

May 6, 2011

DRIVE SHACK INC.

Newcastle Announces First Quarter 2011 Results

NEW YORK--(BUSINESS WIRE)--

FIRST QUARTER 2011 FINANCIAL RESULTS

Newcastle Investment Corp. (NYSE: NCT) reported that in the first quarter of 2011, income applicable to common stockholders ("GAAP income") was \$108 million, or \$1.73 per diluted share, compared to \$180 million, or \$3.36 per diluted share, in the first quarter of 2010.

GAAP income of \$108 million consisted of the following: \$26 million, or \$0.41 per diluted share, of net interest income less expenses (net of preferred dividends), compared to \$13 million, or \$0.24 per diluted share, in the first quarter of 2010; \$45 million of other income primarily related to a \$34 million net gain on the settlement of investments and an \$11 million gain on the extinguishment of CDO debt; and \$37 million representing the reversal of prior valuation allowances on loans net of impairment recorded on securities.

In the first quarter of 2011, GAAP book value increased \$323 million or \$5.16 per share. As of March 31, 2011, GAAP book value was \$14 million or \$0.18 per share, compared to \$(309) million or \$(4.98) per share as of December 31, 2010.

On March 29, 2011, Newcastle completed the sale of 17.3 million shares of its common stock, at a price of \$6.00 per share. The net proceeds of the sale were \$98 million, after deducting underwriting discounts and offering expenses.

On March 30, 2011, the Board of Directors declared dividends on the Company's Series B, Series C and Series D Preferred Stock for the period beginning February 1, 2011 and ending April 30, 2011. The Company paid total dividends of \$0.609375, \$0.503125 and \$0.523438 per share on the 9.75% Series B, 8.05% Series C and 8.375% Series D preferred stock, respectively. For the first quarter of 2011, Newcastle's Board of Directors elected not to pay a dividend on its common stock.

For a reconciliation of income applicable to common stockholders to net interest income less expenses (net of preferred dividends), please refer to the tables following the presentation of GAAP results.

RECOURSE DEBT FINANCING AND CASH

As of May 4, 2011, the Company's cash and current financings are set forth below. These amounts do not include the use of \$25 million of unrestricted cash and \$208 million of restricted cash on committed but not funded investments which are described further in subsequent events:

-- Cash - The Company had unrestricted cash of \$129 million. In addition, the Company had \$152 million of restricted cash available for

- reinvestment within its consolidated CDOs;
- Margin Exposure - The Company had margin exposure of \$17 million related to the financing of the Newcastle CDO VI Class I-MM notes (of which only \$4 million is recourse) and \$106 million related to the financing of FNMA and FHLMC securities.

The following table illustrates the change in cash and recourse financings, excluding junior subordinated notes (\$ in millions):

| | May 4, 2011 | Mar 31, 2011 | Dec 31, 2010 |
|-----------------------------|----------------|-----------------|-----------------|
| CDO Cash for Reinvestment | \$ 152 | \$ 128 | \$ 150 |
| Unrestricted Cash | 129 | 161 | 34 |
| Recourse Financings | | | |
| Non-FNMA/FHLMC (non-agency) | | | |
| NCT CDO senior bonds | 4 | 4 | 5 |
| Subtotal | 4 | 4 | 5 |
| FNMA/FHLMC Securities | 106 | 79 | - |
| Total Recourse Financings | \$ 110 | \$ 83 | \$ 5 |

CDO FINANCINGS

The following table summarizes the cash receipts in the first quarter of 2011 from the Company's consolidated CDO financings, their related coverage tests and negative watch assets (\$ in thousands):

| Primary | Collateral Type | Cash Receipts (1) | Interest Coverage | | % Excess Over Collateralization Excess (Deficiency) | | December 31, | |
|---------|-----------------|-------------------|-------------------|-----------------|---|-------------------|-------------------|-----------|
| | | | May 4, 2011 (2) | May 4, 2011 (2) | March 31, 2011 (2) | December 31, 2010 | December 31, 2010 | |
| | | | % | \$ | % | \$ | % | \$ |
| CDO IV | Securities | \$ 1,331 | 204.3% | (7,075) | -2.6% | (7,075) | -10.8% | (33,000) |
| CDO V | Securities | 132 | 102.6% | (50,979) | -14.6% | (50,979) | -8.3% | (30,000) |

