

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

FORM 10-Q

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

For the quarterly period ended March 31, 2016

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: 001-35777

New Residential Investment Corp.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

45-3449660

(I.R.S. Employer Identification No.)

1345 Avenue of the Americas, New York, NY

(Address of principal executive offices)

10105

(Zip Code)

(212) 798-3150

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 Regulations 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions 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 ☐ (Do not check if a smaller reporting company) Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

Common stock, \$0.01 par value per share: 230,471,202 shares outstanding as of April 28, 2016.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, which statements involve substantial risks and uncertainties. Such forward-looking statements relate to, among other things, the operating performance of our investments, the stability of our earnings, our financing needs and the size and attractiveness of market opportunities. 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, cash flows or 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:

- reductions in cash flows received from our investments;
- the quality and size of the investment pipeline and our ability to take advantage of investment opportunities at attractive risk-adjusted prices;
- servicer advances may not be recoverable or may take longer to recover than we expect, which could cause us to fail to achieve our targeted return on our investment in servicer advances;
- our ability to deploy capital accretively and the timing of such deployment;
- our counterparty concentration and default risks in Nationstar, Ocwen, OneMain and other third parties;
- a lack of liquidity surrounding our investments, which could impede our ability to vary our portfolio in an appropriate manner;
- the impact that risks associated with subprime mortgage loans and consumer loans, as well as deficiencies in servicing and foreclosure practices, may have on the value of our Excess MSR, servicer advances, RMBS and loan portfolios;
- the risks that default and recovery rates on our Excess MSR, servicer advances, real estate securities, residential mortgage loans and consumer loans deteriorate compared to our underwriting estimates;
- changes in prepayment rates on the loans underlying certain of our assets, including, but not limited to, our Excess MSR;
- the risk that projected recapture rates on the loan pools underlying our Excess MSR are not achieved;
- the relationship between yields on assets which are paid off and yields on assets in which such monies can be reinvested;
- the relative spreads between the yield on the assets in which we invest and the cost of financing;
- changes in economic conditions generally and the real estate and bond markets specifically;
- adverse changes in the financing markets we access affecting our ability to finance our investments on attractive terms, or at all;
- 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 not 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;
- 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 or loans are temporary or not and whether circumstances bearing on the value of such assets warrant changes in carrying values;
- the availability and terms of capital for future investments;
- competition within the finance and real estate industries;
- the legislative/regulatory environment, including, but not limited to, the impact of the Dodd-Frank Act, U.S. government programs intended to stabilize the economy, the federal conservatorship of Fannie Mae and Freddie Mac and legislation that permits modification of the terms of residential mortgage loans;

- our ability to maintain our qualification as a real estate investment trust (“REIT”) for U.S. federal income tax purposes and the potentially onerous consequences that any failure to maintain such qualification would have on our business;
- our ability to maintain our exclusion from registration under the 1940 Act and the fact that maintaining such exclusion imposes limits on our operations;
- the risks related to HLSS liabilities that we have assumed;
- the impact of current or future 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 perceived conflicts of interest; and
- events, conditions or actions that might occur at Ocwen.

We also direct readers to other risks and uncertainties referenced in this report, including those set forth under “Risk Factors.” We caution that you should not place undue reliance on any of our forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. Except as required by law, we are under no obligation (and expressly disclaim any obligation) to update or alter any forward-looking statement, whether written or oral, that we may make from time to time, whether as a result of new information, future events or otherwise.

SPECIAL NOTE REGARDING EXHIBITS

In reviewing the agreements included as exhibits to this Quarterly Report on Form 10-Q, 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 New Residential Investment Corp. (the “Company,” “New Residential” or “we,” “our” and “us”) 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 to one of the parties if those statements proved 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 Quarterly Report on Form 10-Q and the Company’s other public filings, which are available without charge through the SEC’s website at <http://www.sec.gov>.

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.

**NEW RESIDENTIAL INVESTMENT CORP.
FORM 10-Q**

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(dollars in thousands, except share data)

	March 31, 2016 (Unaudited)	December 31, 2015
Assets		
Investments in:		
Excess mortgage servicing rights, at fair value	\$ 1,547,004	\$ 1,581,517
Excess mortgage servicing rights, equity method investees, at fair value	209,901	217,221
Servicer advances, at fair value ^(A)	7,001,004	7,426,794
Real estate securities, available-for-sale	3,441,790	2,501,881
Residential mortgage loans, held-for-investment	324,734	330,178
Residential mortgage loans, held-for-sale	633,160	776,681
Real estate owned	56,402	50,574
Consumer loans, held-for-investment ^(A)	1,970,565	—
Cash and cash equivalents ^(A)	258,622	249,936
Restricted cash	170,364	94,702
Trades receivable	1,509,016	1,538,481
Deferred tax asset, net	196,189	185,311
Other assets	253,026	239,446
	<u>\$ 17,571,777</u>	<u>\$ 15,192,722</u>
Liabilities and Equity		
Liabilities		
Repurchase agreements	\$ 3,973,512	\$ 4,043,054
Notes and bonds payable ^(A)	8,870,851	7,249,568
Trades payable	1,431,003	725,672
Due to affiliates	5,847	23,785
Dividends payable	106,017	106,017
Accrued expenses and other liabilities	105,551	58,046
	<u>14,492,781</u>	<u>12,206,142</u>
Commitments and Contingencies		
Equity		
Common Stock, \$0.01 par value, 2,000,000,000 shares authorized, 230,471,202 and 230,471,202 issued and outstanding at March 31, 2016 and December 31, 2015, respectively	2,304	2,304
Additional paid-in capital	2,640,893	2,640,893
Retained earnings	154,519	148,800
Accumulated other comprehensive income (loss)	(12,912)	3,936
Total New Residential stockholders' equity	2,784,804	2,795,933
Noncontrolling interests in equity of consolidated subsidiaries	294,192	190,647
Total Equity	<u>3,078,996</u>	<u>2,986,580</u>
	<u>\$ 17,571,777</u>	<u>\$ 15,192,722</u>

(A) New Residential's Condensed Consolidated Balance Sheets include the assets and liabilities of certain consolidated VIEs, the Buyer (Note 6) and the Consumer Loan SPVs (Note 9), which primarily hold investments in servicer advances and consumer loans, respectively, financed with notes and bonds payable. The Buyer's balance sheet is included in Note 6 and the Consumer Loan SPVs' balance sheet is included in Note 9. The creditors of the Buyer and the Consumer Loan SPVs do not have recourse to the general credit of New Residential and the assets of the Buyer and the Consumer Loan SPVs are not directly available to satisfy New Residential's obligations.

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(dollars in thousands, except share data)

	Three Months Ended March 31,	
	2016	2015
Interest income	\$ 190,036	\$ 84,373
Interest expense	81,228	33,979
Net Interest Income	108,808	50,394
Impairment		
Other-than-temporary impairment (OTTI) on securities	3,254	1,071
Valuation and loss provision on loans and real estate owned	6,745	977
	9,999	2,048
Net interest income after impairment	98,809	48,346
Other Income		
Change in fair value of investments in excess mortgage servicing rights	7,926	(1,761)
Change in fair value of investments in excess mortgage servicing rights, equity method investees	3,022	4,921
Change in fair value of investments in servicer advances	(31,224)	(7,669)
Gain on consumer loans investment	9,943	10,447
Gain on remeasurement of consumer loans investment	71,250	—
Gain (loss) on settlement of investments, net	(14,500)	14,767
Other income (loss), net	(14,495)	(8,410)
	31,922	12,295
Operating Expenses		
General and administrative expenses	12,081	8,560
Management fee to affiliate	10,008	5,126
Incentive compensation to affiliate	1,196	3,693
Loan servicing expense	1,731	4,891
	25,016	22,270
Income Before Income Taxes	105,715	38,371
Income tax expense (benefit)	(10,223)	(3,427)
Net Income	\$ 115,938	\$ 41,798
Noncontrolling Interests in Income of Consolidated Subsidiaries	\$ 4,202	\$ 5,823
Net Income Attributable to Common Stockholders	\$ 111,736	\$ 35,975
Net Income Per Share of Common Stock		
Basic	\$ 0.48	\$ 0.25
Diluted	\$ 0.48	\$ 0.25
Weighted Average Number of Shares of Common Stock Outstanding		
Basic	230,471,202	141,434,905
Diluted	230,538,712	144,911,309
Dividends Declared per Share of Common Stock	\$ 0.46	\$ 0.38

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(dollars in thousands)

	Three Months Ended March 31,	
	2016	2015
Comprehensive income (loss), net of tax		
Net income	\$ 115,938	\$ 41,798
Other comprehensive income (loss)		
Net unrealized gain (loss) on securities	(19,969)	15,132
Reclassification of net realized (gain) loss on securities into earnings	3,121	(23,626)
	(16,848)	(8,494)
Total comprehensive income	\$ 99,090	\$ 33,304
Comprehensive income attributable to noncontrolling interests	\$ 4,202	\$ 5,823
Comprehensive income attributable to common stockholders	\$ 94,888	\$ 27,481

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2016

(dollars in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total New Residential Stockholders' Equity	Noncontrolling Interests in Equity of Consolidated Subsidiaries	Total Equity
	Shares	Amount						
Equity - December 31, 2015	230,471,202	\$ 2,304	\$2,640,893	\$148,800	\$ 3,936	\$ 2,795,933	\$ 190,647	\$2,986,580
Dividends declared	—	—	—	(106,017)	—	(106,017)	—	(106,017)
SpringCastle Transaction (Note 1)	—	—	—	—	—	—	110,438	110,438
Capital contributions	—	—	—	—	—	—	—	—
Capital distributions	—	—	—	—	—	—	(11,095)	(11,095)
Comprehensive income (loss)								
Net income	—	—	—	111,736	—	111,736	4,202	115,938
Net unrealized gain (loss) on securities	—	—	—	—	(19,969)	(19,969)	—	(19,969)
Reclassification of net realized (gain) loss on securities into earnings	—	—	—	—	3,121	3,121	—	3,121
Total comprehensive income						94,888	4,202	99,090
Equity - March 31, 2016	<u>230,471,202</u>	<u>\$ 2,304</u>	<u>\$2,640,893</u>	<u>\$154,519</u>	<u>\$ (12,912)</u>	<u>\$ 2,784,804</u>	<u>\$ 294,192</u>	<u>\$3,078,996</u>

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(dollars in thousands)

	Three Months Ended March 31,	
	2016	2015
Cash Flows From Operating Activities		
Net income	\$ 115,938	\$ 41,798
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Change in fair value of investments in excess mortgage servicing rights	(7,926)	1,761
Change in fair value of investments in excess mortgage servicing rights, equity method investees	(3,022)	(4,921)
Change in fair value of investments in servicer advances	31,224	7,669
(Gain) / loss on settlement of investments (net)	14,500	(17,701)
Loss on extinguishment of debt	—	2,934
(Gain) on remeasurement of consumer loans investment	(71,250)	—
Unrealized loss on derivative instruments	22,303	7,030
Unrealized (gain) / loss on other ABS	(268)	290
(Gain) / loss on transfer of loans to REO	(2,483)	544
(Gain) on transfer of loans to other assets	(687)	(11)
(Gain) on Excess MSR recapture agreements	(732)	(730)
Accretion and other amortization	(153,670)	(61,345)
Other-than-temporary impairment	3,254	1,071
Valuation and loss provision on loans and real estate owned	6,745	977
Deferred tax provision	(10,681)	(3,007)
Changes in:		
Restricted cash	(1,058)	1,093
Other assets	19,067	(1,838)
Due to affiliates	(17,938)	(50,959)
Accrued expenses and other liabilities	15,872	618
Other operating cash flows:		
Interest received from excess mortgage servicing rights	43,990	12,692
Interest received from servicer advance investments	50,229	23,168
Interest received from Non-Agency RMBS	29,449	8,050
Interest payments from residential mortgage loans, held-for-investment	437	—
Distributions of earnings from excess mortgage servicing rights, equity method investees	9,754	12,226
Purchases of residential mortgage loans, held-for-sale	(173,270)	—
Proceeds from sales of purchased residential mortgage loans, held-for-sale	231,390	—
Principal repayments from purchased residential mortgage loans, held-for-sale	18,186	3,178
Net cash provided by (used in) operating activities	169,353	(15,413)

Continued on next page.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED), CONTINUED

(dollars in thousands)

	Three Months Ended March 31,	
	2016	2015
Cash Flows From Investing Activities		
Acquisition of investments in excess mortgage servicing rights	(2,022)	(23,831)
SpringCastle Transaction (Note 1), net of cash acquired	(49,943)	—
Purchase of servicer advance investments	(3,844,638)	(1,765,294)
Purchase of Agency RMBS	(1,684,194)	(1,026,525)
Purchase of Non-Agency RMBS	(314,547)	(26,649)
Purchase of residential mortgage loans	(319)	(19,032)
Purchase of derivatives	(1,355)	—
Purchase of real estate owned	(9,196)	—
Payments for settlement of derivatives	(33,553)	(25,007)
Return of investments in excess mortgage servicing rights	42,149	17,122
Return of investments in excess mortgage servicing rights, equity method investees	588	202
Principal repayments from servicer advance investments	4,267,612	1,802,188
Principal repayments from Agency RMBS	18,426	46,967
Principal repayments from Non-Agency RMBS	48,014	14,952
Principal repayments from residential mortgage loans	8,754	5,844
Proceeds from sale of residential mortgage loans	—	627,719
Proceeds from sale of Agency RMBS	1,727,673	1,060,569
Proceeds from sale of Non-Agency RMBS	38,471	389,719
Proceeds from settlement of derivatives	1,837	2,417
Proceeds from sale of real estate owned	8,142	34,930
Net cash provided by (used in) investing activities	221,899	1,116,291

Continued on next page.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED), CONTINUED

(dollars in thousands)

	Three Months Ended March 31,	
	2016	2015
Cash Flows From Financing Activities		
Repayments of repurchase agreements	(5,062,857)	(2,016,777)
Margin deposits under repurchase agreements and derivatives	(106,952)	(123,289)
Repayments of notes and bonds payable	(1,894,548)	(396,125)
Payment of deferred financing fees	(5,555)	(666)
Common stock dividends paid	(106,017)	(53,745)
Borrowings under repurchase agreements	4,993,318	1,121,121
Return of margin deposits under repurchase agreements and derivatives	98,138	145,378
Borrowings under notes and bonds payable	1,713,002	482,334
Issuance of common stock	—	—
Costs related to issuance of common stock	—	—
Noncontrolling interest in equity of consolidated subsidiaries - contributions	—	—
Noncontrolling interest in equity of consolidated subsidiaries - distributions	(11,095)	(12,760)
Net cash provided by (used in) financing activities	(382,566)	(854,529)
Net Increase (Decrease) in Cash and Cash Equivalents	8,686	246,349
Cash and Cash Equivalents, Beginning of Period	249,936	212,985
Cash and Cash Equivalents, End of Period	\$ 258,622	\$ 459,334
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	\$ 75,690	\$ 32,880
Cash paid during the period for income taxes	265	305
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Dividends declared but not paid	\$ 106,017	\$ 53,745
Reclassification resulting from the application of ASU No. 2014-11	—	85,955
Purchase of investments, primarily RMBS, settled after quarter end	1,431,003	196,000
Sale of Agency RMBS settled after quarter end	1,509,016	—
Transfer from residential mortgage loans to real estate owned and other assets	36,485	—
Non-cash contingent consideration	5,581	—
Non-cash distributions from Consumer Loan Companies	25	—
Real estate securities retained from loan securitizations	36,902	—
Remeasurement of Consumer Loan Companies noncontrolling interest	110,438	—

See notes to condensed consolidated financial statements.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

March 31, 2016

(dollars in tables in thousands, except share data)

1. ORGANIZATION AND BASIS OF PRESENTATION

New Residential Investment Corp. (together with its subsidiaries, “New Residential”) is a Delaware corporation that was formed as a limited liability company in September 2011 for the purpose of making real estate related investments and commenced operations on December 8, 2011. On December 20, 2012, New Residential was converted to a corporation. Newcastle Investment Corp. (“Newcastle”) was the sole stockholder of New Residential until the spin-off (Note 13), which was completed on May 15, 2013. Following the spin-off, New Residential is an independent publicly traded real estate investment trust (“REIT”) primarily focused on investing in residential mortgage related assets. New Residential is listed on the New York Stock Exchange (“NYSE”) under the symbol “NRZ.”

New Residential has elected and intends to qualify to be taxed as a REIT for U.S. federal income tax purposes. As such, New Residential 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. See Note 17 regarding New Residential’s taxable REIT subsidiaries.

New Residential has entered into a management agreement (the “Management Agreement”) with FIG LLC (the “Manager”), an affiliate of Fortress Investment Group LLC (“Fortress”), pursuant to which the Manager provides a management team and other professionals who are responsible for implementing New Residential’s business strategy, subject to the supervision of New Residential’s Board of Directors. For its services, the Manager is entitled to management fees and incentive compensation, both defined in, and in accordance with the terms of, the Management Agreement. The Manager also manages Newcastle, investment funds that indirectly own a majority of the outstanding interests in Nationstar Mortgage LLC (“Nationstar”), a leading residential mortgage servicer, and investment funds that own a majority of the outstanding common stock of OneMain Holdings, Inc. (formerly known as Springleaf Holdings, Inc.) (together with its subsidiaries, “OneMain”), former managing member of the Consumer Loan Companies (Note 9).

As of March 31, 2016, New Residential conducted its business through the following segments: (i) investments in excess mortgage servicing rights (“Excess MSRs”), (ii) investments in servicer advances (including the basic fee component of the related mortgage servicing rights (“MSRs”)), (iii) investments in real estate securities, (iv) investments in real estate loans, (v) investments in consumer loans and (vi) corporate.

Approximately 2.4 million shares of New Residential’s common stock were held by Fortress, through its affiliates, and its principals as of March 31, 2016. In addition, Fortress, through its affiliates, held options relating to approximately 9.2 million shares of New Residential’s common stock as of March 31, 2016.

Interim Financial Statements

The accompanying condensed consolidated financial statements and related notes of New Residential have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, certain information and note disclosures normally included in financial statements prepared under U.S. generally accepted accounting principles have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of New Residential’s financial position, results of operations and cash flows have been included and are of a normal and recurring nature. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated financial statements should be read in conjunction with New Residential’s consolidated financial statements for the year ended December 31, 2015 and notes thereto included in New Residential’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”). Capitalized terms used herein, and not otherwise defined, are defined in New Residential’s consolidated financial statements for the year ended December 31, 2015.

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

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Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenues 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 effect, companies will be required to exercise further judgment and make more estimates prospectively. 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. ASU No. 2014-09 is effective for New Residential in the first quarter of 2018. Early adoption is not permitted. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance in ASU No. 2014-09. New Residential is currently evaluating the new guidance to determine the impact it may have on its condensed consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern*. The standard provides guidance on management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern by requiring management to assess an entity’s ability to continue as a going concern by incorporating and expanding on certain principles that are currently in U.S. auditing standards. ASU No. 2014-15 is effective for New Residential for the annual period ending on December 31, 2016. Early adoption was permitted. New Residential is currently evaluating the new guidance to determine the impact that it may have on its condensed consolidated financial statements.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10) - Recognition and Measurement of Financial Assets and Financial Liabilities*. The standard: (i) requires that certain equity investments be measured at fair value, and modifies the assessment of impairment for certain other equity investments, (ii) changes certain disclosure requirements related to the fair value of financial instruments measured at amortized cost, (iii) changes certain disclosure requirements related to liabilities measured at fair value, (iv) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset, and (v) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity’s other deferred tax assets. ASU No. 2016-01 is effective for New Residential in the first quarter of 2018. Early adoption is generally not permitted. An entity should apply ASU No. 2016-01 by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. New Residential is currently evaluating the new guidance to determine the impact it may have on its condensed consolidated financial statements.

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

SpringCastle Transaction

On March 31, 2016, certain of New Residential’s indirect wholly owned subsidiaries (collectively, the “NRZ SpringCastle Buyers”) entered into a Purchase Agreement (the “SpringCastle Purchase Agreement”) primarily with (i) certain direct or indirect wholly owned subsidiaries of OneMain (the “SpringCastle Sellers”), (ii) BTO Willow Holdings II, L.P. and Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P. (together, the “Blackstone SpringCastle Buyers,” and the Blackstone SpringCastle Buyers together with the NRZ SpringCastle Buyers, collectively, the “SpringCastle Buyers”). Pursuant to the SpringCastle Purchase Agreement, the SpringCastle Sellers sold their collective 47% limited liability company interests in the Consumer Loan Companies (Note 9) to the SpringCastle Buyers for an aggregate purchase price of \$111,625,000 (the “SpringCastle Transaction”).

Pursuant to the SpringCastle Purchase Agreement, the NRZ SpringCastle Buyers collectively acquired an additional 23.5% limited liability company interest in the Consumer Loan Companies (representing 50% of the limited liability company interests being sold by the SpringCastle Sellers in the SpringCastle Transaction) and the Blackstone SpringCastle Buyers acquired the other 50% of the limited liability company interests being sold in the SpringCastle Transaction. The SpringCastle Buyers collectively paid \$100,462,500 of the aggregate purchase price to the SpringCastle Sellers on March 31, 2016, with the remaining \$11,162,500 to be paid into an escrow account within 120 days following March 31, 2016. The NRZ SpringCastle Buyers’ obligation with respect to purchase price was, and the escrow obligation will be, 50% of the total paid, or to be paid, by the SpringCastle Buyers. The

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escrowed funds are expected to be held in escrow for a period of up to five years following March 31, 2016 and, subject to the terms of the SpringCastle Purchase Agreement and depending on the achievement of certain portfolio performance requirements, paid (in whole or in part) to the SpringCastle Sellers at the end of such five year period. Any portion of the escrowed funds that the SpringCastle Sellers are not entitled to receive at the end of such five year period, based on the failure to achieve certain portfolio performance requirements, will be returned to the SpringCastle Buyers. The SpringCastle Buyers are also entitled (but not required) to use the escrowed funds as a source of recovery for any indemnification payments to which they become entitled pursuant to the SpringCastle Purchase Agreement. The SpringCastle Purchase Agreement includes customary representations, warranties, covenants and indemnities.

The SpringCastle Transaction was unanimously approved by a special committee composed entirely of independent directors to which New Residential's board of directors had delegated full authority to consider, negotiate and determine whether to engage in the SpringCastle Transaction.

