

**Charter of the Compensation Committee
of the Board of Directors of Newcastle Investment Corp.**

I. PURPOSE OF THE COMMITTEE

The purposes of the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Newcastle Investment Corp. (the "Company") shall be to oversee the annual review of the amended and restated management agreement with Fortress Investment Group LLC (the "Manager"), dated as of June 23, 2003, as the same may be amended from time to time (the "Management Agreement"), to administer and approve the grant of awards under any incentive compensation plan, including any equity-based plan, of the Company, and to make recommendations to the Board regarding Director compensation.

II. COMPOSITION OF THE COMMITTEE

The Committee shall be comprised of three or more directors who qualify as independent directors ("Independent Directors") under the listing standards of the New York Stock Exchange (the "NYSE"). Members of the Committee shall also qualify (i) as "non-employee directors" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended, and, (ii) only to the extent that the compensation practices of the Company implicate the provisions of Section 162 of the Internal Revenue Code of 1986, as amended, as "outside directors" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and (iii) under any other necessary standards of independence under the federal securities and tax laws.

The Committee is appointed by the Board. The members of the Committee shall be nominated by the Nominating and Corporate Governance Committee and elected annually to one-year terms by majority vote of the Board at the first meeting of the Board to be held following the annual meeting of stockholders. Vacancies on the Committee shall be filled by majority vote of the Board at the next meeting of the Board following the occurrence of the vacancy. No member of the Committee shall be removed except by majority vote of the Independent Directors then in office.

III. MEETINGS AND PROCEDURES OF THE COMMITTEE

The Committee shall fix its own rules of procedure, which shall be consistent with the Bylaws of the Company and this Charter. The Committee shall meet as provided by its rules, which shall be at least one time annually or more frequently as circumstances require. The Board shall designate one member of the Committee as its Chairperson. The Chairperson of the Committee or a majority of the members of the Committee may also call a special meeting of the Committee. A majority of the members of the Committee present in person or by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other shall constitute a quorum.

The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems

appropriate; *provided, however*, that no subcommittee shall consist of fewer than two members; and *provided further* that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.

The Committee may request that any directors or officers of the Company or employees of the Manager, or other persons whose advice and counsel are sought by the Committee, attend any meeting of the Committee to provide such pertinent information as the Committee requests.

Following each of its meetings, the Committee shall deliver an oral report on the meeting to the Board, including a description of all actions taken by the Committee at the meeting. The Committee shall keep written minutes of its meetings, which minutes shall be maintained with the books and records of the Company.

IV. COMMITTEE RESPONSIBILITIES

The Company's executive officers receive no compensation from the Company (except to the extent of any awards that may be made under Plans (as defined below) of the Company), but are compensated by the Manager from the management fee and incentive compensation income the Manager receives under the Management Agreement.

A. Management Agreement Review. The Committee shall have the following goals and responsibilities with respect to the Management Agreement:

- (i) To review at least annually the terms of the Management Agreement;
- (ii) To evaluate annually the performance of the Manager in light of the goals and objectives of the Company and the terms of the Management Agreement, taking into account such factors as the Committee shall consider relevant;
- (iii) At least annually to report to the Board the Committee's views regarding whether there has been unsatisfactory performance by the Manager that is materially detrimental to the Company; and
- (iv) At least annually to report to the Board the Committee's views regarding whether the Management Fee (as defined in Section 8(a) of the Management Agreement) is unfair.

B. Board and Committee Compensation. The Committee shall evaluate annually the appropriate level of compensation for Board and Committee service (including service as a chairperson of any committee) by non-employee members of the Board.

C. Incentive-Compensation and Equity-Based Plans and Other Compensation and Employee Benefit Plans. The Committee shall have the following responsibilities with respect to the Company's incentive-compensation and equity-based plans and with respect to its other compensation and employee benefit plans, including the Company's Nonqualified Stock Option and Incentive Award Plan, (collectively, "Plans"):

(i) To review at least annually the goals and objectives of the Company's Plans, and amend, or recommend that the Board amend, these goals and objectives if the Committee deems it appropriate.

(ii) To review at least annually the Company's Plans in light of the goals and objectives of these plans, and recommend that the Board amend these Plans if the Committee deems it appropriate.

(iii) To review all proposed equity-compensation plans, if any, that are not subject to stockholder approval under the listing standards of the NYSE, and to approve such plans in its sole discretion.

(iv) To perform such duties and responsibilities as may be assigned to the Committee under (or by the Board the Committee as authorized by) the terms of any incentive-compensation or equity-based plan.

In addition to the foregoing, the Committee shall produce an annual report on Manager (or executive) compensation for inclusion in the Company's proxy statement, to the extent required by applicable rules and regulations.

V. EVALUATION OF THE COMMITTEE

The Committee shall, on an annual basis, evaluate its performance under this Charter. In conducting this review, the Committee shall evaluate whether this Charter appropriately addresses the matters that are or should be within its scope. The Committee shall address all matters that the Committee considers relevant to its performance, including at least the following: the adequacy, appropriateness and quality of the information and recommendations presented by the Committee to the Board, the manner in which they were discussed or debated, and whether the number and length of meetings of the Committee were adequate for the Committee to complete its work in a thorough and thoughtful manner.

The Committee shall deliver to the Board an oral report setting forth the results of its evaluation, including any recommended amendments to this Charter and any recommended changes to the Company's or the Board's policies or procedures.

VI. INVESTIGATIONS AND STUDIES; OUTSIDE ADVISERS

The Committee may conduct or authorize investigations into or studies of matters within the Committee's scope of responsibilities, and may retain, at the Company's expense (assuming such expenses are reasonable under the circumstances), such independent counsel or other advisers as it deems necessary. The Committee shall have the authority to retain or terminate a compensation consultant to assist the Committee in carrying out its responsibilities, including sole authority to approve the consultant's fees and other retention terms, such fees, if reasonable, to be borne by the Company.