| | | | | | | | | | |
|----------|------------|-----------|--------|--------|------------|--------|------------|--------|-----|
| CDO VI | Securities | 207 | -80.7% | -53.2% | (187,742) | -52.0% | (183,733) | -46.9% | (17 |
| CDO VIII | Loans | 3,783 | 327.0% | 8.0% | 51,422 | 7.3% | 47,158 | 9.9% | 63, |
| CDO IX | Loans | 4,353 | 304.6% | 14.2% | 91,603 | 14.2% | 91,539 | 18.5% | 115 |
| CDO X | Securities | 3,195 | 189.1% | 1.7% | 21,302 | 4.4% | 53,500 | 4.0% | 48, |
| Total | | \$ 13,001 | | | | | | | |

(1) Represents cash received from each CDO based on all of the interests in such CDO (including senior management fees but excluding principal received from CDO bonds owned by the Company). Cash receipts for the quarter ended March 31, 2011 may not be indicative of cash receipts for subsequent periods. See Forward-Looking Statements below for risks and uncertainties that could cause cash receipts for subsequent periods to differ materially from these amounts.

(2) Represents excess or deficiency under the applicable interest coverage or over collateralization test to the first threshold at which cash flow would be redirected. The Company generally does not receive material interest cash flow from a CDO until a deficiency is corrected. The information regarding coverage tests is based on data from the most recent remittance date on or before May 4, 2011, March 31, 2011, or December 31, 2010, as applicable. The CDO IV and V tests are conducted only on a quarterly basis (December, March, June and September).

(3) Represents the face amount of assets on negative watch for possible downgrade by at least one rating agency (Moody's, S&P or Fitch). Amounts are as of the determination date pertaining to March 2011 remittances for CDO IV and V (these tests are conducted only on a quarterly basis) and as of the determination date pertaining to April 2011 remittances for all other CDOs. The amounts include \$13 million of bonds issued by Newcastle, which are eliminated in consolidation and not reflected in the investment portfolio disclosures.

- \$1.7 million of the \$13 million CDO cash receipts were senior collateral management fees, which were not subject to the related CDO coverage tests.
- The cash receipts above also include \$0.9 million of non-recurring fees.
- In addition, the Company received \$9.7 million of unrestricted cash from principal repayments on Newcastle CDO debt. This cash represents a return of principal and a realization of the difference between par and the discounted purchase price of the Newcastle CDO debt.

SUBSEQUENT EVENTS

On May 4, 2011, Newcastle completed a new securitization to refinance its Manufactured Housing Loans Portfolio II (the "Portfolio"). Newcastle sold \$197 million outstanding principal

balance of manufactured housing loans, with an average net coupon of 8.7%, to Newcastle Investment Trust 2011-MH 1 (the "Trust"), an indirect wholly-owned subsidiary of Newcastle. The Trust issued \$160 million aggregate principal amount of investment grade notes, of which \$143 million was sold to third parties and \$17 million was sold to one of Newcastle's CDOs. The Company invested \$20 million of unrestricted cash to retain the below investment grade notes and residual interest in the securitization. The \$160 million of investment grade notes that term financed the Portfolio is non-recourse to the Company and has a weighted average funding cost of 3.7%. At the closing of the securitization, Newcastle terminated the related interest rate swap contracts, repaid \$164 million of existing debt, and paid related transaction costs. The weighted average funding cost of the repaid debt was 5.3%.

Since quarter-end, Newcastle invested or committed to invest \$63 million of unrestricted cash with an expected average return of 20% and invested or committed to invest \$228 million of restricted CDO cash with an average coupon of 7.5%.

Unrestricted cash investment activities:

In April 2011, Newcastle repurchased \$37 million of Newcastle CDO debt at an average price of 49% of par, investing \$18 million of unrestricted cash. Assuming the collateral in the CDOs is held to maturity, the Company projects the investment to have an average life of 8.3 years and generate an expected return of 17%.

On May 4, 2011, the Company purchased \$12 million face amount of BB- rated notes and the residual interest in the Newcastle Investment Trust 2011-MH 1 for a total of \$20 million. Assuming the loans are held to maturity, the Company projects the investment to have an average life of 8.0 years and generate an expected return of 30% on the \$20 million investment.

The Company has committed to invest \$25 million in two real estate related investments with an average expected return of 14.5%.