Following the SpringCastle Transaction, New Residential, through the NRZ SpringCastle Buyers, owns 53.5% of the limited liability company interests in the Consumer Loan Companies and the Blackstone SpringCastle Buyers, collectively with their affiliates, own the remaining 46.5% interests in the Consumer Loan Companies. OneMain will remain as servicer of the loans held by the Consumer Loan Companies and their subsidiaries immediately following the SpringCastle Transaction.

In connection with the closing of the SpringCastle Transaction, each NRZ SpringCastle Buyer entered into a Second Amended & Restated Limited Liability Company Agreement (each, a "Second A&R LLC Agreement") for each of the Consumer Loan Companies in which it acquired limited liability company interests. All of the Second A&R LLC Agreements contain substantially identical terms and conditions and designate the respective NRZ SpringCastle Buyer that is a party thereto as managing member of the applicable Consumer Loan Company. Pursuant to each Second A&R LLC Agreement, the managing member has the exclusive power and authority to manage the business and affairs of the applicable Consumer Loan Company, subject to the rights of the members to approve specified significant actions outside of the ordinary course of business and certain affiliate transactions, and subject to the other terms, conditions and limitations set forth in the Second A&R LLC Agreements. Each Second A&R LLC Agreement contains certain customary restrictions on the members' ability to transfer their interests in the applicable Consumer Loan Companies.

As a result of the SpringCastle Transaction, New Residential obtained a controlling financial interest in the Consumer Loan Companies, which triggered the application of the acquisition model in ASC No. 805, including the fair value recognition of all net assets over which control has been obtained and the remeasurement of any previously held noncontrolling interest. Based on the guidance in ASC No. 805, New Residential has consolidated all of the assets and the related liabilities of the Consumer Loan Companies assuming a gross purchase price of \$237.5 million. This gross purchase price is representative of the fair value, measured in accordance with ASC No. 820, of 100% of the net assets of the Consumer Loan Companies, which was used to derive the \$111.6 million purchase price for an aggregate 47.0% of the equity ownership acquired by the SpringCastle Buyers. The remeasurement of New Residential's previously held equity method investment resulted in a gain of \$71.3 million, which was recorded to Gain on Remeasurement of Consumer Loans Investment.

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New Residential has performed a preliminary allocation of the purchase price to the Consumer Loans Companies' assets and liabilities, as set forth below. The final allocation of purchase price may differ from the amounts included herein. The preliminary allocation of the total consideration, following reclassifications to conform to New Residential's presentation, is as follows:

Total Consideration (\$ in millions)	\$	237.5
Assets		
Consumer loans, held-for-investment	\$	1,970.6
Cash and cash equivalents		0.3
Restricted cash		74.6
Total Assets Acquired	\$	2,045.5
Liabilities		
Notes and bonds payable		1,803.2
Accrued expenses and other liabilities		4.8
Total Liabilities Assumed	\$	1,808.0
Net Assets	\$	237.5

The acquisition of the Consumer Loans Companies resulted in no goodwill because the total consideration transferred was equal to the fair value of the net assets acquired.

Unaudited Supplemental Pro Forma Financial Information - The following table presents New Residential's unaudited pro forma combined Interest Income and Income Before Income Taxes for the three months ended March 31, 2016 and 2015 prepared as if the SpringCastle Transaction had been consummated on January 1, 2015.

	Three Months Ended March 31,	
	2016	2015
	(unaudited)	(unaudited)
Pro Forma		
Interest Income	\$ 238,464	\$ 148,263
Income Before Income Taxes	55,294	136,837
Noncontrolling Interests in Income of Consolidated Subsidiaries	17,834	24,040

The 2016 unaudited supplemental pro forma financial information has been adjusted to exclude, and the 2015 unaudited supplemental pro forma financial information has been adjusted to include, (i) the gain on remeasurement of New Residential's Consumer Loans investment of \$71.3 million and (ii) approximately \$1.5 million of acquisition related costs incurred by New Residential in 2016. The unaudited supplemental pro forma financial information does not include any other anticipated benefits of the SpringCastle Transaction and, accordingly, the unaudited supplemental pro forma financial information is not necessarily indicative of either future results of operations or results that might have been achieved had the SpringCastle Transaction occurred on January 1, 2015.

See Note 9 for further information on the Consumer Loan Companies and Note 11 for further information on related financing.

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2. OTHER INCOME, ASSETS AND LIABILITIES

Other income (loss), net, is comprised of the following:

	Three Months Ended March 31,	
	2016	2015
Unrealized gain (loss) on derivative instruments	\$ (22,303)	\$ (7,030)
Unrealized gain (loss) on other ABS	268	(290)
Gain (loss) on transfer of loans to REO	2,483	(544)
Gain on Excess MSR recapture agreements	732	730
Other income (loss)	4,325	(1,276)
	<u>\$ (14,495)</u>	<u>\$ (8,410)</u>

Gain (loss) on settlement of investments, net is comprised of the following:

	Three Months Ended March 31,	
	2016	2015
Gain (loss) on sale of real estate securities, net	\$ 16,133	\$ 24,697
Gain (loss) on sale of residential mortgage loans, net	109	20,830
Gain (loss) on settlement of derivatives	(32,633)	(22,590)
Gain (loss) on liquidated residential mortgage loans	—	400
Gain (loss) on sale of REO	151	(5,636)
Other gains (losses)	1,740	(2,934)
	<u>\$ (14,500)</u>	<u>\$ 14,767</u>

Other assets and liabilities are comprised of the following:

	Other Assets			Accrued Expenses and Other Liabilities	
	March 31, 2016	December 31, 2015		March 31, 2016	December 31, 2015
Margin receivable, net	\$ 63,273	\$ 54,459	Interest payable	\$ 19,988	\$ 18,268
Other receivables	16,305	10,893	Accounts payable	37,826	18,650
Principal paydown receivable	822	795	Derivative liabilities (Note 10)	34,942	13,443
Receivable from government agency	75,514	68,833	Current taxes payable	2,180	1,573
Call rights	414	414	Other liabilities	10,615	6,112
Derivative assets (Note 10)	1,720	2,689		<u>\$ 105,551</u>	<u>\$ 58,046</u>
Interest receivable	38,431	36,963			
Ginnie Mae EBO servicer advance receivable, net	44,652	49,725			
Other assets	11,895	14,675			
	<u>\$ 253,026</u>	<u>\$ 239,446</u>			

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As reflected on the Condensed Consolidated Statements of Cash Flows, accretion and other amortization is comprised of the following:

	Three Months Ended March 31,	
	2016	2015
Accretion of servicer advance interest income	\$ 78,637	\$ 42,349
Accretion of excess mortgage servicing rights income	42,968	15,037
Accretion of net discount on securities and loans ^(A)	37,128	5,399
Amortization of deferred financing costs	(4,785)	(1,440)
Amortization of discount on notes and bonds payable	(278)	—
	<u>\$ 153,670</u>	<u>\$ 61,345</u>

(A) Includes accretion of the accretable yield on PCD loans.

3. SEGMENT REPORTING

New Residential conducts its business through the following segments: (i) investments in Excess MSR, (ii) investments in Servicer Advances, (iii) investments in real estate securities, (iv) investments in real estate loans, (v) investments in consumer loans, and (vi) corporate. The corporate segment consists primarily of (i) general and administrative expenses, (ii) the management fees and incentive compensation related to the Management Agreement and (iii) corporate cash and related interest income. Securities owned by New Residential (Note 7) that are collateralized by servicer advances are included in the Servicer Advances segment. Secured corporate loans effectively collateralized by Excess MSR are included in the Excess MSR segment.

Summary financial data on New Residential's segments is given below, together with a reconciliation to the same data for New Residential as a whole:

	Servicing Related Assets		Residential Securities and Loans				
	Excess MSRs	Servicer Advances	Real Estate Securities	Real Estate Loans	Consumer Loans	Corporate	Total
Three Months Ended March 31, 2016							
Interest income	\$ 42,968	\$ 80,967	\$ 45,913	\$ 19,493	\$ 1	\$ 694	\$ 190,036
Interest expense	2,934	63,075	7,484	7,390	345	—	81,228
Net interest income (expense)	40,034	17,892	38,429	12,103	(344)	694	108,808
Impairment	—	—	3,254	6,745	—	—	9,999
Other income	11,693	(27,391)	(36,461)	2,873	81,193	15	31,922
Operating expenses	232	994	461	4,334	1,604	17,391	25,016
Income (Loss) Before Income Taxes	51,495	(10,493)	(1,747)	3,897	79,245	(16,682)	105,715
Income tax expense (benefit)	—	(10,002)	—	(221)	—	—	(10,223)
Net Income (Loss)	\$ 51,495	\$ (491)	\$ (1,747)	\$ 4,118	\$ 79,245	\$ (16,682)	\$ 115,938
Noncontrolling interests in income (loss) of consolidated subsidiaries	\$ —	\$ 4,202	\$ —	\$ —	\$ —	\$ —	\$ 4,202
Net income (loss) attributable to common stockholders	\$ 51,495	\$ (4,693)	\$ (1,747)	\$ 4,118	\$ 79,245	\$ (16,682)	\$ 111,736

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	Servicing Related Assets		Residential Securities and Loans				
	Excess MSRs	Servicer Advances	Real Estate Securities	Real Estate Loans	Consumer Loans	Corporate	Total
March 31, 2016							
Investments	\$ 1,756,905	\$ 7,432,012	\$ 3,010,782	\$ 1,014,296	\$ 1,970,565	\$ —	\$ 15,184,560
Cash and cash equivalents	919	198,116	670	11,753	1,670	45,494	258,622
Restricted cash	1,235	94,525	—	—	74,604	—	170,364
Other assets	14	207,255	1,579,924	121,524	2,050	47,464	1,958,231
Total assets	\$ 1,759,073	\$ 7,931,908	\$ 4,591,376	\$ 1,147,573	\$ 2,048,889	\$ 92,958	\$ 17,571,777
Debt	\$ 181,602	\$ 7,372,351	\$ 2,616,625	\$ 836,370	\$ 1,837,415	\$ —	\$ 12,844,363
Other liabilities	437	24,625	1,469,071	21,233	12,250	120,802	1,648,418
Total liabilities	182,039	7,396,976	4,085,696	857,603	1,849,665	120,802	14,492,781
Total equity	1,577,034	534,932	505,680	289,970	199,224	(27,844)	3,078,996
Noncontrolling interests in equity of consolidated subsidiaries	—	183,754	—	—	110,438	—	294,192
Total New Residential stockholders' equity	\$ 1,577,034	\$ 351,178	\$ 505,680	\$ 289,970	\$ 88,786	\$ (27,844)	\$ 2,784,804
Investments in equity method investees	\$ 209,901	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 209,901

	Servicing Related Assets		Residential Securities and Loans				
	Excess MSRs	Servicer Advances	Real Estate Securities	Real Estate Loans	Consumer Loans	Corporate	Total
Three Months Ended March 31, 2015							
Interest income	\$ 15,037	\$ 42,349	\$ 14,263	\$ 12,724	\$ —	\$ —	\$ 84,373
Interest expense	769	23,637	3,480	6,093	—	—	33,979
Net interest income (expense)	14,268	18,712	10,783	6,631	—	—	50,394
Impairment	—	—	1,071	977	—	—	2,048
Other income	3,890	(10,727)	(5,090)	13,775	10,447	—	12,295
Operating expenses	88	575	(102)	6,104	57	15,548	22,270
Income (Loss) Before Income Taxes	18,070	7,410	4,724	13,325	10,390	(15,548)	38,371
Income tax expense (benefit)	—	(3,240)	—	(187)	—	—	(3,427)
Net Income (Loss)	\$ 18,070	\$ 10,650	\$ 4,724	\$ 13,512	\$ 10,390	\$ (15,548)	\$ 41,798
Noncontrolling interests in income (loss) of consolidated subsidiaries	\$ —	\$ 5,823	\$ —	\$ —	\$ —	\$ —	\$ 5,823
Net income (loss) attributable to common stockholders	\$ 18,070	\$ 4,827	\$ 4,724	\$ 13,512	\$ 10,390	\$ (15,548)	\$ 35,975

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4. INVESTMENTS IN EXCESS MORTGAGE SERVICING RIGHTS

The following table presents activity related to the carrying value of New Residential's investments in Excess MSR:

	Servicer			
	Nationstar	SLS ^(A)	Ocwen ^(B)	Total
Balance as of December 31, 2015	\$ 698,304	\$ 5,307	\$ 877,906	\$ 1,581,517
Purchases	—	—	—	—
Interest income	19,435	(7)	23,540	42,968
Other income	732	—	—	732
Proceeds from repayments	(37,676)	(272)	(48,191)	(86,139)
Change in fair value	3,527	(57)	4,456	7,926
Balance as of March 31, 2016	<u>\$ 684,322</u>	<u>\$ 4,971</u>	<u>\$ 857,711</u>	<u>\$ 1,547,004</u>

(A) Specialized Loan Servicing LLC ("SLS").

(B) Ocwen Loan Servicing LLC, a subsidiary of Ocwen Financial Corporation (together with its subsidiaries, including Ocwen Loan Servicing LLC, "Ocwen"), services the loans underlying the Excess MSRs and Servicer Advances acquired from HLSS.

On January 4, 2016, New Residential invested the remaining \$2.0 million to complete its acquisition of a 66.7% interest in the Excess MSRs on a portfolio of Fannie Mae residential mortgage loans with an aggregate UPB of \$17.2 billion. Nationstar agreed to acquire the remaining 33.3% interest in the Excess MSRs.

Nationstar, SLS or Ocwen, as applicable, as servicer, performs all servicing and advancing functions, and retains the ancillary income, servicing obligations and liabilities as the servicer of the underlying loans in each portfolio.

New Residential has entered into a "recapture agreement" with respect to each of the Excess MSR investments serviced by Nationstar and SLS, including those Excess MSR investments made through investments in joint ventures (Note 5). Under the recapture agreements, New Residential is generally entitled to a pro rata interest in the Excess MSRs on any initial or subsequent refinancing by Nationstar or SLS, as applicable, of a loan in the original portfolio. New Residential has a similar recapture agreement with Ocwen; however, this agreement allows for Ocwen to retain the Excess MSR on recaptured loans up to a specified threshold and no payments have been made to New Residential under such arrangement to date. These recapture agreements do not apply to New Residential's investments in Servicer Advances (Note 6).

New Residential elected to record its investments in Excess MSRs at fair value pursuant to the fair value option for financial instruments in order to provide users of the financial statements with better information regarding the effects of prepayment risk and other market factors on the Excess MSRs.

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The following is a summary of New Residential's direct investments in Excess MSR:

	March 31, 2016							December 31, 2015	
	UPB of Underlying Mortgages	Interest in Excess MSR			Weighted Average Life Years ^(A)	Amortized Cost Basis ^(B)	Carrying Value ^(C)	Carrying Value ^(C)	
		New Residential	Fortress-managed funds	Nationstar					
<u>Agency</u>									
Original and Recaptured Pools	\$ 90,119,338	32.5% - 66.7%	0.0% - 40.0%	20.0% - 35.0%	5.9	\$ 325,508	\$ 367,004	\$ 378,083	
Recapture Agreements	—	32.5% - 66.7%	0.0% - 40.0%	20.0% - 35.0%	12.2	34,348	58,896	59,118	
	90,119,338				6.5	359,856	425,900	437,201	
<u>Non-Agency</u> ^(D)									
Nationstar and SLS Serviced:									
Original and Recaptured Pools	\$ 91,277,078	33.3% - 80.0%	0.0% - 50.0%	0.0% - 33.3%	5.3	\$ 205,633	\$ 247,957	\$ 250,662	
Recapture Agreements	—	33.3% - 80.0%	0.0% - 50.0%	0.0% - 33.3%	12.3	13,641	15,436	15,748	
Ocwen Serviced Pools	136,143,859	100.0%	—%	—%	6.3	811,778	857,711	877,906	
	227,420,937				6.2	1,031,052	1,121,104	1,144,316	
Total	\$ 317,540,275				6.3	\$ 1,390,908	\$ 1,547,004	\$ 1,581,517	

(A) Weighted Average Life represents the weighted average expected timing of the receipt of expected cash flows for this investment.

(B) The amortized cost basis of the recapture agreements is determined based on the relative fair values of the recapture agreements and related Excess MSRs at the time they were acquired.

(C) Carrying Value represents the fair value of the pools or recapture agreements, as applicable.

(D) Excess MSR investments in which New Residential also invested in related Servicer Advances, including the basic fee component of the related MSR as of March 31, 2016 (Note 6).

Changes in fair value recorded in other income are comprised of the following:

	Three Months Ended March 31,	
	2016	2015
Original and Recaptured Pools	\$ 5,697	\$ (1,976)
Recapture Agreements	2,229	215
	\$ 7,926	\$ (1,761)

In the first quarter of 2016, a weighted average discount rate of 9.8% was used to value New Residential's investments in Excess MSRs (directly and through equity method investees).

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The table below summarizes the geographic distribution of the underlying residential mortgage loans of the direct investments in Excess MSR:

State Concentration	Percentage of Total Outstanding Unpaid Principal Amount as of	
	March 31, 2016	December 31, 2015
California	26.7%	26.7%
Florida	8.9%	8.9%
New York	7.9%	7.8%
Texas	4.3%	4.3%
New Jersey	4.1%	4.1%
Maryland	3.8%	3.8%
Illinois	3.4%	3.4%
Virginia	3.1%	3.1%
Washington	2.7%	2.7%
Massachusetts	2.7%	2.7%
Other U.S.	32.4%	32.5%
	100.0%	100.0%

Geographic concentrations of investments expose New Residential to the risk of economic downturns within the relevant states. Any such downturn in a state where New Residential holds significant investments could affect the underlying borrower's ability to make mortgage payments and therefore could have a meaningful, negative impact on the Excess MSRs.

5. INVESTMENTS IN EXCESS MORTGAGE SERVICING RIGHTS, EQUITY METHOD INVESTEEES

New Residential entered into investments in joint ventures ("Excess MSR joint ventures") jointly controlled by New Residential and Fortress-managed funds investing in Excess MSRs. New Residential elected to record these investments at fair value pursuant to the fair value option for financial instruments to provide users of the financial statements with better information regarding the effects of prepayment risk and other market factors.

The following tables summarize the financial results of the Excess MSR joint ventures, accounted for as equity method investees, held by New Residential:

	March 31, 2016	December 31, 2015
Excess MSR assets	\$ 404,863	\$ 421,999
Other assets	14,939	12,442
Other liabilities	—	—
Equity	\$ 419,802	\$ 434,441
New Residential's investment	\$ 209,901	\$ 217,221
New Residential's ownership	50.0%	50.0%

	Three Months Ended March 31,	
	2016	2015
Interest income	\$ 8,081	\$ 11,701
Other income (loss)	(2,014)	(1,835)
Expenses	(23)	(25)
Net income	\$ 6,044	\$ 9,841

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New Residential's investments in equity method investees changed during the three months ended March 31, 2016 as follows:

Balance at December 31, 2015	\$	217,221
Contributions to equity method investees		—
Distributions of earnings from equity method investees		(9,754)
Distributions of capital from equity method investees		(588)
Change in fair value of investments in equity method investees		3,022
Balance at March 31, 2016	\$	209,901

The following is a summary of New Residential's Excess MSR investments made through equity method investees:

	March 31, 2016					
	Unpaid Principal Balance	Investee Interest in Excess MSR ^(A)	New Residential Interest in Investees	Amortized Cost Basis ^(B)	Carrying Value ^(C)	Weighted Average Life (Years) ^(D)
Agency						
Original and Recaptured Pools	\$ 70,087,028	66.7%	50.0%	\$ 264,544	\$ 336,113	5.7
Recapture Agreements	—	66.7%	50.0%	41,563	68,750	11.8
Total	<u>\$ 70,087,028</u>			<u>\$ 306,107</u>	<u>\$ 404,863</u>	<u>6.6</u>

(A) The remaining interests are held by Nationstar.

(B) Represents the amortized cost basis of the equity method investees in which New Residential holds a 50% interest. The amortized cost basis of the recapture agreements is determined based on the relative fair values of the recapture agreements and related Excess MSRs at the time they were acquired.

(C) Represents the carrying value of the Excess MSRs held in equity method investees, in which New Residential holds a 50% interest. Carrying value represents the fair value of the pools or recapture agreements, as applicable.

(D) The weighted average life represents the weighted average expected timing of the receipt of cash flows of each investment.

In the first quarter of 2016, a weighted average discount rate of 9.8% was used to value New Residential's investments in Excess MSRs (directly and through equity method investees).

The table below summarizes the geographic distribution of the underlying residential mortgage loans of the Excess MSR investments made through equity method investees:

State Concentration	Percentage of Total Outstanding Unpaid Principal Amount as of	
	March 31, 2016	December 31, 2015
California	12.8%	12.9%
Florida	7.3%	7.4%
Texas	6.1%	6.1%
New York	5.9%	5.8%
Georgia	5.7%	5.7%
New Jersey	4.3%	4.3%
Illinois	4.0%	4.0%
Maryland	3.2%	3.2%
Virginia	3.2%	3.2%
Pennsylvania	3.1%	3.1%
Other U.S.	44.4%	44.3%
	<u>100.0%</u>	<u>100.0%</u>

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Geographic concentrations of investments expose New Residential to the risk of economic downturns within the relevant states. Any such downturn in a state where New Residential holds significant investments could affect the underlying borrower's ability to make mortgage payments and therefore could have a meaningful, negative impact on the Excess MSR.

6. INVESTMENTS IN SERVICER ADVANCES

In December 2013, New Residential and third-party co-investors, through a joint venture entity (Advance Purchaser LLC, the "Buyer") consolidated by New Residential, purchased the outstanding Servicer Advances related to a portfolio of residential mortgage loans that is serviced by Nationstar and is a subset of the same portfolio of loans in which New Residential has invested in a portion of the Excess MSRs (Notes 4 and 5), including the basic fee component of the related MSRs. A taxable wholly owned subsidiary of New Residential is the managing member of the Buyer and owned an approximately 44.5% interest in the Buyer as of March 31, 2016. As of March 31, 2016, noncontrolling third-party investors, owning the remaining interest in the Buyer, have funded capital commitments to the Buyer of \$389.6 million and New Residential has funded capital commitments to the Buyer of \$312.7 million. The Buyer may call capital up to the commitment amount on unfunded commitments and recall capital to the extent the Buyer makes a distribution to the co-investors, including New Residential. As of March 31, 2016, the third-party co-investors and New Residential had previously funded their commitments, however the Buyer may recall \$256.9 million and \$206.2 million of capital distributed to the third-party co-investors and New Residential, respectively. Neither the third-party co-investors nor New Residential is obligated to fund amounts in excess of their respective capital commitments, regardless of the capital requirements of the Buyer.

