Statement (Form S-3 No. 333-202501) of Newcastle Investment Corp.;

of our reports dated March 10, 2016, with respect to the consolidated financial statements of Newcastle Investment Corp. and Subsidiaries and the effectiveness of internal control over financial reporting of Newcastle Investment Corp. and Subsidiaries included in this Annual Report (Form 10-K) of Newcastle Investment Corp. and Subsidiaries for the year ended December 31, 2015.

/s/ Ernst & Young LLP
New York, New York

March 10, 2016

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Kenneth M. Riis, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d – 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d – 15(f)) for the registrant and have:

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

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 10, 2016	/s/ Kenneth M. Riis
(Date)	Kenneth M. Riis
	Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Justine A. Cheng, certify that:

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

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d–15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d – 15(f)) for the registrant and have:

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

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 10, 2016	/s/ Justine A. Cheng
(Date)	Justine A. Cheng
	Chief Financial Officer, Chief Operating Officer and Treasurer

EXHIBIT 32.1

CERTIFICATION OF CEO PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Newcastle Investment Corp. (the “Company”) for the annual period ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Kenneth M. Riis, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

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

/s/ Kenneth M. Riis

Kenneth M. Riis
Chief Executive Officer
March 10, 2016

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

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

EXHIBIT 32.2

CERTIFICATION OF CFO PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Newcastle Investment Corp. (the “Company”) for the annual period ended December 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Justine A. Cheng, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

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

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

/s/ Justine A. Cheng

Justine A. Cheng

Chief Financial Officer, Chief Operating Officer and Treasurer

March 10, 2016

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

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