Restricted CDO cash investment activities:

In April 2011, the Company purchased \$20 million of fixed rate assets with an average coupon of 6.6% at an average price of 99.5% of par, investing \$19.9 million of restricted CDO cash. The assets have an average life of 9.9 years and an expected return of 6.8%.

The Company has committed to purchase \$210 million of assets with an average coupon of 7.6% and an average price of 99.1% of par or \$208 million. These investments will be funded from current restricted CDO cash and receipts from expected principal repayments and asset sales.

- \$160 million are commercial real estate mezzanine loans with an initial average coupon of 7.1% that adjusts monthly at a rate of one month LIBOR + 6.1%, subject to interest rate floors.
- \$50 million is a commercial real estate mezzanine loan with a fixed coupon of 9%.

INVESTMENT PORTFOLIO

Newcastle's \$4.2 billion investment portfolio (with a basis of \$3.1 billion) consists of commercial, residential and corporate debt. During the quarter, the weighted average carrying value on the March 31, 2011 portfolio changed from 73.4% to 77.3%, an increase of \$162 million. The face amount of the portfolio decreased by \$129 million, primarily as a result of principal repayments of \$250 million, sales of \$177 million and actual principal write-downs of \$44 million, offset by purchases of \$337 million at a weighted average price of 98% of par, a weighted average yield of 6.0%, and a weighted average life of 5.0 years.

The following table describes the investment portfolio as of March 31, 2011 (\$ in millions):

| | Face | Basis | % of | Carrying | | | Weighted |
|--------------------------|----------|----------|-------|-----------|-------------|--------|-----------|
| | Amount | Amount | Total | Value | Number of | Credit | Average |
| | \$ | \$ (1) | Basis | Amount \$ | Investments | (2) | Life |
| | | | | | | | (yrs) (3) |
| Commercial Assets | | | | | | | |
| CMBS | \$ 1,890 | \$ 1,319 | 43.0% | \$ 1,444 | 248 | BB | 3.7 |
| Mezzanine Loans | 531 | 395 | 12.9% | 395 | 16 | 62% | 2.3 |
| B-Notes | 233 | 159 | 5.2% | 159 | 9 | 77% | 1.6 |
| Whole Loans | 31 | 31 | 1.0% | 31 | 3 | 48% | 3.0 |
| Other Investments (4) | 25 | 25 | 0.8% | 25 | 1 | -- | -- |
| Total Commercial Assets | 2,710 | 1,929 | 62.9% | 2,054 | | | 3.2 |
| Residential Assets | | | | | | | |
| MH and Residential Loans | 415 | 361 | 11.7% | 361 | 10,959 | 703 | 6.7 |
| Subprime Securities | 326 | 157 | 5.1% | 179 | 82 | B- | 5.7 |
| Real Estate ABS | 71 | 48 | 1.6% | 50 | 21 | BB+ | 5.5 |
| | 812 | 566 | 18.4% | 590 | | | 6.2 |
| FNMA/FHLMC Securities | 88 | 91 | 3.0% | 92 | 13 | AAA | 4.7 |
| Total Residential Assets | 900 | 657 | 21.4% | 682 | | | 6.0 |
| Corporate Assets | | | | | | | |

| | | | | | | | |
|---------------------------|----------|----------|--------|----------|----|------|-----|
| REIT Debt | 299 | 298 | 9.7% | 315 | 38 | BBB- | 3.4 |
| Corporate Bank Loans | 278 | 184 | 6.0% | 184 | 7 | CC | 3.4 |
| Total Corporate Assets | 577 | 482 | 15.7% | 499 | | | 3.4 |
| Total/Weighted Average(5) | \$ 4,187 | \$ 3,068 | 100.0% | \$ 3,235 | | | 3.9 |

(1) Net of impairment.

Credit represents the weighted average of minimum ratings for rated assets, the Loan to Value ratio (based on the appraised value at the time of purchase or refinancing) for non-rated commercial assets, or the FICO score for non-rated residential assets and an implied AAA rating for FNMA/FHLMC securities. Ratings provided herein were determined by third party rating agencies as of a particular date, may not be current and are subject to change (including a "negative watch" assignment) at any time.

(2) Weighted average life is based on the timing of expected principal reduction on the asset.