The Buyer has purchased Servicer Advances from Nationstar, is required to purchase all future Servicer Advances made with respect to this portfolio of loans from Nationstar, and receives cash flows from advance recoveries and the basic fee component of the related MSRs, net of compensation paid back to Nationstar in consideration of Nationstar's servicing activities. The compensation paid to Nationstar as of March 31, 2016 was approximately 9.3% of the basic fee component of the related MSRs plus a performance fee that represents a portion (up to 100%) of the cash flows in excess of those required for the Buyer to obtain a specified return on its equity.

New Residential also acquired a portion of the call rights related to this portfolio of loans.

In December 2014, New Residential agreed to acquire (the "SLS Transaction") 50% of the Excess MSRs and all of the Servicer Advances and related basic fee portion of the MSR (the "SLS Advance Fee"), and a portion of the call rights related to a portfolio of residential mortgage loans which is serviced by SLS. Fortress-managed funds acquired the other 50% of the Excess MSRs. SLS will continue to service the loans in exchange for a servicing fee of 10.75 bps times the UPB of the underlying loans and an incentive fee (the "SLS Incentive Fee") which is based on the ratio of the outstanding Servicer Advances to the UPB of the underlying loans.

On April 6, 2015, New Residential acquired Servicer Advances and Excess MSRs in connection with the HLSS Acquisition. Ocwen will continue to service the underlying loans in exchange for a servicing fee of approximately 5.3 bps times the UPB of the underlying loans and an incentive fee which is reduced by LIBOR plus 2.75% per annum of the amount, if any, of servicer advances outstanding in excess of a defined target.

In connection with the HLSS Acquisition, New Residential acquired from Ocwen the call rights related to the mortgage loans underlying the Excess MSRs and Servicer Advances acquired from HLSS.

New Residential continues to evaluate the call rights it acquired from Nationstar, SLS and Ocwen, and its ability to exercise such rights and realize the benefits therefrom are subject to a number of risks. The actual UPB of the mortgage loans on which New Residential can successfully exercise call rights and realize the benefits therefrom may differ materially from its initial assumptions.

New Residential elected to record its investments in Servicer Advances, including the right to the basic fee component of the related MSRs, at fair value pursuant to the fair value option for financial instruments to provide users of the financial statements with better information regarding the effects of market factors.

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The following is a summary of the investments in Servicer Advances, including the right to the basic fee component of the related MSR:

	Amortized Cost Basis	Carrying Value ^(A)	Weighted Average Discount Rate	Weighted Average Yield	Weighted Average Life (Years) ^(B)
March 31, 2016					
Servicer Advances ^(C)	\$ 7,005,501	\$ 7,001,004	5.5%	5.3%	4.5
As of December 31, 2015					
Servicer Advances ^(C)	\$ 7,400,068	\$ 7,426,794	5.6%	5.5%	4.4

(A) Carrying value represents the fair value of the investments in Servicer Advances, including the basic fee component of the related MSRs.

(B) Weighted Average Life represents the weighted average expected timing of the receipt of expected net cash flows for this investment.

(C) Excludes New Residential asset-backed securities collateralized by Servicer Advances, which have aggregate face amounts of \$431.0 million and \$431.0 million and aggregate carrying values of \$431.0 million and \$430.3 million as of March 31, 2016 and December 31, 2015, respectively. See Note 7 for details related to these securities.

	Three Months Ended March 31,	
	2016	2015
Changes in Fair Value Recorded in Other Income	\$ (31,224)	\$ (7,669)

The following is additional information regarding the Servicer Advances and related financing:

					Loan-to-Value ^(A)		Cost of Funds ^(C)	
	UPB of Underlying Residential Mortgage Loans	Outstanding Servicer Advances	Servicer Advances to UPB of Underlying Residential Mortgage Loans	Face Amount of Notes and Bonds Payable	Gross	Net ^(B)	Gross	Net
March 31, 2016								
Servicer Advances ^(D)	\$ 212,135,668	\$ 7,203,924	3.4%	\$ 6,880,413	93.9%	92.8%	3.4%	2.7%
December 31, 2015								
Servicer Advances ^(D)	\$ 220,256,804	\$ 7,578,110	3.4%	\$ 7,058,094	91.2%	90.2%	3.4%	2.6%

(A) Based on outstanding Servicer Advances, excluding purchased but unsettled Servicer Advances and certain deferred servicing fees ("DSF") on which New Residential receives financing. If New Residential were to include these DSF in the servicer advance balance, gross and net LTV as of March 31, 2016 would be 89.4% and 88.4%, respectively. Also excludes retained non-agency bonds with a current face amount of \$175.8 million from the outstanding Servicer Advances debt. If New Residential were to sell these bonds, gross and net LTV as of March 31, 2016 would be 96.3% and 95.2%, respectively.

(B) Ratio of face amount of borrowings to par amount of servicer advance collateral, net of any general reserve.

(C) Annualized measure of the cost associated with borrowings. Gross Cost of Funds primarily includes interest expense and facility fees. Net Cost of Funds excludes facility fees.

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(D) The following types of advances comprise the investments in Servicer Advances:

	March 31, 2016	December 31, 2015
Principal and interest advances	\$ 2,016,073	\$ 2,229,468
Escrow advances (taxes and insurance advances)	3,504,808	3,687,559
Foreclosure advances	1,683,043	1,661,083
Total	<u>\$ 7,203,924</u>	<u>\$ 7,578,110</u>

Interest income recognized by New Residential related to its investments in Servicer Advances was comprised of the following:

	Three Months Ended March 31,	
	2016	2015
Interest income, gross of amounts attributable to servicer compensation	\$ 227,288	\$ 63,357
Amounts attributable to base servicer compensation	(29,509)	(6,601)
Amounts attributable to incentive servicer compensation	(119,142)	(14,407)
Interest income from investments in Servicer Advances	<u>\$ 78,637</u>	<u>\$ 42,349</u>

New Residential has determined that the Buyer is a VIE. The following table presents information on the assets and liabilities related to this consolidated VIE.

	As of	
	March 31, 2016	December 31, 2015
Assets		
Servicer advance investments, at fair value	2,263,311	\$ 2,344,245
Cash and cash equivalents	31,711	40,761
All other assets	25,711	25,092
Total assets ^(A)	<u>\$ 2,320,733</u>	<u>\$ 2,410,098</u>
Liabilities		
Notes and bonds payable	\$ 1,982,944	\$ 2,060,347
All other liabilities	6,574	6,111
Total liabilities ^(A)	<u>\$ 1,989,518</u>	<u>\$ 2,066,458</u>

(A) The creditors of the Buyer do not have recourse to the general credit of New Residential and the assets of the Buyer are not directly available to satisfy New Residential's obligations.

Others' interests in the equity of the Buyer is computed as follows:

	March 31, 2016	December 31, 2015
Total Advance Purchaser LLC equity	\$ 331,215	\$ 343,640
Others' ownership interest	55.5%	55.5%
Others' interest in equity of consolidated subsidiary	<u>\$ 183,754</u>	<u>\$ 190,647</u>

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Others' interests in the Buyer's net income is computed as follows:

	Three Months Ended March 31,	
	2016	2015
Net Advance Purchaser LLC income	\$ 7,575	\$ 10,496
Others' ownership interest as a percent of total ^(A)	55.5%	55.5%
Others' interest in net income of consolidated subsidiaries	\$ 4,202	\$ 5,823

(A) As a result, New Residential owned 44.5% and 44.5% of the Buyer, on average during the three months ended March 31, 2016 and 2015, respectively.

7. INVESTMENTS IN REAL ESTATE SECURITIES

Agency residential mortgage backed securities ("RMBS") are issued by a government sponsored enterprise, such as the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("Freddie Mac"). Non-Agency RMBS are issued by either public trusts or private label securitization entities.

Activities related to New Residential's investments in real estate securities were as follows:

	Three Months Ended March 31, 2016	
	(in millions)	
	Agency	Non Agency
Purchases		
Face	\$ 2,216.7	\$ 1,032.1
Purchase Price	\$ 2,300.3	\$ 443.1
Sales		
Face	\$ 1,632.6	\$ 59.9
Amortized Cost	\$ 1,673.7	\$ 51.9
Sale Price	\$ 1,698.3	\$ 43.4
Gain (Loss) on Sale	\$ 24.6	\$ (8.5)

As of March 31, 2016, New Residential sold and purchased \$1.4 billion and \$1.3 billion face amount of Agency RMBS for \$1.5 billion and \$1.3 billion, respectively, and purchased \$0.2 billion face amount of Non-Agency RMBS for \$0.1 billion, which had not yet been settled. These unsettled sales and purchases were recorded on the balance sheet on trade date as Trades Receivable and Trades Payable.

New Residential has exercised its call rights with respect to Non-Agency RMBS trusts and purchased performing and non-performing residential mortgage loans and REO contained in such trusts prior to their termination. In certain cases, New Residential sold portions of the purchased loans through securitizations, and retained bonds issued by such securitizations. In addition, New Residential received par on the securities issued by the called trusts which it owned prior to such trusts' termination. Refer to Note 8 for further details on these transactions.

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The following is a summary of New Residential's real estate securities, 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 and except for securities which New Residential elected to carry at fair value and record changes to valuation through the income statement.

	March 31, 2016										December 31, 2015	
Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value(A)	Number of Securities	Weighted Average					Carrying Value
			Gains	Losses			Rating(B)	Coupon(C)	Yield	Life (Years) (D)	Principal Subordination(E)	
Agency RMBS(F)(G)	\$ 1,450,299	\$ 1,524,194	\$ 531	\$ (1,522)	\$ 1,523,203	39	AAA	3.39%	1.95%	6.1	N/A	\$ 917,598
Non-Agency RMBS(H)(I)	4,316,034	1,928,849	21,699	(31,961)	1,918,587	280	BB-	1.70%	5.23%	7.5	11.2%	1,584,283
Total/Weighted Average	\$ 5,766,333	\$ 3,453,043	\$ 22,230	\$ (33,483)	\$ 3,441,790	319	BBB+	2.42%	3.78%	6.9		\$ 2,501,881

(A) Fair value, which is equal to carrying value for all securities. See Note 12 regarding the estimation of fair value.

(B) Represents the weighted average of the ratings of all securities in each asset type, expressed as an S&P equivalent rating. This excludes the ratings of the collateral underlying 84 bonds with a carrying value of \$341.6 million which either have never been rated or for which rating information is no longer provided. For each security rated by multiple rating agencies, the lowest rating is used. New Residential used an implied AAA rating for the Agency RMBS. Ratings provided were determined by third party rating agencies, and represent the most recent credit ratings available as of the reporting date and may not be current.

(C) Excludes residual bonds, and certain other Non-Agency bonds, with a carrying value of \$220.5 million and \$0.0 million, respectively, for which no coupon payment is expected.

(D) The weighted average life is based on the timing of expected principal reduction on the assets.

(E) Percentage of the amortized cost basis of securities that is subordinate to New Residential's investments, excluding interest-only bonds and servicer advance bonds.

(F) Includes securities issued or guaranteed by U.S. Government agencies such as Fannie Mae or Freddie Mac.

(G) The total outstanding face amount was \$1.3 billion for fixed rate securities and \$175.7 million for floating rate securities as of March 31, 2016.

(H) The total outstanding face amount was \$2.4 billion (including \$1.8 billion of residual and interest-only notional amount) for fixed rate securities and \$1.9 billion (including \$229.9 million of residual and interest-only notional amount) for floating rate securities as of March 31, 2016.

(I) Includes other ABS consisting primarily of (i) interest-only securities which New Residential elected to carry at fair value and record changes to valuation through the income statement and (ii) bonds backed by servicer advances.

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized			Number of Securities	Weighted Average				
			Gains	Losses	Carrying Value		Rating	Coupon	Yield	Life (Years)	Principal Subordination
Other ABS	\$ 1,723,191	\$ 102,192	\$ 6,028	\$ (4,412)	\$ 103,808	16	A+	2.21%	6.21%	5.1	N/A
Servicer Advance Bonds	\$ 431,000	\$ 430,754	\$ 306	\$ (103)	\$ 430,957	5	AA+	2.69%	2.44%	0.8	N/A

Unrealized losses that are considered other-than-temporary are recognized currently in earnings. During the three months ended March 31, 2016, New Residential recorded OTTI charges of \$3.3 million with respect to real estate securities. Any remaining unrealized losses on New Residential's securities were primarily the result of changes in market factors, rather than issue-specific credit impairment. New Residential performed analyses in relation to such securities, using its best estimate of their cash flows, which support its belief that the carrying values of such securities were fully recoverable over their expected holding period. New Residential has no intent to sell, and is not more likely than not to be required to sell, these securities.

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The following table summarizes New Residential's securities in an unrealized loss position as of March 31, 2016.

Securities in an Unrealized Loss Position	Outstanding Face Amount	Amortized Cost Basis			Gross Unrealized Losses	Carrying Value	Number of Securities	Weighted Average			
		Before Impairment	Other-Than-Temporary Impairment ^(A)	After Impairment				Rating ^(B)	Coupon	Yield	Life (Years)
Less than 12 Months	\$ 2,296,736	\$ 1,054,378	\$ (3,070)	\$ 1,051,308	\$ (31,030)	\$ 1,020,278	131	B+	1.35%	5.30%	9.0
12 or More Months	202,132	166,905	(184)	166,721	(2,453)	164,268	31	AA-	2.38%	1.87%	6.7
Total/Weighted Average	\$ 2,498,868	\$ 1,221,283	\$ (3,254)	\$ 1,218,029	\$ (33,483)	\$ 1,184,546	162	BB-	1.50%	4.83%	8.6

(A) This amount represents OTTI recorded on securities that are in an unrealized loss position as of March 31, 2016.

(B) The weighted average rating of securities in an unrealized loss position for less than 12 months excludes the rating of 24 bonds which either have never been rated or for which rating information is no longer provided. The weighted average rating of securities in an unrealized loss position for 12 or more months excludes the rating of 2 bonds which either have never been rated or for which rating information is no longer provided.

New Residential performed an assessment of all of its debt securities that are in an unrealized loss position (an unrealized loss position exists when a security's amortized cost basis, excluding the effect of OTTI, exceeds its fair value) and determined the following:

	March 31, 2016			
	Fair Value	Amortized Cost Basis After Impairment	Gross Unrealized Losses	
			Credit ^(A)	Non-Credit ^(B)
Securities New Residential intends to sell ^(C)	\$ —	\$ —	\$ —	\$ —
Securities New Residential is more likely than not to be required to sell ^(D)	—	—	—	N/A
Securities New Residential has no intent to sell and is not more likely than not to be required to sell:				
Credit impaired securities	274,970	279,440	(3,254)	(4,470)
Non-credit impaired securities	909,576	938,589	—	(29,013)
Total debt securities in an unrealized loss position	\$ 1,184,546	\$ 1,218,029	\$ (3,254)	\$ (33,483)

(A) This amount is required to be recorded as OTTI through earnings. In measuring the portion of credit losses, New Residential 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 New Residential'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.

(B) This amount represents unrealized losses on securities that are due to non-credit factors and recorded through other comprehensive income.

(C) A portion of securities New Residential intends to sell have a fair value equal to their amortized cost basis after impairment and, therefore, do not have unrealized losses reflected in other comprehensive income as of March 31, 2016.

(D) New Residential 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, New Residential must make its best estimate, which is subject to significant judgment regarding future events, and may differ materially from actual future sales.

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The following table summarizes the activity related to credit losses on debt securities:

	Three Months Ended March 31, 2016
Beginning balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	\$ 6,239
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	1,276
Additions for credit losses on securities for which an OTTI was not previously recognized	1,978
Reductions for securities for which the amount previously recognized in other comprehensive income was recognized in earnings because the entity intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost basis	—
Reduction for credit losses on securities for which no OTTI was recognized in other comprehensive income at the current measurement date	—
Reduction for securities sold during the period	(284)
Ending balance of credit losses on debt securities for which a portion of an OTTI was recognized in other comprehensive income	\$ 9,209

The table below summarizes the geographic distribution of the collateral securing New Residential's Non-Agency RMBS:

Geographic Location ^(A)	March 31, 2016		December 31, 2015	
	Outstanding Face Amount	Percentage of Total Outstanding	Outstanding Face Amount	Percentage of Total Outstanding
Western U.S.	\$ 1,338,979	34.4%	\$ 1,097,609	35.3%
Southeastern U.S.	946,470	24.3%	758,167	24.4%
Northeastern U.S.	757,277	19.5%	583,366	18.8%
Midwestern U.S.	452,917	11.7%	335,406	10.8%
Southwestern U.S.	382,954	9.9%	309,236	10.0%
Other ^(B)	6,437	0.2%	19,189	0.7%
	\$ 3,885,034	100.0%	\$ 3,102,973	100.0%

(A) Excludes \$431.0 million face amount of bonds backed by servicer advances.

(B) Represents collateral for which New Residential was unable to obtain geographic information.

New Residential evaluates the credit quality of its real estate securities, as of the acquisition date, for evidence of credit quality deterioration. As a result, New Residential identified a population of real estate securities for which it was determined that it was probable that New Residential would be unable to collect all contractually required payments. For securities acquired during the three months ended March 31, 2016, excluding residual and interest-only securities, the face amount of these real estate securities was \$626.2 million, with total expected cash flows of \$425.3 million and a fair value of \$341.7 million on the dates that New Residential purchased the respective securities.

The following is the outstanding face amount and carrying value for securities, for which, as of the acquisition date, it was probable that New Residential would be unable to collect all contractually required payments, excluding residual and interest-only securities:

	Outstanding Face Amount	Carrying Value
March 31, 2016	\$ 1,381,005	\$ 758,726
December 31, 2015	873,763	504,659

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The following is a summary of the changes in accretable yield for these securities:

	Three Months Ended March 31, 2016
Balance at December 31, 2015	\$ 316,521
Additions	224,428
Accretion	(18,362)
Reclassifications from (to) non-accretable difference	(13,662)
Disposals	4,855
Balance at March 31, 2016	<u>\$ 513,780</u>

8. INVESTMENTS IN RESIDENTIAL MORTGAGE LOANS

Loans are accounted for based on New Residential's strategy for the loan, and on whether the loan was credit-impaired at the date of acquisition. New Residential accounts for loans based on the following categories:

- Loans Held-for-Investment:
 - Reverse Mortgage Loans
 - Performing Loans
 - Purchased Credit Deteriorated ("PCD") Loans
- Loans Held-for-Sale ("HFS")
- Real Estate Owned (REO)

The following table presents certain information regarding New Residential's residential mortgage loans outstanding by loan type, excluding REO:

	March 31, 2016									December 31, 2015
	Outstanding Face Amount	Carrying Value	Loan Count	Weighted Average Yield	Weighted Average Life (Years)(A)	Floating Rate Loans as a % of Face Amount	Loan to Value Ratio ("LTV") (B)	Weighted Avg. Delinquency(C)	Weighted Average FICO(D)	Carrying Value
Loan Type										
Reverse Mortgage Loans(E)(F)	\$ 32,633	\$ 18,142	122	7.4%	4.4	19.8%	133.5%	65.7%	N/A	\$ 19,560
Performing Loans(G)	20,884	19,462	663	8.9%	5.6	17.3%	77.2%	7.3%	626	19,964
Purchased Credit Deteriorated Loans(H)	439,649	287,130	2,037	5.5%	2.6	18.7%	116.4%	93.1%	577	290,654
Total Residential Mortgage Loans, held-for-investment	<u>\$ 493,166</u>	<u>\$ 324,734</u>	<u>2,822</u>	<u>5.8%</u>	<u>2.8</u>	<u>18.7%</u>	<u>115.9%</u>	<u>87.7%</u>	<u>580</u>	<u>\$ 330,178</u>
Performing Loans, held-for-sale(G)	\$ 143,384	\$ 151,001	1,671	3.8%	4.7	9.6%	58.1%	3.7%	665	\$ 277,084
Non-Performing Loans, held-for-sale(H)(I)	572,988	482,159	3,425	7.0%	2.7	15.3%	104.0%	79.1%	571	499,597
Total Residential Mortgage Loans, held-for-sale	<u>\$ 716,372</u>	<u>\$ 633,160</u>	<u>5,096</u>	<u>6.3%</u>	<u>3.1</u>	<u>14.2%</u>	<u>94.8%</u>	<u>64.0%</u>	<u>590</u>	<u>\$ 776,681</u>

- (A) The weighted average life is based on the expected timing of the receipt of cash flows.
- (B) LTV refers to the ratio comparing the loan's unpaid principal balance to the value of the collateral property.
- (C) Represents the percentage of the total principal balance that are 60+ days delinquent.
- (D) The weighted average FICO score is based on the weighted average of information updated and provided by the loan servicer on a monthly basis.
- (E) Represents a 70% participation interest that New Residential holds in a portfolio of reverse mortgage loans. The average loan balance outstanding based on total UPB is \$0.4 million. Approximately 60% of these loans have reached a termination event. As a result of the termination event, each such loan has matured and the borrower can no longer make draws on these loans.
- (F) FICO scores are not used in determining how much a borrower can access via a reverse mortgage loan.
- (G) Includes loans that are current or less than 30 days past due at acquisition where New Residential expects to collect all contractually required principal and interest payments. Presented net of unamortized premiums of \$8.7 million.

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- (H) Includes loans with evidence of credit deterioration since origination where it is probable that New Residential will not collect all contractually required principal and interest payments. As of March 31, 2016, New Residential has placed all of these loans on nonaccrual status, except as described in (I) below.
- (I) Includes \$232.1 million UPB of Ginnie Mae EBO non-performing loans on accrual status because contractual cash flows are guaranteed by the FHA.

New Residential generally considers the delinquency status, loan-to-value ratios, and geographic area of residential mortgage loans as its credit quality indicators. Delinquency status is a primary credit quality indicator as loans that are more than 60 days past due provide an early warning of borrowers who may be experiencing financial difficulties. Current LTV ratio is an indicator of the potential loss severity in the event of default. Finally, the geographic distribution of the loan collateral also provides insight as to the credit quality of the portfolio, as factors such as the regional economy, home price changes and specific events will affect credit quality.

The table below summarizes the geographic distribution of the residential mortgage loans:

State Concentration	Percentage of Total Outstanding Unpaid Principal Amount as of	
	March 31, 2016	December 31, 2015
New York	15.1%	14.5%
New Jersey	13.6%	13.1%
Florida	10.7%	10.7%
California	8.4%	12.3%
Texas	4.5%	3.3%
Illinois	4.3%	4.3%
Maryland	3.8%	3.5%
Massachusetts	3.5%	3.3%
Pennsylvania	3.2%	2.8%
Washington	3.1%	3.2%
Other U.S.	29.8%	29.0%
	100.0%	100.0%

New Residential has exercised its call rights with respect to the following Non-Agency RMBS trusts and purchased performing and non-performing residential mortgage loans and REO assets contained in such trusts prior to their termination. In certain cases, New Residential sold portions of the purchased loans through securitizations, and retained bonds issued by such securitizations. In addition, New Residential received par on the securities issued by the called trusts which it owned prior to such trusts' termination. The following table summarizes these transactions which occurred in 2016 (dollars in millions).

Date of Call ^(A)	Number of Trusts Called	Securities Owned Prior		Assets Acquired			Loans Sold ^(C)		Retained Bonds		Retained Assets ^(C)		
		Face Amount	Amortized Cost Basis	Loan UPB	Loan Price ^(B)	REO & Other Price ^(B)	UPB	Gain (Loss)	Basis	Type	Loan UPB	Loan Price	REO & Other Price
December 23, 2015	14	\$ 61.4	\$ 48.0	\$ 309.1	\$ 315.1	\$ 3.1	\$ 261.3	\$ 2.2	\$ 36.6	Various	\$ 37.4	\$ 27.4	\$ 2.9
March 25, 2016	13	58.4	41.0	167.2	173.3	3.1	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)	N/A ^(C)

- (A) Any related securitization may occur on the same or a subsequent date, depending on market conditions and other factors. Except as otherwise noted in (C) below, there was one securitization associated with each call.
- (B) Price includes par amount paid for all underlying mortgage loans of the trusts, plus the basis of the exercised call rights, plus advances and costs incurred (including MSR Fund Payments, as defined in Note 15) in exercising such call rights.
- (C) Loans were sold through a securitization which was treated as a sale for accounting purposes. The securitization that occurred in March 2016 primarily included loans from the December 23, 2015 call, but also included previously acquired loans. The retained assets disclosed for the December 23, 2015 call are net of the related loans sold in the March 2016 securitization. No loans from the March 25, 2016 call were securitized as of March 31, 2016.

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Reverse Mortgage Loans

In February 2013, New Residential, through a subsidiary, entered into an agreement to co-invest in reverse mortgage loans. New Residential acquired a 70% participation interest in a portfolio of reverse mortgage loans. Nationstar has co-invested on a pari passu basis with New Residential in 30% of the reverse mortgage loans and is the servicer of the loans performing all servicing and advancing functions and retaining the ancillary income, servicing obligations and liabilities as the servicer.

Performing Loans

The following table provides past due information regarding New Residential's Performing Loans, which is an important indicator of credit quality and the establishment of the allowance for loan losses:

March 31, 2016	
Days Past Due	Delinquency Status ^(A)
Current	87.2%
30-59	8.7%
60-89	1.9%
90-119 ^(B)	0.1%
120+ ^(C)	2.1%
	100.0%

(A) Represents the percentage of the total principal balance that corresponds to loans that are in each delinquency status.

(B) Includes loans 90-119 days past due and still accruing interest because they are generally placed on nonaccrual status at 120 days or more past due.

(C) Represents nonaccrual loans.

Activities related to the carrying value of residential mortgage loans held-for-investment were as follows:

	Reverse Mortgage Loans	Performing Loans
Balance at December 31, 2015	\$ 19,560	\$ 19,964
Purchases/additional fundings	319	—
Proceeds from repayments	(809)	(598)
Accretion of loan discount (premium) and other amortization ^(A)	1,090	100
Provision for loan losses	(12)	(4)
Transfer of loans to other assets	(2,006)	—
Transfer of loans to real estate owned	—	—
Balance at March 31, 2016	\$ 18,142	\$ 19,462

(A) Includes accelerated accretion of discount on loans paid in full and on loans transferred to other assets.

Activities related to the valuation and loss provision on reverse mortgage loans and allowance for loan losses on performing loans held-for-investment were as follows:

	Reverse Mortgage Loans	Performing Loans
Balance at December 31, 2015	\$ 1,553	\$ 119
Provision for loan losses ^(A)	12	4
Charge-offs ^(B)	—	—
Balance at March 31, 2016	\$ 1,565	\$ 123

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- (A) Based on an analysis of collective borrower performance, credit ratings of borrowers, loan-to-value ratios, estimated value of the underlying collateral, key terms of the loans and historical and anticipated trends in defaults and loss severities at a pool level.
- (B) Loans, other than PCD loans, are generally charged off or charged down to the net realizable value of the collateral (i.e., fair value less costs to sell), with an offset to the allowance for loan losses, when available information confirms that loans are uncollectible.

Purchased Credit Deteriorated Loans

New Residential determined at acquisition that the PCD loans acquired would be aggregated into pools based on common risk characteristics (FICO score, delinquency status, collateral type, loan-to-value ratio). Loans aggregated into pools are accounted for as if each pool were a single loan with a single composite interest rate and an aggregate expectation of cash flows.

Activities related to the carrying value of PCD loans held-for-investment were as follows:

Balance at December 31, 2015	\$	290,654
Purchases/additional fundings		—
Sales		—
Proceeds from repayments		(7,233)
Accretion of loan discount and other amortization		6,315
Transfer of loans to real estate owned		(2,606)
Balance at March 31, 2016	\$	287,130

New Residential did not acquire any PCD loans during the three months ended March 31, 2016.

The following is the unpaid principal balance and carrying value for loans, for which, as of the acquisition date, it was probable that New Residential would be unable to collect all contractually required payments:

	Unpaid Principal Balance	Carrying Value
March 31, 2016	\$ 439,649	\$ 287,130
December 31, 2015	\$ 450,229	\$ 290,654

The following is a summary of the changes in accretable yield for these loans:

Balance at December 31, 2015	\$	71,063
Additions		—
Accretion		(6,315)
Reclassifications from non-accretable difference ^(A)		11,443
Disposals ^(B)		(933)
Balance at March 31, 2016	\$	75,258

(A) Represents a probable and significant increase in cash flows previously expected to be uncollectible.

(B) Includes sales of loans or foreclosures, which result in removal of the loan from the PCD loan pool at its carrying amount.

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Loans Held-for-Sale

Activities related to the carrying value of loans held-for-sale were as follows:

	For the Three Months Ended March 31, 2016
	Loans Held-for-Sale
Balance at December 31, 2015	\$ 776,681
Purchases ^(A)	173,270
Sales	(266,124)
Transfer of loans to other assets	(25,429)
Transfer of loans to real estate owned	(3,676)
Proceeds from repayments	(18,495)
Valuation provision on loans ^(B)	(3,067)
Balance at March 31, 2016	\$ 633,160

(A) Represents loans acquired with the intent to sell.

(B) Represents the fair value adjustments to loans upon transfer to held-for-sale and provision recorded on certain purchased held-for-sale loans, including \$2.6 million of provision related to the call transaction executed on March 25, 2016.

Real estate owned (REO)

New Residential recognizes REO assets at the completion of the foreclosure process or upon execution of a deed in lieu of foreclosure with the borrower. REO assets are managed for prompt sale and disposition at the best possible economic value.

	Real Estate Owned
Balance at December 31, 2015	\$ 50,574
Purchases	9,196
Transfer of loans to real estate owned	8,285
Sales	(7,991)
Valuation provision on REO	(3,662)
Balance at March 31, 2016	\$ 56,402

As of March 31, 2016, New Residential had non-performing residential mortgage loans that were in the process of foreclosure with an unpaid principal balance of \$479.7 million.

In addition, New Residential has recognized \$30.1 million in claims receivable from FHA on Ginnie Mae early buy-out (“EBO”) loans and reverse mortgage loans for which foreclosure has been completed during the three months ended March 31, 2016 and for which New Residential has made, or intends to make, a claim.

9. INVESTMENTS IN CONSUMER LOANS

In April 2013, New Residential completed, through newly formed limited liability companies (together, the “Consumer Loan Companies”), a co-investment in a portfolio of consumer loans. The portfolio included personal unsecured loans and personal homeowner loans originated through subsidiaries of HSBC Finance Corporation. The Consumer Loan Companies acquired the portfolio from HSBC Finance Corporation and its affiliates. New Residential acquired 30% membership interests in each of the Consumer Loan Companies. Of the remaining 70% of the membership interests, OneMain acquired 47% and funds managed by Blackstone Tactical Opportunities Advisors L.L.C. acquired 23%. OneMain acted as the managing member of the Consumer Loan Companies. The Consumer Loan Companies initially financed approximately 73% of the original purchase price with asset-backed notes. In September 2013, the Consumer Loan Companies issued and sold additional asset-backed notes that were subordinate to

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the debt issued in April 2013. The Consumer Loan Companies were formed on March 19, 2013, for the purpose of making this investment, and commenced operations upon the completion of the investment. After a servicing transition period, OneMain became the servicer of the loans and provides all servicing and advancing functions for the portfolio.

On October 3, 2014, the Consumer Loan Companies refinanced the outstanding asset-backed notes with an asset-backed securitization. The proceeds in excess of the refinanced debt were distributed to the respective co-investors, which reduced New Residential's basis in the consumer loans investment to \$0.0 million and resulted in a gain. Subsequent to this refinancing, New Residential discontinued recording its share of the underlying earnings of the Consumer Loan Companies. During the three months ended March 31, 2016, the Consumer Loan Companies distributed \$9.9 million to New Residential in excess of its basis, resulting in corresponding gains, including \$0.03 million in tax withholding payments on behalf of New Residential. The tax withholding payments were considered a non-cash distribution.

On March 31, 2016, New Residential entered into the SpringCastle Transaction (Note 1). As a result, New Residential owns 53.5% of, and consolidates, the Consumer Loan Companies.

The following tables summarize the investment in Consumer Loans, held-for-investment held by New Residential:

	Unpaid Principal Balance ^(A)	Interest in Consumer Loan Companies	Carrying Value ^(B)	Weighted Average Coupon ^(C)	Weighted Average Yield	Weighted Average Expected Life (Years) ^(D)	Delinquency ^(E)
March 31, 2016 ^(F)	\$ 1,986,162	53.5%	\$ 1,970,565	18.3%	9.5%	4.2	7.0%
December 31, 2015 ^(G)	\$ 2,094,904	30.0%	\$ 1,698,130	18.2%	18.1%	4.4	7.2%

(A) Represents the balances as of February 29, 2016 and November 30, 2015, respectively.

(B) Represents the carrying value of the consumer loans held by the Consumer Loan Companies.

(C) Substantially all of the cash flows received on the loans was required to be used to make payments on the notes described above.

(D) Represents the weighted average expected timing of the receipt of expected cash flows for this investment.

(E) Represents the percentage of the total principal balance that is 30+ days delinquent. Delinquency status is the primary credit quality indicator as it provides early warning of borrowers who may be experiencing financial difficulties.

(F) Includes loans with evidence of credit deterioration since origination where it is probable that New Residential will not collect all contractually required principal and interest payments, which are accounted for as PCD loans.

(G) Held through an equity method investee at such time.

The following are the contractually required payments receivable, cash flows expected to be collected, and fair value at acquisition date for PCD loans acquired on March 31, 2016 as a result of the SpringCastle Transaction:

	Contractually Required Payments Receivable	Cash Flows Expected to be Collected	Fair Value
As of Acquisition Date	\$ 1,003,470	\$ 541,967	\$ 405,033

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The Consumer Loan Companies consolidate certain entities that issued securitized debt collateralized by the consumer loans (the “Consumer Loan SPVs”). The Consumer Loan SPVs are VIEs of which the Consumer Loan Companies are the primary beneficiaries. The following table presents information on the combined assets and liabilities related to these consolidated VIEs.

	As of March 31, 2016
Assets	
Consumer loans, held-for-investment	\$ 1,970,565
Restricted cash	14,931
Total assets ^(A)	\$ 1,985,496
Liabilities	
Notes and bonds payable	\$ 1,803,192
Accounts payable and accrued expenses	4,764
Total liabilities ^(A)	\$ 1,807,956

(A) The creditors of the Consumer Loan SPVs do not have recourse to the general credit of New Residential, and the assets of the Consumer Loan SPVs are not directly available to satisfy New Residential’s obligations.

10. DERIVATIVES

As of March 31, 2016, New Residential’s derivative instruments included economic hedges that were not designated as hedges for accounting purposes. New Residential uses economic hedges to hedge a portion of its interest rate risk exposure. Interest rate risk is sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, as well as other factors. New Residential’s credit risk with respect to economic hedges is the risk of default on New Residential’s investments that results from a borrower’s or counterparty’s inability or unwillingness to make contractually required payments.

As of March 31, 2016, New Residential held to-be-announced forward contract positions (“TBAs”) of \$2.4 billion in a short notional amount of Agency RMBS and any amounts or obligations owed by or to New Residential are subject to the right of set-off with the TBA counterparty. New Residential’s net short position in TBAs was entered into as an economic hedge in order to mitigate New Residential’s interest rate risk on certain specified mortgage backed securities. As of March 31, 2016, New Residential separately held TBAs of \$1.1 billion in a long notional amount of Agency RMBS and any amounts or obligations owed by or to New Residential are subject to the right of setoff with the TBA counterparty. \$0.2 billion of the long notional amount of Agency RMBS included TBAs purchased for which the specific securities were not identified as of March 31, 2016 and, as such, the positions were recorded as derivatives within the Accrued Expenses and Other Liabilities line on the condensed balance sheet. As part of executing these trades, New Residential has entered into agreements with its TBA counterparties that govern the transactions for the TBA purchases or sales made, including margin maintenance, payment and transfer, events of default, settlements, and various other provisions. New Residential has fulfilled all obligations and requirements entered into under these agreements.

New Residential’s derivatives are recorded at fair value on the Condensed Consolidated Balance Sheets as follows:

	Balance Sheet Location	March 31, 2016	December 31, 2015
Derivative assets			
Interest Rate Caps	Other assets	\$ 1,720	\$ 2,689
		\$ 1,720	\$ 2,689
Derivative liabilities			
TBAs	Accrued expenses and other liabilities	\$ 7,736	\$ 2,058
Interest Rate Swaps	Accrued expenses and other liabilities	27,206	11,385
		\$ 34,942	\$ 13,443

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The following table summarizes notional amounts related to derivatives:

	March 31, 2016	December 31, 2015
TBAs, short position ^(A)	\$ 2,418,000	\$ 1,450,000
TBAs, long position ^(A)	1,143,000	750,000
Interest Rate Caps ^(B)	2,565,000	3,400,000
Interest Rate Swaps, short positions ^(C)	2,444,000	2,444,000

(A) Represents the notional amount of Agency RMBS, classified as derivatives.

(B) Caps LIBOR at 0.50% for \$765.0 million of notional, at 0.75% for \$1,650.0 million of notional, and at 4.00% for \$150.0 million of notional. The weighted average maturity of the interest rate caps as of March 31, 2016 was 14 months.

(C) Receive LIBOR and pay a fixed rate. The weighted average maturity of the interest rate swaps as of March 31, 2016 was 22 months and the weighted average fixed pay rate was 1.20%.

The following table summarizes gains (losses) recorded in relation to derivatives:

	For the Three Months Ended March 31,	
	2016	2015
<u>Other income (loss), net^(A)</u>		
TBAs	\$ (5,531)	\$ (3,554)
Interest Rate Swaps	(15,821)	(3,352)
Interest Rate Caps	(951)	(124)
	(22,303)	(7,030)
<u>Gain (loss) on settlement of investments, net</u>		
TBAs	(28,171)	(16,033)
Interest Rate Caps	(1,124)	—
Interest Rate Swaps	(3,338)	(6,557)
	(32,633)	(22,590)
Total gains (losses)	\$ (54,936)	\$ (29,620)

(A) Represents unrealized gains (losses).

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11. DEBT OBLIGATIONS

The following table presents certain information regarding New Residential's debt obligations:

	March 31, 2016											December 31, 2015
Debt Obligations/Collateral	Month Issued	Outstanding Face Amount	Carrying Value ^(A)	Final Stated Maturity ^(B)	Weighted Average Funding Cost	Weighted Average Life (Years)	Collateral				Carrying Value ^(A)	
							Outstanding Face	Amortized Cost Basis	Carrying Value	Weighted Average Life (Years)		
Repurchase Agreements ^(C)												
Agency RMBS ^(D)	Various	\$ 1,629,971	\$ 1,629,971	Apr-16	0.70%	0.1	\$ 1,612,119	\$ 1,667,876	\$ 1,691,144	0.6	\$ 1,683,305	
Non-Agency RMBS ^(E)	Various	1,490,273	1,490,273	Apr-16 to Jun-16	1.96%	0.1	3,599,118	1,788,871	1,777,260	7.2	1,333,852	
Residential Mortgage Loans ^(F)	Various	723,954	723,167	May-16 to Mar-17	2.87%	0.6	1,119,845	886,918	884,110	3.1	907,993	
Real Estate Owned ^{(G)(H)}	Various	95,983	95,878	May-16 to Mar-17	2.76%	0.6	N/A	N/A	108,330	N/A	77,458	
Consumer Loan Investment ^(I)	Apr-15	34,223	34,223	Apr-16	4.11%	0.1	N/A	N/A	71,250	4.2	40,446	
Total Repurchase Agreements		3,974,404	3,973,512		1.65%	0.2					4,043,054	
Notes and Bonds Payable												
Secured Corporate Note ^(J)	May-15	182,772	181,602	Apr-17	5.69%	1.1	89,074,745	212,250	258,422	5.2	182,978	
Servicer Advances ^(K)	Various	6,880,413	6,868,732	Aug-16 to Aug-18	3.44%	1.2	7,203,924	7,005,501	7,001,004	4.5	7,047,061	
Residential Mortgage Loans ^(L)	Oct-15	13,786	13,786	Oct-16	3.30%	0.5	20,801	13,914	12,809	4.4	19,529	
Consumer Loans ^(M)	Oct-14	1,808,211	1,803,192	May-23 to Apr-34	4.14%	3.7	1,986,162	1,951,879	1,951,879	4.2	—	
Receivable from government agency ^(L)	Oct-15	3,539	3,539	—	3.30%	0.5	N/A	N/A	5,333	N/A	—	
Total Notes and Bonds Payable		8,888,721	8,870,851		3.63%	1.7					7,249,568	
Total/ Weighted Average	\$	12,863,125	\$ 12,844,363		3.02%	1.2					\$ 11,292,622	

(A) Net of deferred financing costs.

(B) All debt obligations with a stated maturity of April 2016 were refinanced, extended, or repaid.

(C) These repurchase agreements had approximately \$6.7 million of associated accrued interest payable as of March 31, 2016.

(D) All of the Agency RMBS repurchase agreements have a fixed rate. Collateral amounts include approximately \$1.5 billion of related trade and other receivables.

(E) All of the Non-Agency RMBS repurchase agreements have LIBOR-based floating interest rates. This includes repurchase agreements of \$145.8 million on retained servicer advance bonds.

(F) All of these repurchase agreements have LIBOR-based floating interest rates.

(G) All of these repurchase agreements have LIBOR-based floating interest rates.

(H) Includes financing collateralized by receivables including claims from FHA on Ginnie Mae EBO loans for which foreclosure has been completed and for which New Residential has made or intends to make a claim on the FHA guarantee.

(I) The repurchase agreement bears interest equal to three-month LIBOR plus 3.50% and is collateralized by 56% of New Residential's interest in the Consumer Loan Companies (Note 9).

(J) The loan bears interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 5.25%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying the Excess MSRs that secure this corporate note.

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- (K) \$2.7 billion face amount of the notes have a fixed rate while the remaining notes bear interest equal to the sum of (i) a floating rate index rate equal to one-month LIBOR or a cost of funds rate, as applicable, and (ii) a margin ranging from 1.7% to 2.2%.
- (L) The note is payable to Nationstar and bears interest equal to one-month LIBOR plus 2.875%.
- (M) Represents the debt assumed in the SpringCastle Transaction (Note 1), which is comprised of the following classes of asset-backed notes (collectively, the “2014-A Notes”) held by third parties: \$850.2 million UPB of Class A notes with a coupon of 2.7% and a stated maturity date in May 2023 (the “Class A Notes”); \$427.0 million UPB of Class B notes with a coupon of 4.61% and a stated maturity date in October 2027 (the “Class B Notes”); \$331.2 million UPB of Class C notes with a coupon of 5.59% and a stated maturity date in October 2033 (the “Class C Notes”); and \$199.8 million UPB of Class D notes with a coupon of 6.82% and a stated maturity date in April 2034 (the “Class D Notes”). Prior to the payment date in October 2016, the redemption price for any class of the outstanding 2014-A Notes shall be the sum of (i) 100% of the outstanding principal balance of the 2014-A Notes of the applicable class to be redeemed, plus (ii) the applicable Specified Call Premium Amount (as defined below) for such 2014-A Notes, plus (iii) accrued and unpaid interest and fees in respect of such 2014-A Notes. On or after the payment date occurring in October 2016, the redemption price for any class of 2014-A Notes shall be the sum of (i) 100% of the outstanding principal balance of the 2014-A Notes of the applicable class to be redeemed, plus (ii) accrued and unpaid interest and fees in respect of such 2014-A Notes. The “Specified Call Premium Amount” on any payment date for any class of 2014-A Notes shall mean (i) in the case of Class A Notes, an amount equal to 1.00% of the outstanding principal balance of the Class A Notes to be redeemed and (ii) in the case of the Class B Notes, the Class C Notes and the Class D Notes, an amount equal to (a) the product of (1) with respect to the Class B Notes, 0.75%, with respect to the Class C Notes, 1.00% and with respect to the Class D Notes, 2.00%, times (2) the outstanding principal balance of the 2014-A Notes of such class to be redeemed on such payment date, times (3) the number of days, computed on a 30/360 basis, from and including such payment date to but excluding the payment date occurring in October 2016, divided by (b) 360.

General

Certain of the debt obligations included above are obligations of New Residential’s consolidated subsidiaries, which own the related collateral. In some cases, including the Servicer Advances and Consumer Loans, such collateral is not available to other creditors of New Residential.

New Residential has margin exposure on \$4.0 billion of repurchase agreements as of March 31, 2016. To the extent that the value of the collateral underlying these repurchase agreements declines, New Residential may be required to post margin, which could significantly impact its liquidity.