(3) Relates to an equity investment in a REO property.

(4) Excludes unconsolidated CDO securities with a face amount of \$169 million (valued at \$6 million), operating real estate held for sale of \$8 million and loans subject to call option with a face amount of \$406 million.

Commercial Assets

The Company owns \$2.7 billion of commercial assets (with a basis of \$1.9 billion), which includes CMBS, mezzanine loans, B-Notes, whole loans and other investments.

- During the quarter, the Company purchased \$179 million of mezzanine loans and CMBS, sold \$154 million of CMBS, received principal repayments of \$130 million of mezzanine loans and CMBS and had \$25 million of actual mezzanine loan principal write-downs.
- Regarding the Company's CMBS portfolio, one security or \$3 million was upgraded (from a rating of BB+ to BBB-), six securities or \$77 million were affirmed and 29 securities or \$214 million were downgraded (from a weighted average rating of BB- to CCC+).
- The weighted average carrying value of these assets changed from 66.9% to 75.8%, an increase of \$146 million in the quarter.

CMBS portfolio (\$ in thousands):

| Average | Face | Basis | % of Total | Carrying Value | Delinquency | Principal |
|---------|------|-------|------------|----------------|-------------|-----------|
|---------|------|-------|------------|----------------|-------------|-----------|

| Vintage (1) | Rating (2) | Number | Amount \$ | Amount \$ | Basis | Amount \$ | 60+/FC/REO (3) | Subordination (4) |
|----------------|---------------|--------|-----------|-----------|--------|-----------|-------------------|----------------------|
| Pre 2004 | BB+ | 78 | 398,584 | 368,674 | 28.0% | 353,819 | 5.2% | 10.7% |
| 2004 | BB- | 51 | 344,700 | 252,062 | 19.1% | 222,352 | 2.8% | 6.7% |
| 2005 | BB- | 35 | 376,324 | 207,958 | 15.8% | 279,530 | 4.6% | 8.6% |
| 2006 | BB+ | 52 | 487,365 | 347,370 | 26.3% | 406,930 | 5.0% | 12.1% |
| 2007 | B | 23 | 195,684 | 58,778 | 4.5% | 95,582 | 11.6% | 11.8% |
| 2010 | BBB- | 5 | 56,798 | 53,166 | 4.0% | 55,254 | 0.0% | 5.5% |
| 2011 | BBB+ | 4 | 31,000 | 30,576 | 2.3% | 30,481 | 0.0% | 10.0% |
| TOTAL/WA | BB | 248 | 1,890,455 | 1,318,584 | 100.0% | 1,443,948 | 5.0% | 9.9% |

(1) The year in which the securities were originally issued.

Ratings provided above were determined by third party rating agencies as of a particular date, which may not be current and are subject to change (including a "negative watch" assignment) at any time. The Company had approximately \$25 million of CMBS assets that were on negative watch for possible downgrade by at least one rating agency as of March 31, 2011.

(2) The percentage of underlying loans that are 60+ days delinquent, in foreclosure or considered real estate owned (REO).

(3) The percentage of the outstanding face amount of securities that is subordinate to the Company's investments.

(4) Weighted average life is based on the timing of expected principal reduction on the asset.

Mezzanine loans, B-Notes and whole loans portfolio (\$ in thousands):

| Asset Type | Number | Face Amount (\$) | Basis Amount (\$) | % of Total Basis | Carrying Value Amount (\$) | WA First \$ | WA Last \$ | Delinquency (%) (2) |
|-----------------|--------|------------------|-------------------|------------------|----------------------------|-------------------|-------------------|---------------------|
| | | | | | | Loan to Value (1) | Loan to Value (1) | |
| Mezzanine Loans | 16 | 530,664 | 394,656 | 67.5% | 394,656 | 50.5% | 62.0% | 9.7% |
| B-Notes | 9 | 233,132 | 159,069 | 27.2% | 159,069 | 62.1% | 76.6% | 19.3% |

| | | | | | | | | | |
|-------------|-----|---------|---------|--------|---------|-----|-----------|------|---|
| Loans | 737 | 3,795 | 3,352 | 0.9% | 3,352 | 74 | 83,950 | 0.0% | 0 |
| Portfolio 2 | | | | | | | | | |
| TOTAL/WA | 703 | 415,307 | 361,128 | 100.0% | 361,128 | 124 | 1,492,905 | 2.2% | 5 |

(1) The percentage of loans that are 90+ days delinquent, in foreclosure or considered real estate owned (REO).

Subprime Securities portfolio (\$ in thousands): Security Characteristics:

| Vintage (1) | Average | | Face Amount \$ | Basis Amount \$ | % of Total Basis | Carrying Value Amount \$ | Principal Subordination (3) | Excess Spread (4) |
|-----------------|--------------------------|--------|----------------------|-----------------------|------------------------|--------------------------------|-----------------------------------|-------------------------|
| | Minimum Rating (2) | Number | | | | | | |
| 2003 | CCC+ | 15 | 16,589 | 8,151 | 5.2% | 8,721 | 22.6% | 4.1% |
| 2004 | CCC+ | 23 | 69,390 | 21,406 | 13.6% | 28,455 | 17.6% | 3.7% |
| 2005 | B- | 26 | 99,481 | 35,595 | 22.7% | 42,151 | 31.0% | 4.5% |
| 2006 | CCC+ | 9 | 73,701 | 45,621 | 29.1% | 49,858 | 34.8% | 4.7% |
| 2007 & Later | B+ | 9 | 66,932 | 46,052 | 29.4% | 50,270 | 20.3% | 2.9% |
| TOTAL/WA | B- | 82 | 326,093 | 156,825 | 100.0% | 179,455 | 26.4% | 4.0% |

Collateral Characteristics:

| Vintage (1) | Average | | | | |
|-------------|----------------------|--------------------------|--------------------|----------------------------------|----------------------------|
| | Loan Age (months) | Collateral Factor (5) | 3 Month CPR (6) | Delinquency 90+/FC/REO (7) | Cumulative Loss to Date |
| 2003 | 99 | 0.09 | 9.0% | 16.1% | 3.6% |
| 2004 | 83 | 0.14 | 8.4% | 21.1% | 3.9% |
| 2005 | 72 | 0.18 | 9.4% | 32.7% | 8.4% |
| 2006 | 59 | 0.37 | 12.2% | 28.6% | 18.0% |

| | | | | | |
|--------------|----|------|------|-------|-------|
| 2007 & Later | 42 | 0.41 | 8.0% | 19.0% | 13.7% |
| TOTAL/WA | 66 | 0.26 | 9.5% | 25.6% | 10.4% |

Real Estate ABS portfolios (\$ in thousands): Security Characteristics

| Asset Type | Average | | Face Amount \$ | Basis Amount \$ | % of Total Basis | Carrying Value Amount \$ | Principal Subordination (3) | Excess Spread (4) |
|----------------------------|--------------------------|--------|----------------------|-----------------------|------------------------|--------------------------------|-----------------------------------|-------------------------|
| | Minimum Rating (2) | Number | | | | | | |
| Manufactured Housing | BBB+ | 7 | 34,141 | 33,148 | 68.4% | 34,623 | 39.9% | 1.5% |
| Small Business Loans | B+ | 14 | 36,885 | 15,328 | 31.6% | 15,865 | 24.8% | 2.1% |
| TOTAL/WA | BB+ | 21 | 71,026 | 48,476 | 100.0% | 50,488 | 32.1% | 1.8% |

Collateral Characteristics:

| Asset Type | Average | | Collateral Factor (5) | 3 Month CPR (6) | Delinquency 90+/FC/REO (7) | Cumulative Loss to Date |
|----------------------------|----------------------|------|--------------------------|--------------------|----------------------------------|----------------------------|
| | Loan Age (months) | | | | | |
| Manufactured Housing | 140 | 0.27 | 5.7% | 2.5% | 12.9% | |
| Small Business Loans | 70 | 0.60 | 9.2% | 27.9% | 8.0% | |
| TOTAL/WA | 104 | 0.44 | 7.5% | 15.7% | 10.4% | |

(1) The year in which the securities were issued.

Ratings provided above were determined by third party rating agencies as of a particular date, may not be current and are subject to change (including a "negative watch" assignment) at any time. The Company had approximately \$54 million of subprime and ABS securities that were on negative watch for possible downgrade by at least one rating agency as of March 31, 2011.