Activities related to the carrying value of New Residential’s debt obligations were as follows:

	Excess MSRs	Servicer Advances ^(A)	Real Estate Securities	Real Estate Loans and REO	Consumer Loans	Total
Balance at December 31, 2015	\$ 182,978	\$ 7,047,061	\$ 3,017,157	\$ 1,004,980	40,446	\$ 11,292,622
Repurchase Agreements:						
Borrowings	—	—	4,863,459	129,859	—	4,993,318
Repayments	—	—	(4,760,372)	(296,262)	(6,223)	(5,062,857)
Capitalized deferred financing costs, net of amortization	—	—	—	(3)	—	(3)
Notes and Bonds Payable:						
Acquired borrowings, net of discount	—	—	—	—	1,803,192	1,803,192
Borrowings	—	1,713,002	—	—	—	1,713,002
Repayments	(1,661)	(1,890,683)	—	(2,204)	—	(1,894,548)
Discount on borrowings, net of amortization	278	—	—	—	—	278
Capitalized deferred financing costs, net of amortization	7	(648)	—	—	—	(641)
Balance at March 31, 2016	<u>\$ 181,602</u>	<u>\$ 6,868,732</u>	<u>\$ 3,120,244</u>	<u>\$ 836,370</u>	<u>\$ 1,837,415</u>	<u>\$ 12,844,363</u>

- (A) New Residential net settles daily borrowings and repayments of the Notes and Bonds Payable on its Servicer Advances.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES

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Servicer Advances

On March 31, 2016, the HSART facility was paid off and, in anticipation of such pay off, New Residential increased the capacity of, and transferred the related collateral to, various existing servicer advance financing facilities. As a result, New Residential recorded \$0.1 million of loss on extinguishment of debt related to a write-off of unamortized deferred financing costs.

Maturities

New Residential's debt obligations as of March 31, 2016 had contractual maturities as follows:

Year	Nonrecourse	Recourse	Total
April 1 through December 31, 2016	\$ 1,547,745	\$ 3,652,241	\$ 5,199,986
2017	5,045,240	441,308	5,486,548
2018	368,380	—	368,380
2019	—	—	—
2020	—	—	—
2021 and thereafter	1,808,211	—	1,808,211
	<u>\$ 8,769,576</u>	<u>\$ 4,093,549</u>	<u>\$ 12,863,125</u>

Borrowing Capacity

The following table represents New Residential's borrowing capacity as of March 31, 2016:

Debt Obligations/ Collateral	Collateral Type	Borrowing Capacity	Balance Outstanding	Available Financing
<u>Repurchase Agreements</u>				
Residential Mortgage Loans	Real Estate Loans and REO	\$ 2,435,000	\$ 819,937	\$ 1,615,063
<u>Notes and Bonds Payable</u>				
Servicer Advances ^(A)	Servicer Advances	7,574,183	6,880,413	693,770
		<u>\$ 10,009,183</u>	<u>\$ 7,700,350</u>	<u>\$ 2,308,833</u>

(A) New Residential's unused borrowing capacity is available if New Residential has additional eligible collateral to pledge and meets other borrowing conditions as set forth in the applicable agreements, including any applicable advance rate. New Residential pays a 0.3% fee on the unused borrowing capacity. Excludes borrowing capacity and outstanding debt for retained non-agency bonds with a current face amount of \$175.8 million.

Certain of the debt obligations are subject to customary debt covenants and event of default provisions, including event of default provisions triggered by a 50% equity decline over any 12-month period, or a 35% decline over any three-month period, as of a quarter end, and a 4:1 indebtedness to tangible net worth provision. New Residential was in compliance with all of its debt covenants as of March 31, 2016.

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12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values and fair values of New Residential's financial assets and liabilities recorded at fair value on a recurring basis, as well as other financial instruments for which fair value is disclosed, as of March 31, 2016 were as follows:

	Principal Balance or Notional Amount	Carrying Value	Fair Value				
			Level 1	Level 2	Level 3	Total	
Assets							
Investments in:							
Excess mortgage servicing rights, at fair value ^(A)	\$ 317,540,275	\$ 1,547,004	\$ —	\$ —	\$ 1,547,004	\$ 1,547,004	
Excess mortgage servicing rights, equity method investees, at fair value ^(A)	70,087,028	209,901	—	—	209,901	209,901	
Servicer advances	7,203,924	7,001,004	—	—	7,001,004	7,001,004	
Real estate securities, available-for-sale	5,766,333	3,441,790	—	1,523,203	1,918,587	3,441,790	
Residential mortgage loans, held-for-investment	493,166	324,734	—	—	320,002	320,002	
Residential mortgage loans, held-for-sale	716,372	633,160	—	—	641,004	641,004	
Consumer loans, held-for-investment	1,986,162	1,970,565	—	—	1,970,565	1,970,565	
Derivative assets	2,565,000	1,720	—	1,720	—	1,720	
Cash and cash equivalents	258,622	258,622	258,622	—	—	258,622	
Restricted cash	170,364	170,364	170,364	—	—	170,364	
Other Assets	464,348	1,479	—	—	1,479	1,479	
		<u>\$ 15,560,343</u>	<u>\$ 428,986</u>	<u>\$ 1,524,923</u>	<u>\$ 13,609,546</u>	<u>\$ 15,563,455</u>	
Liabilities							
Repurchase agreements	\$ 3,974,404	\$ 3,973,512	\$ —	\$ 3,974,404	\$ —	\$ 3,974,404	
Notes and bonds payable	8,888,721	8,870,851	—	—	8,882,458	8,882,458	
Derivative liabilities	6,005,000	34,942	—	34,942	—	34,942	
		<u>\$ 12,879,305</u>	<u>\$ —</u>	<u>\$ 4,009,346</u>	<u>\$ 8,882,458</u>	<u>\$ 12,891,804</u>	

(A) The notional amount represents the total unpaid principal balance of the mortgage loans underlying the Excess MSRs. New Residential does not receive an excess mortgage servicing amount on non-performing loans in Agency portfolios.

NEW RESIDENTIAL INVESTMENT CORP. AND SUBSIDIARIES
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(dollars in tables in thousands, except share data)

New Residential's financial assets measured at fair value on a recurring basis using Level 3 inputs changed as follows:

	Level 3					
	Excess MSR ^(A)		Excess MSR ^(A) in Equity Method Investees ^{(A)(B)}	Servicer Advances	Non-Agency RMBS	Total
	Agency	Non-Agency	Agency			
Balance at December 31, 2015	\$ 437,201	\$ 1,144,316	\$ 217,221	\$ 7,426,794	\$ 1,584,283	\$ 10,809,815
Transfers ^(C)						
Transfers from Level 3	—	—	—	—	—	—
Transfers to Level 3	—	—	—	—	—	—
Gains (losses) included in net income						
Included in other-than-temporary impairment on securities ^(D)	—	—	—	—	(3,254)	(3,254)
Included in change in fair value of investments in excess mortgage servicing rights ^(D)	946	6,980	—	—	—	7,926
Included in change in fair value of investments in excess mortgage servicing rights, equity method investees ^(D)	—	—	3,022	—	—	3,022
Included in change in fair value of investments in Servicer Advances	—	—	—	(31,224)	—	(31,224)
Included in gain (loss) on settlement of investments, net	—	—	—	—	(8,490)	(8,490)
Included in other income (loss), net ^(D)	656	76	—	—	268	1,000
Gains (losses) included in other comprehensive income ^(E)	—	—	—	—	(15,837)	(15,837)
Interest income	9,622	33,346	—	78,637	34,109	155,714
Purchases, sales and repayments						
Purchases	—	—	—	3,844,638	443,139	4,287,777
Proceeds from sales	—	—	—	—	(38,168)	(38,168)
Proceeds from repayments	(22,525)	(63,614)	(10,342)	(4,317,841)	(77,463)	(4,491,785)
Balance at March 31, 2016	<u>\$ 425,900</u>	<u>\$ 1,121,104</u>	<u>\$ 209,901</u>	<u>\$ 7,001,004</u>	<u>\$ 1,918,587</u>	<u>\$ 10,676,496</u>

(A) Includes the recapture agreement for each respective pool.

 (B) Amounts represent New Residential's portion of the Excess MSR^(A) held by the respective joint ventures in which New Residential has a 50% interest.

(C) Transfers are assumed to occur at the beginning of each respective period.

(D) The gains (losses) recorded in earnings during the period are attributable to the change in unrealized gains (losses) relating to Level 3 assets still held at the reporting dates and realized gains (losses) recorded during the period.

(E) These gains (losses) were included in net unrealized gain (loss) on securities in the Condensed Consolidated Statements of Comprehensive Income.

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Investments in Excess MSR and Excess MSR Equity Method Investee Valuation

The following table summarizes certain information regarding the weighted average inputs used in valuing the Excess MSR owned directly and through equity method investees as of March 31, 2016:

	Significant Inputs ^(A)			Excess Mortgage Servicing Amount (bps) ^(E)
<u>Directly Held (Note 4)</u>	Prepayment Speed ^(B)	Delinquency ^(C)	Recapture Rate ^(D)	
<u>Agency</u>				
Original Pools	10.5%	3.5%	31.5%	21
Recaptured Pools	7.5%	4.8%	20.0%	20
Recapture Agreement	7.6%	5.0%	20.0%	22
	9.8%	3.8%	28.8%	21
<u>Non-Agency^(F)</u>				
Nationstar and SLS Serviced:				
Original Pools	11.8%	N/A	10.3%	14
Recaptured Pools	7.8%	N/A	20.0%	20
Recapture Agreement	7.5%	N/A	19.8%	20
Ocwen Serviced Pools	9.3%	N/A	—%	14
	9.8%	N/A	2.6%	14
Total/Weighted Average--Directly Held	9.8%	3.8%	9.8%	16
<u>Held through Equity Method Investees (Note 5)</u>				
<u>Agency</u>				
Original Pools	12.5%	5.8%	35.1%	19
Recaptured Pools	7.6%	5.0%	20.0%	23
Recapture Agreement	7.7%	5.0%	20.0%	23
Total/Weighted Average--Held through Investees	10.6%	5.5%	29.2%	21
Total/Weighted Average--All Pools	10.0%	4.1%	13.8%	17

(A) Weighted by fair value of the portfolio.

(B) Projected annualized weighted average lifetime voluntary and involuntary prepayment rate using a prepayment vector.

(C) Projected percentage of mortgage loans in the pool for which the borrower will miss its mortgage payments.

(D) Percentage of voluntarily prepaid loans that are expected to be refinanced by the related servicer.

(E) Weighted average total mortgage servicing amount in excess of the basic fee.

(F) For certain pools, the Excess MSR will be paid on the total UPB of the mortgage portfolio (including both performing and delinquent loans until REO). For these pools, no delinquency assumption is used.

As of March 31, 2016, a weighted average discount rate of 9.8% was used to value New Residential's investments in Excess MSR (directly and through equity method investees).

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(dollars in tables in thousands, except share data)

Investments in Servicer Advances Valuation

The following table summarizes certain information regarding the inputs used in valuing the Servicer Advances:

	Significant Inputs				
	Weighted Average				Discount Rate
	Outstanding Servicer Advances to UPB of Underlying Residential Mortgage Loans	Prepayment Speed ^(A)	Delinquency	Mortgage Servicing Amount ^(B)	
March 31, 2016	2.3%	10.2%	14.6%	9.2 bps	5.5%

(A) Projected annual weighted average lifetime voluntary and involuntary prepayment rate using a prepayment vector.

(B) Mortgage servicing amount excludes the amounts New Residential pays its servicers as a monthly servicing fee.

Real Estate Securities Valuation

As of March 31, 2016, New Residential's securities valuation methodology and results are further detailed as follows:

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Fair Value			
			Multiple Quotes ^(A)	Single Quote ^(B)	Total	Level
Agency RMBS	\$ 1,450,299	\$ 1,524,194	\$ 1,523,203	\$ —	\$ 1,523,203	2
Non-Agency RMBS ^(C)	4,316,034	1,928,849	1,698,040	220,547	1,918,587	3
Total	\$ 5,766,333	\$ 3,453,043	\$ 3,221,243	\$ 220,547	\$ 3,441,790	

(A) New Residential generally obtained pricing service quotations or broker quotations from two sources, one of which was generally the seller (the party that sold New Residential the security) for Non-Agency RMBS. New Residential selected one of the quotes received as being most representative of the fair value and did not use an average of the quotes. Even if New Residential receives two or more quotes on a particular security that come from non-selling brokers or pricing services, it does not use an average because it believes using an actual quote more closely represents a transactable price for the security than an average level. Furthermore, in some cases there is a wide disparity between the quotes New Residential receives. New Residential believes using an average of the quotes in these cases would not represent the fair value of the asset. Based on New Residential's own fair value analysis, it selects one of the quotes which is believed to more accurately reflect fair value. New Residential never adjusts quotes received. 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. New Residential's investments in Agency RMBS are classified within Level 2 of the fair value hierarchy because the market for these securities is very active and market prices are readily observable.

(B) New Residential was unable to obtain quotations from more than one source on these securities. For approximately \$214.7 million, the one source was the party that sold New Residential the security.

(C) Includes New Residential's investments in interest-only notes for which the fair value option for financial instruments was elected.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances, such as when there is evidence of impairment. For residential mortgage loans held-for-sale and foreclosed real estate accounted for as REO, New Residential applies the lower of cost or fair value accounting and may be required, from time to time, to record a nonrecurring fair value adjustment. The consumer loans, held-for-investment, and related notes and bonds payable were recorded at fair value on the date of the SpringCastle Transaction (Note 1), March 31, 2016.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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(dollars in tables in thousands, except share data)

At March 31, 2016, assets measured at fair value on a nonrecurring basis were \$2.4 billion. The \$2.4 billion includes approximately \$2.0 billion of consumer loans, held-for-investment, \$377.4 million of residential mortgage loans held-for-sale and \$25.3 million of REO. The fair value of New Residential's consumer loans, held-for-investment, and mortgage loans, held-for-sale, are estimated based on a discounted cash flow model analysis using internal pricing models and categorized within Level 3 of the fair value hierarchy. The following table summarizes the inputs used in valuing these loans as of March 31, 2016:

March 31, 2016	Fair Value and Carrying Value	Discount Rate	Weighted Average Life (Years) ^(A)	Prepayment Rate	CDR ^(B)	Loss Severity ^(C)
Residential Mortgage Loans						
Performing Loans	\$ 151,001	3.8%	4.7	6.0%	0.9%	37.3%
Non-performing Loans	226,354	5.7%	3.4	3.0%	N/A	22.4%
Total/Weighted Average	<u>\$ 377,355</u>	<u>4.9%</u>	<u>3.9</u>	<u>4.2%</u>		<u>28.4%</u>
Consumer Loans						
	<u>\$ 1,970,565</u>	<u>9.5%</u>	<u>4.2</u>	<u>18.5%</u>	<u>5.6%</u>	<u>87.2%</u>

(A) The weighted average life is based on the expected timing of the receipt of cash flows.

(B) Represents the annualized rate of the involuntary prepayments (defaults) as a percentage of the total principal balance. Not applicable for PCD Loans that are not 100% in default.

(C) Loss severity is the expected amount of future realized losses resulting from the ultimate liquidation of a particular loan, expressed as the net amount of loss relative to the outstanding loan balance.

The fair value of REO is estimated using a broker's price opinion discounted based upon New Residential's experience with actual liquidation values and, therefore, is categorized within Level 3 of the fair value hierarchy. These discounts to the broker price opinion are generally 10%.

The debt assumed in the SpringCastle Transaction (Notes 1 and 11) was recorded at its fair value of \$1.8 billion on March 31, 2016. The fair value was estimated based on a discounted cash flow model using both observable and unobservable inputs to estimate the amount and timing of expected cash flows, interest rates and collateral funding spreads and, therefore, is categorized within Level 3 of the fair value hierarchy.

The total change in the recorded value of assets for which a fair value adjustment was included in the Condensed Consolidated Statement of Income for the three months ended March 31, 2016 was a decrease in the net valuation allowance of approximately \$3.1 million and \$3.6 million for residential mortgage loans held-for-sale and REO, respectively.

Residential Mortgage Loans for Which Fair Value is Only Disclosed

The following table summarizes the inputs used in valuing residential mortgage loans as of March 31, 2016:

	Carrying Value	Fair Value	Valuation and Loss Provision/ (Reversal) In Current Year	Discount Rate	Weighted Average Life (Years) ^(A)	Prepayment Rate	CDR ^(B)	Loss Severity ^(C)
Reverse Mortgage Loans ^(D)	\$ 18,142	\$ 18,142	\$ 12	10.0%	4.4	N/A	N/A	8.4%
Performing Loans	19,462	20,484	4	7.9%	5.6	5.9%	2.5%	58.3%
Non-performing Loans	542,935	545,025	N/A	5.4%	2.5	1.5%	N/A	13.2%
Total/Weighted Average	<u>\$ 580,539</u>	<u>\$ 583,651</u>	<u>\$ 16</u>	<u>5.6%</u>	<u>2.6</u>			<u>14.6%</u>

(A) The weighted average life is based on the expected timing of the receipt of cash flows.

(B) Represents the annualized rate of the involuntary prepayments (defaults) as a percentage of the total principal balance.

(C) Loss severity is the expected amount of future realized losses resulting from the ultimate liquidation of a particular loan, expressed as the net amount of loss relative to the outstanding loan balance.

(D) Carrying value and fair value represent a 70% participation interest New Residential holds in the portfolio of reverse mortgage loans.

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Derivative Valuation

New Residential enters into economic hedges including interest rate swaps, caps and TBAs, which are categorized as Level 2 in the valuation hierarchy. New Residential generally values such derivatives using quotations, similarly to the method of valuation used for New Residential's other assets that are categorized as Level 2.

Liabilities for Which Fair Value is Only Disclosed

Repurchase agreements and notes and bonds payable are not measured at fair value. They are generally considered to be Level 2 and Level 3 in the valuation hierarchy, respectively, with significant valuation variables including the amount and timing of expected cash flows, interest rates and collateral funding spreads.

Short-term repurchase agreements and short-term notes and bonds payable have an estimated fair value equal to their carrying value due to their short duration and generally floating interest rates. Longer-term notes and bonds payable are valued based on internal models utilizing both observable and unobservable inputs.

13. EQUITY AND EARNINGS PER SHARE*Equity and Dividends*

On December 10, 2015, New Residential's Board of Directors declared a fourth quarter 2015 dividend of \$0.46 per common share or \$106.0 million, which was paid on January 29, 2016 to stockholders of record as of December 31, 2015.

On March 22, 2016, New Residential's Board of Directors declared a first quarter 2016 dividend of \$0.46 per common share or \$106.0 million, which was paid on April 29, 2016 to stockholders of record as of April 4, 2016.

On January 19, 2016, New Residential announced that its Board of Directors had authorized the repurchase of up to \$200 million of its common stock over the next 12 months. Repurchases may be made at any time and from time to time through open market purchases or privately negotiated transactions, pursuant to one or more plans established pursuant to Rule 10b5-1 under the Exchange Act, by means of one or more tender offers, or otherwise, in each case, as permitted by securities laws and other legal and contractual requirements. The amount and timing of the purchases, if any, will depend on a number of factors including the price and availability of New Residential's shares, trading volume, capital availability, New Residential's performance and general economic and market conditions. The share repurchase program may be suspended or discontinued at any time. No share repurchases have been made as of the date of issuance of these condensed consolidated financial statements. Repurchases may impact New Residential's financial results, including fees paid to its Manager.

Approximately 2.4 million shares of New Residential's common stock were held by Fortress, through its affiliates, and its principals at March 31, 2016.

Option Plan

As of March 31, 2016, New Residential's outstanding options were summarized as follows:

	Issued Prior to 2011	Issued in 2011-2015	Total
Held by the Manager	345,720	8,874,152	9,219,872
Issued to the Manager and subsequently transferred to certain of the Manager's employees	88,280	3,067,955	3,156,235
Issued to the independent directors	—	4,000	4,000
Total	434,000	11,946,107	12,380,107

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The following table summarizes New Residential's outstanding options as of March 31, 2016. The last sales price on the New York Stock Exchange for New Residential's common stock in the quarter ended March 31, 2016 was \$11.63 per share.

Recipient	Date of Grant/ Exercise ^(A)	Number of Unexercised Options	Options Exercisable as of March 31, 2016	Weighted Average Exercise Price ^(B)	Intrinsic Value of Exercisable Options as of March 31, 2016 (millions)
Directors	Various	4,000	4,000	\$ 13.58	\$ —
Manager ^(C)	2003 - 2007	434,000	434,000	31.36	—
Manager ^(C)	2011 - 2012	25,000	25,000	7.19	0.1
Manager ^(C)	2013	1,936,068	1,936,068	10.98	1.3
Manager ^(C)	2014	1,437,500	1,102,083	12.20	—
Manager ^(C)	2015	8,543,539	2,946,395	15.46	—
Outstanding		<u>12,380,107</u>	<u>6,447,546</u>		

(A) Options expire on the tenth anniversary from date of grant.

(B) The exercise prices are subject to adjustment in connection with return of capital dividends.

(C) The Manager assigned certain of its options to Fortress's employees as follows:

Date of Grant	Range of Exercise Prices	Total Unexercised Inception to Date
2006-2007	\$29.92 to \$33.80	88,280
2013	\$10.24 to \$11.48	1,100,497
2014	\$12.20	258,750
2015	\$15.25 to \$15.88	1,708,708
Total		<u>3,156,235</u>

The following table summarizes activity in New Residential's outstanding options:

	Amount	Weighted Average Exercise Price
December 31, 2015 outstanding options	12,380,107	
Options granted	—	\$ —
Options exercised	—	\$ —
Options expired unexercised	—	
March 31, 2016 outstanding options	<u>12,380,107</u>	See table above

Income and Earnings Per Share

New Residential is required to present both basic and diluted earnings per share ("EPS"). Basic EPS is calculated by dividing net income by the weighted average number of shares of common stock outstanding. Diluted EPS is computed by dividing net income by the weighted average number of shares of common stock outstanding plus the additional dilutive effect, if any, of common stock equivalents during each period. New Residential's common stock equivalents are its outstanding options. During the three months ended March 31, 2016, based on the treasury stock method, New Residential had 67,510 dilutive common stock equivalents outstanding. During the three months ended March 31, 2015, based on the treasury stock method, New Residential had 3,476,404 dilutive common stock equivalents outstanding.

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Noncontrolling Interests

Noncontrolling interests is comprised of the interests held by third parties in consolidated entities that hold New Residential's investments in Servicer Advances (Note 6) and Consumer Loans (Note 9), as well as HLSS for the period of April 6, 2015 through October 23, 2015.