- (3) The percentage of the outstanding face amount of securities and residual interests that is subordinate to the Company's investments.
- 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.
- (4) The ratio of original unpaid principal balance of loans still outstanding.
- (5) Three month average constant prepayment rate.
- (6) The percentage of underlying loans that are 90+ days delinquent, in foreclosure or considered real estate owned (REO).
- (7)

Corporate Assets

The Company owns \$577 million of corporate assets (with a basis of \$482 million), including REIT debt and corporate bank loans.

- During the quarter, the Company received \$99 million of principal repayments, purchased \$51 million of REIT debt and corporate bank loans and sold \$6 million of REIT debt.
- Regarding the Company's REIT debt portfolio, four securities or \$39 million were upgraded (from a weighted average rating of CCC- to B+), no securities were affirmed or downgraded.
- The weighted average carrying value of these assets changed from 85.7% to 86.5%, an increase of \$11 million in the quarter.

REIT debt portfolio (\$ in thousands):

| Industry | Average Minimum Rating (1) | Number | Face Amount \$ | Basis Amount \$ | % of Total Basis | Carrying Value Amount \$ |
|-------------|----------------------------|--------|----------------|-----------------|------------------|--------------------------|
| Retail | BBB+ | 9 | 66,025 | 62,453 | 20.9% | 72,523 |
| Diversified | B | 7 | 65,036 | 65,573 | 22.0% | 63,315 |
| Office | BBB | 8 | 76,877 | 77,941 | 26.1% | 81,420 |
| Multifamily | BBB | 4 | 13,765 | 13,838 | 4.7% | 14,566 |
| Hotel | BBB- | 3 | 29,220 | 29,555 | 9.9% | 31,054 |
| Healthcare | BBB | 5 | 41,600 | 41,656 | 14.0% | 44,574 |
| Storage | A- | 1 | 5,000 | 5,046 | 1.7% | 5,388 |
| Industrial | BB- | 1 | 2,000 | 2,060 | 0.7% | 2,041 |
| TOTAL/WA | BBB- | 38 | 299,523 | 298,122 | 100.0% | 314,881 |

Corporate bank loan portfolio (\$ in thousands):

| Industry | Average | Number | Face Amount \$ | Basis Amount \$ | % of | Carrying |
|-------------|-----------------------|--------|-------------------|--------------------|----------------|--------------------|
| | Minimum Rating (1) | | | | Total Basis | Value Amount \$ |
| Real Estate | CC | 2 | 27,654 | 26,373 | 14.2% | 26,373 |
| Media | CCC- | 2 | 110,710 | 49,847 | 27.1% | 49,847 |
| Resorts | NR | 1 | 121,184 | 91,184 | 49.5% | 91,184 |
| Restaurant | B- | 2 | 18,112 | 16,861 | 9.2% | 16,861 |
| TOTAL/WA | CC | 7 | 277,660 | 184,265 | 100.0% | 184,265 |

Ratings provided above were determined by third party rating agencies as of a particular date, may not be current and are subject to change (including a "negative watch" assignment) at any time. The Company had no corporate assets that were on negative watch for possible downgrade as of March 31, 2011.

CONFERENCE CALL

Newcastle's management will conduct a live conference call today, May 6, 2011, at 11:00 A.M. Eastern Time to review the financial results for the first quarter ended March 31, 2011. A copy of the earnings press release is posted to the Investor Relations section of Newcastle's website, www.newcastleinv.com

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

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

A telephonic replay of the conference call will also be available until 11:59 P.M. Eastern Time on Friday, May 13, 2011 by dialing 1-800-642-1687 (from within the U.S.) or 1-706-645-9291 (from outside of the U.S.); please reference access code "61984745."

ABOUT NEWCASTLE

Newcastle Investment Corp. owns and manages a portfolio of diversified, credit sensitive real estate debt that is primarily financed with match funded debt. Newcastle is organized

and conducts its operations to qualify as a real estate investment trust (REIT) for federal income tax purposes. Newcastle is managed by an affiliate of Fortress Investment Group LLC, a global investment management firm. For more information regarding Newcastle Investment Corp. or to be added to our e-mail distribution list, please visit www.newcastleinv.com.