14. COMMITMENTS AND CONTINGENCIES

Litigation – Following the HLSS Acquisition (see Note 1 for related defined terms), material potential claims, lawsuits, regulatory inquiries or investigations, and other proceedings, of which New Residential is currently aware, are as follows. New Residential has not accrued losses in connection with these legal contingencies because it does not believe there is a probable and reasonably estimable loss. Furthermore, New Residential cannot reasonably estimate the range of potential loss related to these legal contingencies at this time. However, the ultimate outcome of the proceedings described below may have a material adverse effect on New Residential's business, financial position or results of operations.

In addition to the matters described below, from time to time, New Residential is or may be involved in various disputes, litigation and regulatory inquiry and investigation matters that arise in the ordinary course of business. Given the inherent unpredictability of these types of proceedings, it is possible that future adverse outcomes could have a material adverse effect on its financial results. New Residential is not aware of any unasserted claims that it believes are material and probable of assertion where the risk of loss is expected to be reasonably possible.

Three putative class action lawsuits have been filed against HLSS and certain of its current and former officers and directors in the United States District Court for the Southern District of New York entitled: (i) *Oliveira v. Home Loan Servicing Solutions, Ltd., et al.*, No. 15-CV-652 (S.D.N.Y.), filed on January 29, 2015; (ii) *Berglan v. Home Loan Servicing Solutions, Ltd., et al.*, No. 15-CV-947 (S.D.N.Y.), filed on February 9, 2015; and (iii) *W. Palm Beach Police Pension Fund v. Home Loan Servicing Solutions, Ltd., et al.*, No. 15-CV-1063 (S.D.N.Y.), filed on February 13, 2015. On April 2, 2015, these lawsuits were consolidated into a single action, which is referred to as the "Securities Action." On April 28, 2015, lead plaintiffs, lead counsel and liaison counsel were appointed in the Securities Action. On November 9, 2015, lead plaintiffs filed an amended class action complaint. On January 27, 2016, the Securities Action was transferred to the United States District Court for the Southern District of Florida and given the Index No. 16-CV-60165 (S.D. Fla.).

The Securities Action names as defendants HLSS, former HLSS Chairman William C. Erbey, HLSS Director, President, and Chief Executive Officer John P. Van Vlack, and HLSS Chief Financial Officer James E. Lauter. The Securities Action asserts causes of action under Sections 10(b) and 20(a) of the Exchange Act based on certain public disclosures made by HLSS relating to its relationship with Ocwen and HLSS's risk management and internal controls. More specifically, the consolidated class action complaint alleges that a series of statements in HLSS's disclosures were materially false and misleading, including statements about (i) Ocwen's servicing capabilities; (ii) HLSS's contingencies and legal proceedings; (iii) its risk management and internal controls; and (iv) certain related party transactions. The consolidated class action complaint also appears to allege that HLSS's financial statements for the years ended 2012 and 2013, and the first quarter ended March 30, 2014, were false and misleading based on HLSS's August 18, 2014 restatement. Lead plaintiffs in the Securities Action also allege that HLSS misled investors by failing to disclose, among other things, information regarding governmental investigations of Ocwen's business practices. Lead plaintiffs seek money damages under the Exchange Act in an amount to be proven at trial and reasonable costs, expenses, and fees. New Residential intends to vigorously defend the Securities Action and consistent therewith on February 11, 2015, defendants filed motions to dismiss the Securities Action in its entirety.

Three shareholder derivative actions have been filed in the United States District Court for the Southern District of Florida purportedly on behalf of Ocwen: (i) *Sokolowski v. Erbey, et al.*, No. 14-CV-81601 (S.D. Fla.) (the "Sokolowski Action"); (ii) *Hutt v. Erbey, et al.*, No. 15-CV-81709 (S.D. Fla.) (the "Hutt Action"); and (iii) *Lowinger v. Erbey, et al.*, No. 15-CV-62628 (S.D. Fla.) (the "Lowinger Action"). On November 9, 2015, HLSS filed a motion to dismiss the Sokolowski Action. While that motion was pending, the Hutt Action, which at the time did not name HLSS as a defendant, was transferred from the Northern District of Georgia to the Southern District of Florida and the Lowinger Action, which at the time also did not name HLSS as a defendant, was filed. On January 8, 2016, the court consolidated the three actions and denied HLSS's motion to dismiss the Sokolowski complaint as moot and without prejudice to re-file a new motion to dismiss following the filing of a consolidated complaint. On March 8, 2016, plaintiffs filed their consolidated complaint. The consolidated complaint alleges, among other things, that certain of Ocwen's current and former directors and officers, including former HLSS Chairman William C. Erbey, breached their fiduciary duties to Ocwen by, among other things, causing Ocwen to enter into transactions that were harmful to Ocwen. The complaint

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further alleges that HLSS and others aided and abetted the alleged breaches of fiduciary duty by Mr. Erbey and the other directors and officers of Ocwen who have been named as defendants. The consolidated complaint also asserts causes of action against HLSS and others for unjust enrichment and for contribution. The lawsuit seeks money damages from HLSS in an amount to be proven at trial. New Residential intends to vigorously defend the lawsuit.

One shareholder derivative action has been filed in Florida state court in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida purportedly on behalf of Ocwen: *Moncavage v. Faris, et al.*, No. 2015CA003244 (Fla. Palm Beach Cty. Ct.). The complaint alleges, among other things, that certain current and former Ocwen directors and officers breached their fiduciary duties to Ocwen. The complaint also alleged that HLSS and others aided and abetted the alleged breaches of fiduciary duty. The lawsuit seeks money damages from HLSS in an amount to be proved at trial. On November 9, 2015, the court entered an order staying all proceedings in the case pending further order of the Court. HLSS has not been served. If the litigation proceeds, New Residential intends to vigorously defend the lawsuit.

On March 11, 2015, plaintiff David Rattner filed a shareholder derivative action purportedly on behalf of HLSS entitled *Rattner v. Van Vlack, et al.*, No. 2015CA002833 (Fla. Palm Beach Cty. Ct.) (the “HLSS Derivative Action”). The lawsuit names as defendants HLSS directors John P. Van Vlack, Robert J. McGinnis, Kerry Kennedy, Richard J. Lochrie, and David B. Reiner (collectively, the “Director Defendants”), New Residential Investment Corp., and Hexagon Merger Sub, Ltd. The HLSS Derivative Action alleges that the Director Defendants breached their fiduciary duties of due care, diligence, loyalty, honesty and good faith and the duty to act in the best interests of HLSS under Cayman law and claims that the Director Defendants approved a proposed merger with New Residential Investment Corp. that (i) provided inadequate consideration to HLSS’s shareholders, (ii) included unfair deal protection devices, (iii) and was the result of an inadequate process due to conflicts of interest. On July 8, 2015, the complaint was voluntarily dismissed without prejudice.

New Residential is, from time to time, subject to inquiries by government entities. New Residential currently does not believe any of these inquiries would result in a material adverse effect on New Residential’s business.

Indemnifications – In the normal course of business, New Residential and its subsidiaries enter into contracts that contain a variety of representations and warranties and that provide general indemnifications. New Residential’s maximum exposure under these arrangements is unknown as this would involve future claims that may be made against New Residential that have not yet occurred. However, based on Newcastle’s and its own experience, New Residential expects the risk of material loss to be remote.

Capital Commitments — As of March 31, 2016, New Residential had outstanding capital commitments related to investments in the following investment types (also refer to Note 18 for additional capital commitments entered into subsequent to March 31, 2016, if any):

Servicer Advances — New Residential and third-party co-investors agreed to purchase future Servicer Advances related to Non-Agency mortgage loans. The actual amount of future advances purchased will be based on: (a) the credit and prepayment performance of the underlying loans, (b) the amount of advances recoverable prior to liquidation of the related collateral and (c) the percentage of the loans with respect to which no additional advance obligations are made. The actual amount of future advances is subject to significant uncertainty. See Note 6 for information on New Residential’s investments in Servicer Advances.

Residential Mortgage Loans — As part of its investment in residential mortgage loans, New Residential may be required to outlay capital. These capital outflows primarily consist of advance escrow and tax payments, residential maintenance and property disposition fees. The actual amount of these outflows is subject to significant uncertainty. See Note 8 for information on New Residential’s investments in residential mortgage loans.

Environmental Costs — As a residential real estate owner through its REO, New Residential is subject to potential environmental costs. At March 31, 2016, New Residential is not aware of any environmental concerns that would have a material adverse effect on its consolidated financial position or results of operations.

Debt Covenants — New Residential’s debt obligations contain various customary debt covenants (Note 11).

Certain Tax-Related Covenants — If New Residential is treated as a successor to Newcastle under applicable U.S. federal income tax rules, and if Newcastle fails to qualify as a REIT, New Residential could be prohibited from electing to be a REIT. Accordingly, Newcastle has (i) represented that it has no knowledge of any fact or circumstance that would cause New Residential to fail to qualify as a REIT, (ii) covenanted to use commercially reasonable efforts to cooperate with New Residential as necessary to enable

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New Residential to qualify for taxation as a REIT and receive customary legal opinions concerning REIT status, including providing information and representations to New Residential and its tax counsel with respect to the composition of Newcastle's income and assets, the composition of its stockholders, and its operation as a REIT; and (iii) covenanted to use its reasonable best efforts to maintain its REIT status for each of Newcastle's taxable years ending on or before December 31, 2014 (unless Newcastle obtains an opinion from a nationally recognized tax counsel or a private letter ruling from the U.S. Internal Revenue Service (the "IRS") to the effect that Newcastle's failure to maintain its REIT status will not cause New Residential to fail to qualify as a REIT under the successor REIT rule referred to above). Additionally, New Residential covenanted to use its reasonable best efforts to qualify for taxation as a REIT for its taxable year ended December 31, 2013.

15. TRANSACTIONS WITH AFFILIATES AND AFFILIATED ENTITIES

New Residential is party to a Management Agreement with its Manager which provides for automatically renewing one-year terms subject to certain termination rights. The Manager's performance is reviewed annually and the Management Agreement may be terminated by New Residential 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 12 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, under the supervision of New Residential's board of directors, formulates investment strategies, arranges for the acquisition of assets and associated financing, monitors the performance of New Residential's assets and provides certain advisory, administrative and managerial services in connection with the operations of New Residential.

Effective May 15, 2013, the Manager is entitled to receive a management fee in an amount equal to 1.5% per annum of New Residential's gross equity calculated and payable monthly in arrears in cash. Gross equity is generally the equity transferred by Newcastle on the date of the spin-off (Note 13), plus total net proceeds from stock offerings, plus certain capital contributions to subsidiaries, less capital distributions and repurchases of common stock.

In addition, effective May 15, 2013, the Manager is entitled to receive annual incentive compensation in an amount equal to the product of (A) 25% of the dollar amount by which (1) (a) New Residential's funds from operations before the incentive compensation, excluding funds from operations from investments in the Consumer Loan Companies and any unrealized gains or losses from mark-to-market valuation changes on investments and debt (and any deferred tax impact thereof), per share of common stock, plus (b) earnings (or losses) from the Consumer Loan Companies computed on a level-yield basis (such that the loans are treated as if they qualified as loans acquired with a discount for credit quality as set forth in ASC No. 310-30, as such codification was in effect on June 30, 2013) as if the Consumer Loan Companies had been acquired at their GAAP basis on May 15, 2013, plus earnings (or losses) from equity method investees invested in Excess MSRs as if such equity method investees had not made a fair value election, plus gains (or losses) from debt restructuring and gains (or losses) from sales of property, and plus non-routine items, minus amortization of non-routine items, in each case per share of common stock, exceed (2) an amount equal to (a) the weighted average of the book value per share of the equity transferred by Newcastle on the date of the spin-off and the prices per share of New Residential's common stock in any offerings (adjusted for prior capital dividends or capital distributions) multiplied by (b) a simple interest rate of 10% per annum, multiplied by (B) the weighted average number of shares of common stock outstanding. "Funds from operations" means net income (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and gains (or losses) from sales of property, plus depreciation on real estate assets, and after adjustments for unconsolidated partnerships and joint ventures. Funds from operations will be computed on an unconsolidated basis. The computation of funds from operations may be adjusted at the direction of New Residential's independent directors based on changes in, or certain applications of, GAAP. Funds from operations is determined from the date of the spin-off and without regard to Newcastle's prior performance.

In addition to the management fee and incentive compensation, New Residential is responsible for reimbursing the Manager for certain expenses paid by the Manager on behalf of New Residential.

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Due to affiliates is comprised of the following amounts:

	March 31, 2016	December 31, 2015
Management fees	\$ 3,336	\$ 6,671
Incentive compensation	1,196	16,017
Expense reimbursements and other	1,315	1,097
	<u>\$ 5,847</u>	<u>\$ 23,785</u>

Affiliate expenses and fees were comprised of:

	Three Months Ended March 31,	
	2016	2015
Management fees	\$ 10,008	\$ 5,126
Incentive compensation	1,196	3,693
Expense reimbursements ^(A)	125	125
Total	<u>\$ 11,329</u>	<u>\$ 8,944</u>

(A) Included in General and Administrative Expenses in the Condensed Consolidated Statements of Income.

See Notes 4, 5, 6, 7, 8, 11, 14 and 18 for a discussion of transactions with Nationstar. As of March 31, 2016, 64.3% and 34.8% of the UPB of the loans underlying New Residential's investments in Excess MSRs and Servicer Advances, respectively, was serviced or master serviced by Nationstar. As of March 31, 2016, a total face amount of \$2.8 billion of New Residential's Non-Agency RMBS portfolio and approximately \$33.5 million of New Residential's Agency RMBS portfolio was serviced or master serviced by Nationstar. The total UPB of the loans underlying these Nationstar serviced Non-Agency RMBS was approximately \$11.9 billion as of March 31, 2016. New Residential holds a limited right to cleanup call options with respect to certain securitization trusts serviced or master serviced by Nationstar whereby, when the outstanding balance of the underlying mortgage loans falls below a pre-determined threshold, it can effectively purchase the underlying mortgage loans at par, plus unreimbursed servicer advances, resulting in the repayment of all of the outstanding securitization financing at par, in exchange for a 0.75% (of UPB) fee paid to Nationstar at the time of exercise. In connection with New Residential's exercise of certain of these call rights in 2014 and 2015, New Residential has made, and expects to continue to make, payments to funds managed by an affiliate of Fortress in respect of Excess MSRs held by the funds affected by the exercise of the call rights ("MSR Fund Payments"). During 2016, New Residential accrued for MSR Fund Payments in an aggregate amount of less than \$0.1 million. New Residential continues to evaluate the call rights it purchased from Nationstar, and its ability to exercise such rights and realize the benefits therefrom are subject to a number of risks. The actual UPB of the mortgage loans on which New Residential can successfully exercise call rights and realize the benefits therefrom may differ materially from its initial assumptions. As of March 31, 2016, \$543.5 million UPB of New Residential's residential mortgage loans and \$26.6 million of New Residential's REO were being serviced or master serviced by Nationstar. Additionally, in the ordinary course of business, New Residential engages Nationstar to administer the termination of securitization trusts that it collapses pursuant to its call rights. As a result of these relationships, New Residential routinely has receivables from, and payables to, Nationstar, which are included in Other Assets and Accrued Expenses and Other Liabilities, respectively.

See Note 9 for a discussion of a transaction with OneMain and Note 5 regarding co-investments with Fortress-managed funds.

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16. 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:

Accumulated Other Comprehensive Income Components	Statement of Income Location	Three Months Ended March 31,	
		2016	2015
Reclassification of net realized (gain) loss on securities into earnings	Gain on settlement of investments, net	\$ (133)	\$ (24,697)
Reclassification of net realized (gain) loss on securities into earnings	Other-than-temporary impairment on securities	3,254	1,071
Total reclassifications		<u>\$ 3,121</u>	<u>\$ (23,626)</u>

New Residential did not allocate any income tax expense or benefit to any component of other comprehensive income for any period presented, as no taxable subsidiary generated other comprehensive income.

17. INCOME TAXES

Income tax expense (benefit) consists of the following:

	Three Months Ended March 31,	
	2016	2015
Current:		
Federal	\$ 458	\$ 736
State and Local	—	(1,156)
Total Current Income Tax Expense (Benefit)	<u>458</u>	<u>(420)</u>
Deferred:		
Federal	(9,450)	(1,323)
State and Local	(1,231)	(1,684)
Total Deferred Income Tax Expense (Benefit)	<u>(10,681)</u>	<u>(3,007)</u>
Total Income Tax Expense (Benefit)	<u>\$ (10,223)</u>	<u>\$ (3,427)</u>

New Residential intends to qualify as a REIT for each of its tax years through December 31, 2016. A REIT is generally not subject to U.S. federal corporate income tax on that portion of its 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.

New Residential operates various securitization vehicles and has made certain investments, particularly its investments in Servicer Advances (Note 6) and REO (Note 8), through taxable REIT subsidiaries ("TRSs") that are subject to regular corporate income taxes which have been provided for in the provision for income taxes, as applicable. New Residential and its subsidiaries file income tax returns with the U.S. federal government and various state and local jurisdictions beginning with the tax year ending December 31, 2013. Generally, these income tax returns will be subject to tax examinations by tax authorities for a period of three years after the date of filing.

New Residential has recorded a net deferred tax asset of approximately \$196.2 million as of March 31, 2016, primarily related to basis differences in all servicer advances held by New Residential's TRSs and related net operating loss carry forwards.

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. As of March 31, 2016, New Residential recorded a partial valuation allowance related to certain net operating losses and loan loss reserves as management does not believe that it is more likely than not that these deferred tax assets will be realized.

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18. SUBSEQUENT EVENTS

These financial statements include a discussion of material events that have occurred subsequent to March 31, 2016 (referred to as “subsequent events”) through the issuance of these condensed consolidated financial statements. Events subsequent to that date have not been considered in these financial statements.

Corporate Activities

On March 22, 2016, New Residential’s Board of Directors declared a first quarter 2016 dividend of \$0.46 per common share or \$106.0 million, which was paid on April 29, 2016 to stockholders of record as of April 4, 2016.

In April 2016, New Residential entered into a \$225.0 million corporate loan with Barclays Bank PLC secured by Agency Excess MSRs. The loan bears interest equal to the sum of one-month LIBOR plus 4.75% and matures in April 2018.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s discussion and analysis of financial condition and results of operations is intended to help the reader understand the results of operations and financial condition of New Residential. The following should be read in conjunction with the unaudited Condensed Consolidated Financial Statements and notes thereto included herein, and with Part II, Item 1A, “Risk Factors.”

GENERAL

New Residential is a publicly traded REIT primarily focused on opportunistically investing in, and actively managing, investments related to residential real estate. We primarily target investments in mortgage servicing related assets and related opportunistic investments. We are externally managed and advised by an affiliate of Fortress pursuant to the Management Agreement. Our goal is to drive strong risk-adjusted returns primarily through our investments, and our investment guidelines are purposefully broad to enable us to make investments in a wide array of assets in diverse markets, including non-real estate related assets such as consumer loans. We generally target assets that generate significant current cash flows and/or have the potential for meaningful capital appreciation.

Our portfolio is currently composed of mortgage servicing related assets, Non-Agency RMBS (and associated call rights), residential mortgage loans and other opportunistic investments. Our asset allocation and target assets may change over time, depending on our investment decisions in light of prevailing market conditions. The assets in our portfolio are described in more detail below under “—Our Portfolio.”

MARKET CONSIDERATIONS

Various market factors, which are outside of our control, affect our results of operations and financial condition. One such factor is developments in the U.S. residential housing market. The residential mortgage industry continues to undergo major structural changes that are transforming the way mortgages are originated, owned and serviced. Historically, the majority of the approximately \$10 trillion mortgage market has been serviced by large banks, which generally focus on conventional mortgages with low delinquency rates. This has allowed for low-cost routine payment processing and required minimal borrower interaction. Following the credit crisis, the need for “high-touch” specialty servicers, such as Nationstar and Ocwen, increased as loan performance declined, delinquencies rose and servicing complexities broadened. Specialty servicers have proven more willing and better equipped to perform the operationally intensive activities (e.g., collections, foreclosure avoidance and loan workouts) required to service credit-sensitive loans.

Since 2010, banks have sold or committed to sell MSRs totaling more than \$3 trillion. An MSR provides a mortgage servicer with the right to service a pool of mortgages in exchange for a portion of the interest payments made on the underlying mortgages. This amount typically ranges from 25 to 50 bps multiplied by the UPB of the mortgages. As of the fourth quarter of 2015, the top 100 mortgage servicers serviced \$10 trillion of mortgages, according to Inside Mortgage Finance. Of the \$10 trillion, approximately 73% of these MSRs were serviced by banks as of the fourth quarter of 2015, according to Inside Mortgage Finance. We expect this number to continue to decline as banks face pressure to reduce their MSR exposure as a result of heightened capital reserve requirements under Basel III, regulatory scrutiny and a more challenging servicing environment, among other reasons. As a result, we believe an elevated volume of MSR sales is likely for some period of time.

We estimate that MSRs covering up to \$500 billion of mortgages are currently for sale, which would require a capital investment of approximately \$3 billion based on current pricing dynamics. We believe that non-bank servicers who are constrained by capital limitations will continue to sell MSRs, Excess MSRs or other servicing assets, such as advances. In addition, approximately \$1.5 trillion of new loans are expected to be originated in 2016, according to the Mortgage Bankers Association. We believe this creates an opportunity to enter into “flow arrangements,” whereby loan originators or servicers agree to sell Excess MSRs on newly originated loans on a recurring basis (often monthly or quarterly). Given this combined dynamic, we believe \$2 to \$2.5 trillion of MSRs could be sold or available over the next few years. While increased competition and market conditions for more recently originated MSRs have driven prices higher recently, we believe MSRs continue to offer attractive returns. There can be no assurance that we will make additional investments in Excess MSRs or that any future investment in Excess MSRs will generate returns similar to the returns on our original investments in Excess MSRs.

Interest rates have been volatile. In periods of rising interest rates, the rates of prepayments and delinquencies with respect to mortgage loans generally decline. Conversely, in periods of declining interest rates, the rates of prepayments and delinquencies with respect to mortgage loans generally increase. Generally, the value of our Agency Excess MSRs is expected to increase when interest rates rise or delinquencies decline, and the value is expected to decrease when interest rates decline or delinquencies increase, due to the effect of changes in interest rates on prepayment speeds and delinquencies. Moreover, the value of our Excess

MSRs is subject to a variety of factors, as described under “Risk Factors.” In the first quarter of 2016, the fair value of our direct investments in Excess MSRs and our share of the fair value of the Excess MSRs held through equity method investees increased by approximately \$6.7 million in the aggregate and the weighted average discount rate of the portfolio remained unchanged at 9.8% primarily as a result of slower projected prepayment speeds and delinquencies, and an increase in projected recapture rates on some portfolios.