FORWARD-LOOKING STATEMENTS

Certain items in this press release may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, projected average life of an investment, expected returns on an investment, statements relating to our liquidity, future losses and impairment charges, our ability to acquire assets with attractive returns and the delinquent and loss rates on our subprime portfolios. These statements are based on management's current expectations and beliefs and are subject to a number of trends and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, many of which are beyond our control. Newcastle can give no assurance that its expectations will be attained. Factors that could cause actual results to differ materially from Newcastle's expectations include, but are not limited to, the risk that market conditions cause downgrades of a significant number of our securities or the recording of additional impairment charges or reductions in shareholders' equity; the risk that we can find additional suitably priced investments; the risk that investments made or committed to be made cannot be financed on the basis and for the term at which we expect; the relationship between yields on assets which are paid off and yields on assets in which such monies can be reinvested; and the relative spreads between the yield on the assets we invest in and the cost and availability of debt and equity financing. Accordingly, you should not place undue reliance on any forward-looking statements contained in this press release. For a discussion of some of the risks and important factors that could affect such forward-looking statements, see the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operation" in the Company's Quarterly Report on Form 10-Q, which is available on the Company's website (www.newcastleinv.com). In addition, new risks and uncertainties emerge from time to time, and it is not possible for the Company to predict or assess the impact of every factor that may cause its actual results to differ from those contained in any forward-looking statements. Such forward-looking statements speak only as of the date of this press release. Newcastle expressly disclaims any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

CAUTIONARY NOTE REGARDING EXPECTED RETURNS PRESENTED IN THIS PRESS RELEASE

Expected returns are an estimate of the annualized effective rate of return that we presently expect to be earned over the projected life of an investment (i.e., IRR), after giving effect to existing leverage and calculated on a weighted average basis. Expected returns reflect our estimates of the coupon, amortization of premium or discount, and costs and fees and contemplate our assumptions regarding prepayments and loan losses, among other things. Expected returns may not equal income recognized in future periods, and the estimates we use to calculate expected returns could differ materially from actual results.

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

Newcastle Investment Corp.

Consolidated Statements of Operations (Unaudited)

(dollars in thousands, except per share data)

| | Three Months Ended March 31, | |
|--|------------------------------|-----------|
| | 2011 | 2010 |
| Interest income | \$ 72,203 | \$ 70,092 |
| Interest expense | 38,165 | 45,589 |
| Net interest income | 34,038 | 24,503 |
| Impairment (Reversal) | | |
| Valuation allowance (reversal) on loans | (41,307) | (95,774) |
| Other-than-temporary impairment on securities | 3,112 | 64,856 |
| Portion of other-than-temporary impairment on securities recognized in other comprehensive income (loss), net of reversal of other comprehensive loss into net income (loss) | (37,206) | (68,032) |
| Net interest income after impairment | 71,244 | 92,535 |
| Other Income (Loss) | | |
| Gain (loss) on settlement of investments, net | 34,092 | 9,677 |
| Gain on extinguishment of debt | 11,042 | 48,346 |
| Other income (loss), net | 335 | (1,480) |
| | 45,469 | 56,543 |
| Expenses | | |
| Loan and security servicing expense | 1,060 | 1,035 |
| General and administrative expense | 1,601 | 3,101 |
| Management fee to affiliate | 4,189 | 4,477 |
| | 6,850 | 8,613 |

| | | |
|---|------------|------------|
| Income from continuing operations | 109,863 | 140,465 |
| Income (loss) from discontinued operations | (190) | (40) |
| Net Income | 109,673 | 140,425 |
| Preferred dividends | (1,395) | (3,268) |
| Excess of carrying amount of exchanged preferred stock | - | 43,043 |
| over fair value of consideration paid | | |
| Income Available for Common Stockholders | \$ 108,278 | \$ 180,200 |
| Income Per Share of Common Stock | | |
| Basic | \$ 1.73 | \$ 3.36 |
| Diluted | \$ 1.73 | \$ 3.36 |
| Income from continuing operations per share of common stock, | | |
| after preferred dividends and excess of carrying amount of | | |
| exchanged preferred stock over fair value of consideration paid | | |
| Basic | \$ 1.73 | \$ 3.36 |
| Diluted | \$ 1.73 | \$ 3.36 |
| Income from discontinued operations per share | | |
| of common stock | | |
| Basic | \$ - | \$ - |
| Diluted | \$ - | \$ - |
| Weighted Average Number of Shares of Common Stock Outstanding | | |
| Basic | 62,602,184 | 53,619,643 |
| Diluted | 62,611,070 | 53,619,643 |
| Dividends Declared per Share of Common Stock | \$ - | \$ - |

Newcastle Investment Corp.

Consolidated Balance Sheets

(dollars in thousands)

| | March 31, 2011 (Unaudited) | December 31, 2010 |
|--|-------------------------------|-------------------|
| Assets | | |
| Non-Recourse VIE Financing Structures | | |
| Real estate securities, available for sale | \$ 1,994,079 | \$ 1,859,984 |
| Real estate related loans, held for sale, net | 764,254 | 750,130 |
| Residential mortgage loans, held for investment, net | 121,661 | 124,974 |
| Residential mortgage loans, held for sale, net | 246,298 | 252,915 |
| Subprime mortgage loans subject to call option | 404,011 | 403,793 |
| Operating real estate, held for sale | 8,339 | 8,776 |
| Other investments | 18,883 | 18,883 |
| Restricted cash | 131,540 | 157,005 |
| Derivative assets | 7,535 | 7,067 |
| Receivables and other assets | 31,420 | 29,206 |
| | 3,728,020 | 3,612,733 |
| Recourse Financing Structures and Unlevered Assets | | |
| Real estate securities, available for sale | 94,587 | 600 |
| Real estate related loans, held for sale, net | 4,608 | 32,475 |
| Residential mortgage loans, held for sale, net | 277 | 298 |
| Other investments | 6,024 | 6,024 |
| Cash and cash equivalents | 160,594 | 33,524 |
| Receivables and other assets | 3,586 | 1,457 |
| | 269,676 | 74,378 |
| | \$ 3,997,696 | \$ 3,687,111 |
| Liabilities and Stockholders' Equity (Deficit) | | |

Liabilities

Non-Recourse VIE Financing Structures

| | | |
|--|--------------|--------------|
| CDO bonds payable | \$ 2,944,193 | \$ 3,010,868 |
| Other bonds payable | 246,561 | 256,809 |
| Notes payable | 4,296 | 4,356 |
| Repurchase agreements | 12,527 | 14,049 |
| Financing of subprime mortgage loans subject to call option | 404,011 | 403,793 |
| Derivative liabilities | 153,944 | 176,861 |
| Accrued expenses and other liabilities | 11,745 | 8,445 |
| | 3,777,277 | 3,875,181 |

Recourse Financing Structures and Other
Liabilities

| | | |
|--|-----------|-----------|
| Repurchase agreements | 83,276 | 4,683 |
| Junior subordinated notes payable | 51,252 | 51,253 |
| Dividends payable | 930 | - |
| Due to affiliates | 1,351 | 1,419 |
| Accrued expenses and other liabilities | 7,656 | 2,160 |
| | 144,465 | 59,515 |
| | 3,921,742 | 3,934,696 |

Stockholders' Equity (Deficit)

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 | 61,583 | 61,583 |
|---|--------|--------|

preference \$25.00 per share, issued and
outstanding as of March 31, 2011 and

December 31, 2010

Common stock, \$0.01 par value,
500,000,000 shares authorized,
79,277,184

and 62,027,184 shares issued and

| | | |
|--|--------------|--------------|
| outstanding at March 31, 2011 and December 31, 2010, respectively | 793 | 620 |
| Additional paid-in capital | 1,163,604 | 1,065,377 |
| Accumulated deficit | (1,224,429) | (1,328,987) |
| Accumulated other comprehensive income (loss) | 74,403 | (46,178) |
| | 75,954 | (247,585) |
| | \$ 3,997,696 | \$ 3,687,111 |

Newcastle Investment Corp.

Reconciliation of Net Interest Income Less Expenses (Net of Preferred Dividends)

(dollars in thousands)

| | Three Months Ended March 31, | |
|---|------------------------------|------------|
| | 2011 | 2010 |
| Income available for common stockholders | \$ 108,278 | \$ 180,200 |
| Add (Deduct): | | |
| Impairment reversal | (37,206) | (68,032) |
| Other income | (45,469) | (56,543) |
| Excess of carrying amount of exchanged preferred stock over fair value of consideration paid | - | (43,043) |
| Loss from discontinued operations | 190 | 40 |
| Net interest income less expenses (net of preferred dividends) | \$ 25,793 | \$ 12,622 |

Source: Newcastle Investment Corp.