The timing, size and potential returns of future investments in Excess MSRs may be less attractive than our prior investments in this sector due to a number of factors, most of which are beyond our control. In addition to changes in interest rates, such factors include, but are not limited to, recent increased competition for more recently originated MSRs, which we believe is causing a related increase in the price for these assets. In addition, regulatory and GSE approval processes have been more extensive and taken longer than the process and timelines we experienced in prior periods, which has increased the amount of time and effort required to complete transactions.

Beginning in April 2012, we began to invest in RMBS as a complement to our Excess MSR portfolio. As of the fourth quarter of 2015, approximately \$7 trillion of the \$10 trillion of residential mortgages outstanding had been securitized, according to Inside Mortgage Finance. Approximately \$6 trillion were Agency RMBS according to Inside Mortgage Finance, and the balance was Non-Agency RMBS.

From time to time, there may be opportunities to acquire Non-Agency RMBS at attractive risk-adjusted yields, with the potential for upside if the U.S. economy and housing market continue to strengthen. We believe that in many Non-Agency RMBS vehicles, there is a discrepancy between the value of the Non-Agency RMBS and the recovery value of the underlying collateral. We continue to pursue opportunities in structured transactions that enable us to realize this difference, particularly through the acquisition and execution of call rights. We actively monitor the market for Non-Agency RMBS and our portfolio to determine when to strategically purchase and sell Non-Agency RMBS from time to time. We currently expect that the size of our Non-Agency portfolio will fluctuate depending primarily on our assessment of expected yields and alternative investment opportunities. The primary causes of mark-to-market changes in our RMBS portfolio are changes in interest rates, collateral performance, credit spreads and market liquidity.

We do not expect changes in interest rates to have a meaningful impact on the net interest spread of our Agency and Non-Agency RMBS portfolios. Our RMBS are primarily floating rate or hybrid (i.e., fixed to floating rate) securities, which we generally finance with floating rate debt, or are economically hedged with respect to interest rates. Therefore, while rising interest rates will generally result in a higher cost of financing, they will also result in a higher coupon payable on the securities. The net interest spread on our Agency RMBS portfolio as of March 31, 2016 was 1.25%, compared to 2.15% as of December 31, 2015. This spread changed primarily as a result of lower yields from new securities purchased during the first quarter of 2016 and increased funding costs. The net interest spread on our Non-Agency RMBS portfolio as of March 31, 2016 was 3.27%, compared to 3.31% as of December 31, 2015. This spread changed primarily as a result of increased funding costs offset by higher yields from new securities purchased during the first quarter of 2016.

We hold call rights on Non-Agency residential mortgage securitizations which become exercisable once the current collateral balance reduces below a certain threshold of the original balance. We believe a call right is profitable when the aggregate underlying loan value is greater than the sum of par on the loans minus any discount from acquired bonds plus expenses, including outstanding advances, related to such exercise. Specifically, profit with respect to our call rights is generated by:

- acquiring bonds issued by the securitization at a discount, prior to initiating the call, such that the portion of the payment we make to the trust which is returned to us as bondholders when the call is exercised exceeds our purchase price for the bonds;
- re-securitizing or selling performing loans for a gain; and
- retaining distressed loans to modify or liquidate over time at a premium to our basis.

We continue to evaluate the call rights we acquired from our servicers, and our ability to exercise such rights and realize the benefits therefrom are subject to a number of risks. See “Risk Factors—Risks Related to Our Business—Our ability to exercise our cleanup call rights may be limited or delayed if a third party also possessing such cleanup call rights exercises such rights, if the related securitization trustee refuses to permit the exercise of such rights, or if a related party is subject to bankruptcy proceedings.” As interest rates increase, we expect the value of our call rights could decrease.

During 2016, we have continued to invest in the non-performing loan sector, while also opportunistically selling assets. In 2015, we made our first direct investment in REO assets. The scope of our continued investment in such assets, if any, will fluctuate depending on our assessment of relative value compared with alternative investment opportunities, as well as the volume of non-performing loans acquired as a result of calling Non-Agency residential mortgage securitizations.

Credit performance also affects the value of our portfolio. Higher rates of delinquency and/or defaults can reduce the value of our Excess MSRs, Non-Agency RMBS, Agency RMBS and loan portfolios. For our Excess MSRs on Agency collateral and our Agency RMBS, delinquency and default rates have an effect similar to prepayment rates. Our Excess MSRs on Non-Agency portfolios are not affected by delinquency rates because the servicer continues to advance principal and interest until a default occurs on the applicable loan; defaults have an effect similar to prepayments. For our Non-Agency RMBS and loans, higher default rates can lead to greater loss of principal.

Corporate credit spreads generally tightened during the first quarter of 2016, which would generally have a favorable impact on the value of yield driven financial instruments, such as our RMBS and loan portfolio. Corporate credit spreads, while a useful market proxy, are not necessarily indicative or directly correlated to mortgage credit spreads. Collateral performance, market liquidity and other factors related specifically to certain investments within our mortgage securities and loan portfolio outweighed the corporate credit spread tightening during the first quarter at 2016 and caused the overall same store value of this portfolio to decrease slightly. Credit spreads measure the yield relative to a specified benchmark that the market demands on securities and loans based on such assets' credit risk. For a discussion of the way in which interest rates, credit spreads and other market factors affect us, see "Quantitative and Qualitative Disclosures About Market Risk."

The cash flow from our consumer loan portfolio is influenced by, among other factors, the U.S. macroeconomic environment, and unemployment rates in particular. We believe that losses are highly correlated to unemployment; therefore, we expect that an improvement in unemployment rates would improve the value of our investment, while deterioration in unemployment rates would result in a decline in its value.

OUR PORTFOLIO

Our portfolio is currently composed of servicing related assets, residential securities and loans and other investments, as described in more detail below. Our asset allocation and target assets may change over time, depending on our investment decisions in light of prevailing market conditions. The assets in our portfolio are described in more detail below (dollars in thousands).

	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Carrying Value	Weighted Average Life (years) ^(A)
Investments in:					
Excess MSRs ^(B)	\$ 387,627,303	\$ 1,543,962	10.3%	\$ 1,756,905	6.3
Servicer Advances ^(B)	7,203,924	7,005,501	46.7%	7,001,004	4.5
Agency RMBS ^(C)	1,450,299	1,524,194	10.2%	1,523,203	6.1
Non-Agency RMBS ^(C)	4,316,034	1,928,849	12.9%	1,918,587	7.5
Residential Mortgage Loans	1,209,538	966,205	6.4%	957,894	3.0
Real Estate Owned	N/A	63,396	0.4%	56,402	N/A
Consumer Loans	1,986,162	1,970,565	13.1%	1,970,565	4.2
Total/Weighted Average		<u>\$ 15,002,672</u>	<u>100.0%</u>	<u>\$ 15,184,560</u>	<u>5.1</u>

Reconciliation to GAAP total assets:

Cash and restricted cash	428,986
Trades receivable	1,509,016
Deferred tax asset	196,189
Other assets	253,026
GAAP total assets	<u><u>\$ 17,571,777</u></u>

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

(B) The outstanding face amount of Excess MSRs and servicer advances is based on 100% of the face amount of the underlying residential mortgage loans and currently outstanding advances, respectively.

(C) Amortized cost basis is net of impairment.

Servicing Related Assets

Excess MSR

As of March 31, 2016, we had approximately \$1,756.9 million estimated carrying value of Excess MSR (held directly and through joint ventures). As of March 31, 2016, our completed investments represent an effective 32.5% to 100.0% interest in the Excess MSR (held either directly or through joint ventures) on pools of mortgage loans with an aggregate UPB of approximately \$387.6 billion. In our capacity as owner of the Excess MSR, we do not have any servicing duties, liabilities or obligations associated with the servicing of the portfolios underlying any of our Excess MSR. However, we may separately agree to do so and have separately purchased the servicer advances, including the right to receive the basic fee component of related MSR, on the Non-Agency portfolios underlying our Excess MSR investments. See “—Servicer Advances” below.

Nationstar is the servicer of \$249.3 billion UPB of the loans underlying our investments in Excess MSR through March 31, 2016, and earns a basic fee in exchange for providing all servicing functions. In addition, when Nationstar sold Excess MSR to us, it generally retained a 20.0% to 35.0% interest in the Excess MSR and all ancillary income associated with the portfolios.

In December 2014, we agreed to acquire 50% of the Excess MSR and all of the Servicer Advances and related basic fee portion of the MSR (the “SLS Advance Fee”), and a portion of the call rights related to a portfolio of residential mortgage loans which is serviced by SLS. Fortress-managed funds acquired the other 50% of the Excess MSR. SLS continues to service the loans in exchange for a servicing fee of 10.75 bps times the UPB of the underlying loans and an incentive fee (the “SLS Incentive Fee”) which is based on the ratio of the outstanding Servicer Advances to the UPB of the underlying loans.

On April 6, 2015, we acquired Excess MSR and Servicer Advances in connection with the HLSS Acquisition. Ocwen continues to service the underlying loans in exchange for a servicing fee of approximately 5.3 bps times the UPB of the underlying loans and an incentive fee which is reduced by LIBOR plus 2.75% per annum of the amount, if any, of Servicer Advances outstanding in excess of a defined target.

Each of our Excess MSR investments serviced by Nationstar and SLS is subject to a recapture agreement with Nationstar. Under such recapture agreements, we are generally entitled to a pro rata interest in the Excess MSR on any initial or subsequent refinancing by Nationstar or SLS, as applicable, of a loan in the original portfolio. In other words, we are generally entitled to a pro rata interest in the Excess MSR on both (i) a loan resulting from a refinancing by Nationstar of a loan in the original portfolio, and (ii) a loan resulting from a refinancing by Nationstar of a previously recaptured loan. We have a similar recapture agreement with Ocwen; however, this agreement allows for Ocwen to retain the Excess MSR on recaptured loans up to a specified threshold and no payments have been made to us under such arrangement to date.

The tables below summarize the terms of our investments in Excess MSR completed as of March 31, 2016.

Summary of Direct Excess MSR Investments as of March 31, 2016

	MSR Component ^(A)						Excess MSR	
	Initial UPB (bn)	Current UPB (bn)	Weighted Average MSR (bps)	Weighted Average Excess MSR (bps)	Interest in Excess MSR (%)	Purchase Price (mm)	Carrying Value (mm)	
Agency								
Original and Recaptured Pools	\$ 118.6	\$ 90.1	29 bps	21 bps	32.5% - 66.7%	\$ 457.7	\$ 367.0	
Recapture Agreements	—	—	29	22	32.5% - 66.7%	—	58.9	
	118.6	90.1	29	21		457.7	425.9	
Non-Agency^(B)								
Nationstar and SLS Serviced:								
Original and Recaptured Pools	\$ 148.8	\$ 91.3	35	14	33.3% - 80.0%	\$ 328.8	\$ 248.0	
Recapture Agreements	—	—	26	20	33.3% - 80.0%	—	15.4	
Ocwen Serviced Pools	156.4	136.1	43	14	100.0%	917.1	857.7	
	305.2	227.4	41	14		1,245.9	1,121.1	
Total/Weighted Average	\$ 423.8	\$ 317.5	38 bps	16 bps		\$ 1,703.6	\$ 1,547.0	

(A) The MSR is a weighted average as of March 31, 2016, and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant).

- (B) Excess MSR investments in which we also invested in related servicer advances, including the basic fee component of the related MSR, as of March 31, 2016 (Note 6 to our Condensed Consolidated Financial Statements).

Summary Excess MSR Investments Through Equity Method Investees as of March 31, 2016

			MSR Component(A)		New Residential Interest in Investee (%)	Investee Interest in Excess MSR (%)	New Residential Effective Ownership (%)	Investee Carrying Value (mm)
	Initial UPB (bn)	Current UPB (bn)	Weighted Average MSR (bps)	Weighted Average Excess MSR (bps)				
<u>Agency</u>								
Original and Recaptured Pools	\$ 125.2	\$ 70.1	32 bps	20 bps	50.0%	66.7%	33.3%	\$ 336.1
Recapture Agreements	—	—	31	23	50.0%	66.7%	33.3%	68.8
Total/Weighted Average	\$ 125.2	\$ 70.1	32 bps	21 bps				\$ 404.9

- (A) The MSR is a weighted average as of March 31, 2016, and the Excess MSR represents the difference between the weighted average MSR and the basic fee (which fee remains constant).

The following table summarizes the collateral characteristics of the loans underlying our direct Excess MSR investments as of March 31, 2016 (dollars in thousands):

	Collateral Characteristics												
	Current Carrying Amount	Original Principal Balance	Current Principal Balance	Number of Loans	WA FICO Score ^(A)	WA Coupon	WA Maturity (months)	Average Loan Age (months)	Adjustable Rate Mortgage % ^(B)	Three Month Average CPR ^(C)	Three Month Average CRR ^(D)	Three Month Average CDR ^(E)	Three Month Average Recapture Rate
Agency													
Original Pools	\$ 324,728	\$ 118,585,641	\$ 81,562,463	511,404	703	4.3%	289	83	11.0%	15.3%	14.2%	1.4%	28.9%
Recaptured Loans	42,276	—	8,556,875	50,198	721	4.4%	300	21	0.3%	6.9%	6.4%	0.6%	19.5%
Recapture Agreement	58,896	—	—	—	—	—%	—	—	—%	—%	—%	—%	—%
	\$ 425,900	\$ 118,585,641	\$ 90,119,338	561,602	705	4.3%	290	76	9.9%	14.5%	13.4%	1.3%	28.4%
Non-Agency^(F)													
Nationstar and SLS Serviced:													
Original Pools	240,457	148,839,262	89,564,880	469,448	668	4.3%	273	122	44.8%	12.4%	8.3%	4.5%	7.8%
Recaptured Loans	7,499	—	1,712,198	7,714	741	4.2%	293	15	3.0%	12.3%	12.3%	—%	19.1%
Recapture Agreement	15,436	—	—	—	—	—%	—	—	—%	—%	—%	—%	—%
Ocwen Serviced Pools ^(H)	857,712	156,374,134	136,143,859	913,255	640	4.6%	249	126	22.2%	8.8%	5.3%	3.6%	—%
	\$ 1,121,104	\$ 305,213,396	\$ 227,420,937	1,390,417	647	4.6%	255	124	30.9%	9.7%	6.1%	3.8%	2.1%
Total/Weighted Average	\$ 1,547,004	\$ 423,799,037	\$ 317,540,275	1,952,019	659	4.5%	262	115	25.0%	10.6%	7.6%	3.3%	9.8%

Collateral Characteristics						
	Delinquency 30 Days ^(G)	Delinquency 60 Days ^(G)	Delinquency 90+ Days ^(G)	Loans in Foreclosure	Real Estate Owned	Loans in Bankruptcy
Agency						
Original Pools	3.6%	1.1%	1.2%	1.8%	0.4%	0.4%
Recaptured Loans	1.3%	0.3%	0.3%	0.4%	0.1%	—%
Recapture Agreement	—%	—%	—%	—%	—%	—%
	3.4%	1.0%	1.1%	1.6%	0.4%	0.4%
Non-Agency^(F)						
Nationstar and SLS Serviced:						
Original Pools	8.3%	2.1%	3.5%	9.7%	2.1%	2.6%
Recaptured Loans	1.0%	0.2%	—%	—%	—%	—%
Recapture Agreement	—%	—%	—%	—%	—%	—%
Ocwen Serviced Pools ^(H)	7.0%	3.7%	5.9%	9.2%	2.1%	2.2%
	7.3%	3.3%	5.3%	9.3%	2.1%	2.3%
Total/Weighted Average	6.5%	2.8%	4.5%	7.8%	1.7%	1.9%

- (A) The WA FICO score is based on the weighted average of information provided by the loan servicer on a monthly basis. The loan servicer generally updates the FICO score on a monthly basis. Weighted averages exclude collateral information for which collateral data was not available as of the report date.
- (B) Adjustable Rate Mortgage % represents the percentage of the total principal balance of the pool that corresponds to adjustable rate mortgages.
- (C) Three Month Average CPR, or the constant prepayment rate, represents the annualized rate of the prepayments during the quarter as a percentage of the total principal balance of the pool.
- (D) Three Month Average CRR, or the voluntary prepayment rate, represents the annualized rate of the voluntary prepayments during the quarter as a percentage of the total principal balance of the pool.
- (E) Three Month Average CDR, or the involuntary prepayment rate, represents the annualized rate of the involuntary prepayments (defaults) during the quarter as a percentage of the total principal balance of the pool.
- (F) Excess MSR investments in which we also invested in related servicer advances, including the basic fee component of the related MSR as of March 31, 2016 (Note 6 to our Condensed Consolidated Financial Statements included herein).
- (G) Delinquency 30 Days, Delinquency 60 Days and Delinquency 90+ Days represent the percentage of the total principal balance of the pool that corresponds to loans that are delinquent by 30–59 days, 60–89 days or 90 or more days, respectively.
- (H) Collateral characteristics related to approximately \$3.4 billion of UPB are as of February 29, 2016.

The following table summarizes the collateral characteristics as of March 31, 2016 of the loans underlying Excess MSR investments made through joint ventures accounted for as equity method investees (dollars in thousands). For each of these pools, we own a 50% interest in an entity that invested in a 66.7% interest in the Excess MSRs.

	Collateral Characteristics													
	Current Carrying Amount	Original Principal Balance	Current Principal Balance	NRZ Effective Ownership %	Number of Loans	WA FICO Score(A)	WA Coupon	WA Maturity (months)	Average Loan Age (months)	Adjustable Rate Mortgage % ^(B)	Three Month Average CPR ^(C)	Three Month Average CRR ^(D)	Three Month Average CDR ^(E)	Three Month Average Recapture Rate
Agency														
Original Pools	\$ 246,168	\$ 125,191,420	\$ 57,027,438	33.3%	458,305	685	4.9%	283	96	10.5%	19.3%	16.1%	3.8%	28.7%
Recaptured Loans	89,945	—	13,116,789	33.3%	85,580	700	4.4%	300	25	0.5%	7.3%	7.0%	0.5%	35.1%
Recapture Agreement	68,750	—	—	33.3%	—	—	—%	—	—	—%	—%	—%	—%	—%
Total/Weighted Average	\$ 404,863	\$ 125,191,420	\$ 70,144,227		543,885	688	4.8%	286	83	8.6%	17.3%	14.6%	3.2%	29.3%

	Collateral Characteristics					
	Delinquency 30 Days ^(F)	Delinquency 60 Days ^(F)	Delinquency 90+ Days ^(F)	Loans in Foreclosure	Real Estate Owned	Loans in Bankruptcy
Agency						
Original Pools	4.8%	1.4%	1.1%	3.5%	1.2%	0.7%
Recaptured Loans	2.5%	0.6%	0.4%	0.6%	—%	0.1%
Recapture Agreement	—%	—%	—%	—%	—%	—%
Total/Weighted Average	4.4%	1.3%	0.9%	3.0%	0.9%	0.6%

- (A) The WA FICO score is based on the weighted average of information provided by the loan servicer on a monthly basis. The loan servicer generally updates the FICO score on a monthly basis.
- (B) Adjustable Rate Mortgage % represents the percentage of the total principal balance of the pool that corresponds to adjustable rate mortgages.
- (C) Three Month Average CPR, or the constant prepayment rate, represents the annualized rate of the prepayments during the quarter as a percentage of the total principal balance of the pool.
- (D) Three Month Average CRR, or the voluntary prepayment rate, represents the annualized rate of the voluntary prepayments during the quarter as a percentage of the total principal balance of the pool.
- (E) Three Month Average CDR, or the involuntary prepayment rate, represents the annualized rate of the involuntary prepayments (defaults) during the quarter as a percentage of the total principal balance of the pool.
- (F) Delinquency 30 Days, Delinquency 60 Days and Delinquency 90+ Days represent the percentage of the total principal balance of the pool that corresponds to loans that are delinquent by 30-59 days, 60-89 days or 90 or more days, respectively.

Servicer Advances

In December 2013, we made our first investment in servicer advances. We made the investment through the Buyer, a joint venture entity capitalized by us and certain third-party co-investors. The Buyer acquired from Nationstar a pool of outstanding servicer advances (including deferred servicing fees) and the basic fee component of the related MSR on a pool of Non-Agency mortgage loans. In exchange, the Buyer (i) paid the initial purchase price, and (ii) agreed to purchase future servicer advances related to the loans at par. The initial purchase price was equal to the value of the discounted cash flows from the outstanding and future advances and from the basic fee. We had previously acquired an interest in the Excess MSR related to these loans. See above “—Our Portfolio—Servicing Related Assets—Excess MSR.”

Nationstar remains the named servicer under the related servicing agreements and continues to perform all servicing duties for the underlying loans. The Buyer has the right, but not the obligation, to become the named servicer, subject to obtaining consents and rating agency approvals required for a formal change of the named servicer. In exchange for Nationstar’s performance of servicing duties, the Buyer pays Nationstar the Nationstar Servicing Fee and, in the event that the aggregate cash flows from the advances and the basic fee generate the Buyer Targeted Return on the Buyer’s invested equity, the Nationstar Performance Fee. Nationstar is majority owned by private equity funds managed by an affiliate of our Manager. For more information about the fee structure, see below.

In December 2014, we acquired servicer advances from SLS, as described under “—Excess MSR” above.

On April 6, 2015, we acquired servicer advances in connection with the HLSS Acquisition, as described under “—Excess MSR” above.

The following is a summary of the investments in Servicer Advances, including the right to the basic fee component of the related MSR (dollars in thousands):

	March 31, 2016					Three Months Ended March 31, 2016
	Amortized Cost Basis	Carrying Value ^(A)	Weighted Average Discount Rate	Weighted Average Yield	Weighted Average Life (Years) ^(B)	Change in Fair Value Recorded in Other Income
Servicer Advances ^(C)	\$ 7,005,501	\$ 7,001,004	5.5%	5.3%	4.5	\$ (31,224)

- (A) Carrying Value represents the fair value of the investment in Servicer Advances, including the basic fee component of the related MSRs.
- (B) Weighted Average Life represents the weighted average expected timing of the receipt of expected net cash flows for this investment.
- (C) Excludes our asset-backed securities collateralized by Servicer Advances, which have an aggregate face amount of \$431.0 million and an aggregate carrying value of \$431.0 million as of March 31, 2016.

The following is additional information regarding our Servicer Advances, and related financing, as of March 31, 2016 (dollars in thousands):

	UPB of Underlying Residential Mortgage Loans	Outstanding Servicer Advances	Servicer Advances to UPB of Underlying Residential Mortgage Loans	Face Amount of Notes and Bonds Payable	Loan-to-Value ^(A)		Cost of Funds ^(C)	
					Gross	Net ^(B)	Gross	Net
March 31, 2016								
Servicer Advances ^(D)	\$ 212,135,668	\$ 7,203,924	3.4%	\$ 6,880,413	93.9%	92.8%	3.4%	2.7%

- (A) Based on outstanding Servicer Advances, excluding purchased but unsettled Servicer Advances and certain deferred servicing fees (“DSF”) on which we received financing. If we were to include these DSF in the servicer advance balance, gross and net LTV as of March 31, 2016 would be 89.4% and 88.4%, respectively. Also excludes retained non-agency bonds with a current face amount of \$175.8 million from the outstanding Servicer Advances debt. If we were to sell these bonds, gross and net LTV as of March 31, 2016 would be 96.3% and 95.2%, respectively.
- (B) Ratio of face amount of borrowings to par amount of Servicer Advance collateral, net of any general reserve.
- (C) Annualized measure of the cost associated with borrowings. Gross Cost of Funds primarily includes interest expense and facility fees. Net Cost of Funds excludes facility fees.
- (D) The following types of advances comprise the investment in Servicer Advances:

	March 31, 2016
Principal and interest advances	\$ 2,016,073
Escrow advances (taxes and insurance advances)	3,504,808
Foreclosure advances	1,683,043
Total	\$ 7,203,924

The Buyer

We, through a wholly owned subsidiary, are the managing member of the Buyer. As of March 31, 2016, we owned an approximately 44.5% interest in the Buyer.

In the event that any member of the Buyer does not fund its capital contribution, each other member has the right, but not the obligation, to make pro rata capital contributions in excess of its stated commitment, provided that any member’s decision not to fund any such capital contribution will result in a reduction of its membership percentage.

Servicing Fee

Nationstar, SLS and Ocwen remain the named servicers under the applicable servicing agreements and will continue to perform all servicing duties for the related mortgage loans. The Buyer, or the related New Residential subsidiary, as applicable, has the right, but not the obligation, to become the named servicer with respect to its investments, subject to obtaining consents and rating agency approvals required for a formal change of the named servicer and, with respect to Ocwen, only after April 6, 2017. In exchange for their services, we pay Nationstar, SLS and Ocwen a monthly servicing fee representing a portion of the amounts from the purchased basic fee.

The Nationstar Servicing Fee is equal to a fixed percentage (the “Servicing Fee Percentage”) of the amounts from the purchased basic fee. The Servicing Fee Percentage as of March 31, 2016 is equal to approximately 9.3%, which is equal to (i) 2 basis points divided by (ii) the basic fee, which is 21.6 basis points on a weighted average basis as of March 31, 2016. The SLS servicing fee is equal to 10.75 bps times the UPB of the underlying loans, based on the servicing fee collections of the underlying loans. The

Ocwen servicing fee is equal to 5.3 bps times the UPB of the underlying loans, based on the servicing fee collections of the underlying loans.

Targeted Return/Incentive Fee

The Buyer Targeted Return and the Nationstar Performance Fee, with respect to Nationstar, are designed to achieve three objectives: (i) provide a reasonable risk-adjusted return to the Buyer based on the expected amount and timing of estimated cash flows from the purchased basic fee and advances, with both upside and downside based on the performance of the investment, (ii) provide Nationstar with a sufficient fee to compensate it for acting as servicer, and (iii) provide Nationstar with an incentive to effectively service the underlying loans. The Buyer Targeted Return implements these objectives by allocating payments in respect of the purchased basic fee between the Buyer and Nationstar. The SLS Incentive Fee functions in the same fashion with respect to the SLS Transaction. Ocwen also receives a performance-based incentive fee (the “Ocwen Incentive Fee”) based on the ratio of the outstanding servicer advances to the UPB of the underlying loans.

The amount available to satisfy the Buyer Targeted Return is equal to: (i) the amounts from the purchased basic fee, minus (ii) the Nationstar Servicing Fee (“Nationstar Net Collections”). The Buyer will retain the amount of Nationstar Net Collections necessary to achieve the Buyer Targeted Return. Amounts in excess of the Buyer Targeted Return will be used to pay the Nationstar Performance Fee.

The Buyer Targeted Return, which is payable monthly, is generally equal to (i) 14% multiplied by (ii) the Buyer’s total invested capital. Total invested capital is generally equal to the sum of the Buyer’s (i) equity in advances as of the beginning of the prior month, plus (ii) working capital (equal to a percentage of the equity as of the beginning of the prior month), plus (iii) equity and working capital contributed during the course of the prior month.

The Buyer Targeted Return is calculated after giving effect to (i) interest expense on the advance financing, (ii) other expenses and fees of the Buyer and its subsidiaries related to financing facilities, (iii) write-offs on account of any non-recoverable servicer advances, and (iv) any shortfall with respect to a prior month in the satisfaction of the Buyer Targeted Return.

The Nationstar Performance Fee is calculated as follows. Pursuant to a Master Servicing Rights Purchase Agreement and related Sale Supplements, Nationstar Net Collections is divided into two subsets: the “Retained Amount” and the “Surplus Amount.” If the amount necessary to achieve the Buyer Targeted Return is equal to or less than the Retained Amount, then 50% of the excess Retained Amount (if any) and 100% of the Surplus Amount is paid to Nationstar as the Nationstar Performance Fee. If the amount necessary to achieve the Buyer Targeted Return is greater than the Retained Amount but less than Nationstar Net Collections, then 100% of the excess Surplus Amount is paid to Nationstar as a Nationstar Performance Fee. Nationstar Performance Fee payments were made to Nationstar in the amount of \$10.2 million during the three months ended March 31, 2016.

The SLS Incentive Fee is equal to up to 4.0 bps on the UPB of the underlying loans, depending on the ratio of the outstanding servicer advances to the UPB of the underlying loans.

The Ocwen Incentive Fee payable in any month is reduced if the advance ratio exceeds a predetermined level for that month. If the advance ratio is exceeded in any month, any performance-based incentive fee payable for such month will be reduced by one-month LIBOR plus 2.75% (or 275 basis points) per annum of the amount of any such excess servicer advances.

A further discussion of the sensitivity of these incentive fees to changes in LIBOR is included below under “Quantitative and Qualitative Disclosures About Market Risk.”

In addition to its direct investments in Servicer Advances, New Residential has also invested in asset-backed securities collateralized by servicer advances, which are summarized as of March 31, 2016 as follows (dollars in thousands):

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value ^(A)	Outstanding Repurchase Agreements
			Gains	Losses		
Servicer Advance Bonds	\$ 431,000	\$ 430,754	\$ 306	\$ (103)	\$ 430,957	\$ (387,176)

(A) Fair value, which is equal to carrying value for all securities.

Residential Securities and Loans

Real Estate Securities

As of March 31, 2016, we had approximately \$5.8 billion face amount of real estate securities, including \$1.5 billion of Agency RMBS and \$4.3 billion of Non-Agency RMBS. These investments were financed with repurchase agreements with an aggregate face amount of approximately \$184.2 million for Agency RMBS and approximately \$1.5 billion for Non-Agency RMBS. As of March 31, 2016, a total face amount of \$2.8 billion of our Non-Agency portfolio and approximately \$33.5 million of our Agency portfolio was serviced or master serviced by Nationstar. The total UPB of the loans underlying these Nationstar serviced Non-Agency RMBS was approximately \$11.9 billion as of March 31, 2016. We hold a limited right to cleanup call options with respect to certain securitization trusts serviced or master serviced by Nationstar whereby, when the outstanding balance of the underlying mortgage loans falls below a pre-determined threshold, we can effectively purchase the underlying mortgage loans at par, plus unreimbursed servicer advances, resulting in the repayment of all of the outstanding securitization financing at par, in exchange for a 0.75% (of UPB) fee paid to Nationstar at the time of exercise. We similarly hold a limited right to cleanup call options with respect to certain securitization trusts master serviced by SLS for no fee. We similarly hold a limited right to cleanup call options with respect to certain securitization trusts serviced or master serviced by Ocwen subject to a 0.5% (of UPB) fee paid to Ocwen at the time of exercise. The aggregate UPB of the underlying mortgage loans within these various securitization trusts is approximately \$175.0 billion.

We continue to evaluate the call rights we acquired from each of our servicers, and our ability to exercise such rights and realize the benefits therefrom are subject to a number of risks. See “Risk Factors—Risks Related to Our Business—Our ability to exercise our cleanup call rights may be limited or delayed if a third party also possessing such cleanup call rights exercises such rights, if the related securitization trustee refuses to permit the exercise of such rights, or if a related party is subject to bankruptcy proceedings.” The actual UPB of the mortgage loans on which we can successfully exercise call rights and realize the benefits therefrom may differ materially from our initial assumptions.

We have exercised our call rights with respect to Non-Agency RMBS trusts and purchased performing and non-performing residential mortgage loans and REO contained in such trusts prior to their termination. In certain cases, we sold portions of the purchased loans through securitizations, and retained bonds issued by such securitizations. In addition, we received par on the securities issued by the called trusts which we owned prior to such trusts’ termination. Refer to Note 8 in our Condensed Consolidated Financial Statements for further details on these transactions.

As of March 31, 2016, we sold and purchased \$1.4 billion and \$1.3 billion face amount of Agency RMBS for \$1.5 billion and \$1.3 billion, respectively, and purchased \$0.2 billion face amount of Non-Agency RMBS for \$0.1 billion, which had not yet been settled. These unsettled sales and purchases were recorded on the balance sheet on trade date as Trades Receivable and Trades Payable.

Agency RMBS

The following table summarizes our Agency RMBS portfolio as of March 31, 2016 (dollars in thousands):

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value ^(A)	Outstanding Repurchase Agreements
			Gains	Losses		
Agency ARM RMBS	\$ 175,679	\$ 186,369	\$ 102	\$ (1,522)	\$ 184,949	\$ (184,247)
Agency Specified Pools	1,274,620	1,337,825	429	—	1,338,254	—
Agency RMBS	<u>\$ 1,450,299</u>	<u>\$ 1,524,194</u>	<u>\$ 531</u>	<u>\$ (1,522)</u>	<u>\$ 1,523,203</u>	<u>\$ (184,247)</u>

(A) Fair value, which is equal to carrying value for all securities.

The following table summarizes the reset dates of our Agency ARM RMBS portfolio as of March 31, 2016 (dollars in thousands):

Months to Next Reset ^(A)	Number of Securities	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Carrying Value	Coupon	Margin	Weighted Average			
								Periodic Cap		Lifetime Cap ^(D)	Months to Reset ^(E)
								1st Coupon Adjustment ^(B)	Subsequent Coupon Adjustment ^(C)		
1 - 12	26	\$ 175,679	\$ 186,369	100.0%	\$ 184,949	2.6%	1.8%	N/A	2.0%	8.9%	4

- (A) Of these investments, 95.6% reset based on 12-month LIBOR index, 2.4% reset based on one-month LIBOR, and 2.0% reset based on the one-year Treasury Constant Maturity Rate. After the initial fixed period, 97.6% of these securities will reset annually and 2.4% will reset semi-annually.
- (B) Represents the maximum change in the coupon after the end of the fixed rate period. All securities in this category are past the first coupon adjustment.
- (C) Represents the maximum change in the coupon at each reset date subsequent to the first coupon adjustment.
- (D) Represents the maximum coupon on the underlying security over its life.
- (E) Represents recurrent weighted average months to the next interest rate reset.

The following table summarizes the characteristics of our Agency RMBS portfolio and of the collateral underlying our Agency RMBS as of March 31, 2016 (dollars in thousands):

Vintage ^(A)	Agency RMBS Characteristics						Collateral Characteristics
	Number of Securities	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Carrying Value	Weighted Average Life (Years)	3 Month CPR ^(B)
Pre-2006	3	\$ 9,282	\$ 9,892	0.6%	\$ 9,745	5.8	23.3%
2006	1	2,300	2,442	0.2%	2,420	11.0	0.5%
2007	3	4,942	5,092	0.3%	5,128	7.4	2.5%
2008	3	6,618	7,072	0.5%	6,984	12.3	0.3%
2009	3	14,896	15,924	1.0%	15,590	4.2	3.5%
2010	10	84,387	89,724	5.9%	89,179	4.7	18.0%
2011	1	4,426	4,426	0.3%	4,437	5.6	3.2%
2012 and later	15	1,323,448	1,389,622	91.2%	1,389,720	6.2	—%
Total/Weighted Average	39	\$ 1,450,299	\$ 1,524,194	100.0%	\$ 1,523,203	6.1	1.3%

- (A) The year in which the securities were issued.
- (B) Three month average constant prepayment rate.

The following table summarizes the net interest spread of our Agency RMBS portfolio as of March 31, 2016:

Net Interest Spread ^(A)	
Weighted Average Asset Yield	1.95%
Weighted Average Funding Cost	0.70%
Net Interest Spread	1.25%

- (A) The Agency RMBS portfolio consists of 12.2% floating rate securities and 87.8% fixed rate securities (based on amortized cost basis). See table above for details on rate resets of the floating rate securities.

Non-Agency RMBS

The following table summarizes our Non-Agency RMBS portfolio as of March 31, 2016 (dollars in thousands):

Asset Type	Outstanding Face Amount	Amortized Cost Basis	Gross Unrealized		Carrying Value ^(A)	Outstanding Repurchase Agreements
			Gains	Losses		
Non-Agency RMBS	\$ 4,316,034	\$ 1,928,849	\$ 21,699	\$ (31,961)	\$ 1,918,587	\$ 1,490,273

(A) Fair value, which is equal to carrying value for all securities.

The following tables summarize the characteristics of our Non-Agency RMBS portfolio and of the collateral underlying our Non-Agency RMBS as of March 31, 2016 (dollars in thousands):

Non-Agency RMBS Characteristics ^(A)										
Vintage ^(B)	Average Minimum Rating ^(C)	Number of Securities	Outstanding Face Amount	Amortized Cost Basis	Percentage of Total Amortized Cost Basis	Carrying Value	Principal Subordination ^(D)	Excess Spread ^(E)	Weighted Average Life (Years)	Weighted Average Coupon ^(F)
Pre 2004	CCC+	113	\$ 225,103	\$ 147,664	9.9%	\$ 151,110	9.3%	0.8%	6.4	2.5%
2004	CCC	40	232,151	181,992	12.2%	183,489	16.2%	1.9%	9.0	2.1%
2005	CC	39	484,778	357,263	23.8%	346,767	13.6%	2.8%	9.2	1.0%
2006 and later	B	83	2,943,001	811,177	54.1%	806,265	9.0%	1.9%	10.2	1.3%
Total/Weighted Average	CCC+	275	\$ 3,885,033	\$ 1,498,096	100.0%	\$ 1,487,631	11.2%	2.0%	9.5	1.4%

Collateral Characteristics ^{(A) (G)}					
Vintage ^(B)	Average Loan Age (years)	Collateral Factor ^(H)	3 month CPR ^(I)	Delinquency ^(J)	Cumulative Losses to Date
Pre 2004	17.0	0.08	1.6%	11.4%	6.1%
2004	11.8	0.12	5.2%	13.8%	8.1%
2005	10.9	0.10	3.8%	17.2%	30.8%
2006 and later	9.0	0.47	4.1%	15.4%	19.6%
Total/Weighted Average	10.6	0.30	5.7%	15.2%	15.7%

(A) Excludes \$431.0 million face amount of bonds backed by servicer advances.

(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. This excludes the ratings of the collateral underlying 84 bonds with a carrying value of \$341.6 million, which either have never been rated or for which rating information is no longer provided. We had no assets that were on negative watch for possible downgrade by at least one rating agency as of March 31, 2016.

(D) The percentage of amortized cost basis of securities and residual interests that is subordinate to our investments. This excludes interest-only bonds.

(E) The current 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 for the quarter ended March 31, 2016.

(F) Excludes residual bonds, and certain other Non-Agency bonds, with a carrying value of \$220.5 million and \$0.0 million, respectively, for which no coupon payment is expected.

(G) The weighted average loan size of the underlying collateral is \$267.0 thousand.

(H) The ratio of original UPB of loans still outstanding.

(I) Three month average constant prepayment rate.

(J) The percentage of underlying loans that are 90+ days delinquent, or in foreclosure or considered REO.

The following table summarizes the net interest spread of our Non-Agency RMBS portfolio as of March 31, 2016:

Net Interest Spread ^(A)	
Weighted Average Asset Yield	5.23%
Weighted Average Funding Cost	1.96%
Net Interest Spread	3.27%

(A) The Non-Agency RMBS portfolio consists of 59.8% floating rate securities and 40.2% fixed rate securities (based on amortized cost basis).

Residential Mortgage Loans

As of March 31, 2016, we had approximately \$1.2 billion outstanding face amount of residential mortgage loans. These investments were financed with repurchase agreements with an aggregate face amount of approximately \$819.9 million and notes and bonds payable with an aggregate face amount of approximately \$17.3 million. We acquired these loans through open market purchases, as well as through the exercise of call rights, as described below.

The following table presents the total residential mortgage loans outstanding by loan type at March 31, 2016 (dollars in thousands).

Loan Type	Outstanding Face Amount	Carrying Value	Loan Count	Weighted Average Yield	Weighted Average Life (Years) ^(A)	Floating Rate Loans as a % of Face Amount	Loan to Value Ratio ("LTV") ^(B)	Weighted Avg. Delinquency ^(C)	Weighted Average FICO ^(D)
Reverse Mortgage Loans ^{(E)(F)}	\$ 32,633	\$ 18,142	122	7.4%	4.4	19.8%	133.5%	65.7%	N/A
Performing Loans ^(G)	20,884	19,462	663	8.9%	5.6	17.3%	77.2%	7.3%	626
Purchased Credit Deteriorated ("PCD") Loans ^(H)	439,649	287,130	2,037	5.5%	2.6	18.7%	116.4%	93.1%	577
Total Residential Mortgage Loans, held-for- investment	\$ 493,166	\$ 324,734	2,822	5.8%	2.8	18.7%	115.9%	87.7%	580
Performing Loans, held-for-sale ^(G)	\$ 143,384	\$ 151,001	1,671	3.8%	4.7	9.6%	58.1%	3.7%	665
Non-performing Loans, held-for-sale ^(H) ^(I)	572,988	482,159	3,425	7.0%	2.7	15.3%	104.0%	79.1%	571
Residential Mortgage Loans, held-for-sale	\$ 716,372	\$ 633,160	5,096	6.3%	3.1	14.2%	94.8%	64.0%	590

- (A) The weighted average life is based on the expected timing of the receipt of cash flows.
- (B) LTV refers to the ratio comparing the loan's unpaid principal balance to the value of the collateral property.
- (C) Represents the percentage of the total principal balance that are 60+ days delinquent.
- (D) The weighted average FICO score is based on the weighted average of information updated and provided by the loan servicer on a monthly basis.
- (E) Represents a 70% participation interest we hold in a portfolio of reverse mortgage loans. The average loan balance outstanding based on total UPB is \$0.4 million and 60% of these loans outstanding have reached a termination event. As a result of the termination event, each such loan has matured and the borrower can no longer make draws on these loans.
- (F) FICO scores are not used in determining how much a borrower can access via a reverse mortgage loan.
- (G) Includes loans that are current or less than 30 days past due at acquisition where we expect to collect all contractually required principal and interest payments. Presented net of unamortized premiums of \$8.7 million.
- (H) Includes loans with evidence of credit deterioration since origination where it is probable that we will not collect all contractually required principal and interest payments. As of March 31, 2016, we have placed all of these loans on nonaccrual status, except as described in (I) below.
- (I) Includes \$232.1 million UPB of Ginnie Mae EBO non-performing loans on accrual status because contractual cash flows are guaranteed by the FHA.

We consider the delinquency status, loan-to-value ratios, and geographic area of residential mortgage loans as our credit quality indicators.

Other

Consumer Loans

In April 2013, we completed, through newly formed limited liability companies (together, the “Consumer Loan Companies”), a co-investment in a portfolio of consumer loans. The portfolio included personal unsecured loans and personal homeowner loans originated through subsidiaries of HSBC Finance Corporation. The Consumer Loan Companies acquired the portfolio from HSBC Finance Corporation and its affiliates. We acquired 30% membership interests in each of the Consumer Loan Companies. Of the remaining 70% of the membership interests, OneMain, which is majority-owned by Fortress funds managed by our Manager, acquired 47% and funds managed by Blackstone Tactical Opportunities Advisors LLC acquired 23%. OneMain acts as the managing member of the Consumer Loan Companies. After a servicing transition period, OneMain became the servicer of the loans and provides all servicing and advancing functions for the portfolio. The Consumer Loan Companies initially financed approximately 73% of the original purchase price with asset-backed notes. In September 2013, the Consumer Loan Companies issued and sold additional asset-backed notes that were subordinate to the debt issued in April 2013. On October 3, 2014, the Consumer Loan Companies refinanced the outstanding asset-backed notes with an asset-backed securitization. The proceeds in excess of the refinanced debt were distributed to the respective co-investors, which reduced our basis in the consumer loans investment to \$0.0 million and resulted in a gain. Subsequent to this refinancing, we have discontinued recording our share of the underlying earnings of the Consumer Loan Companies until such time as their cumulative earnings exceed their cumulative distributions.

On March 31, 2016, we entered into the SpringCastle Transaction (Note 1 to our Condensed Consolidated Financial Statements). As a result, we own 53.5% of, and consolidate, the Consumer Loan Companies.

The table below summarizes the collateral characteristics of the consumer loans as of March 31, 2016 (dollars in thousands):

	Collateral Characteristics													
	UPB(A)	Personal Unsecured Loans %	Personal Homeowner Loans %	Number of Loans	Weighted Average Original FICO Score(B)	Weighted Average Coupon	Adjustable Rate Loan %	Average Loan Age (months)	Average Expected Life (Years)	Delinquency 30 Days(C)	Delinquency 60 Days(C)	Delinquency 90+ Days(C)	CRR(D)	CDR(E)
Consumer loans, held-for-investment	\$ 1,986,162	67.4%	32.6%	225,753	635	18.3%	11.0%	130	4.2	2.9%	1.7%	2.5%	18.5%	5.6%

(A) As of February 29, 2016.

(B) Weighted average original FICO score represents the FICO score at the time the loan was originated.

(C) Delinquency 30 Days, Delinquency 60 Days and Delinquency 90+ Days represent the percentage of the total principal balance of the pool that corresponds to loans that are delinquent by 30-59 days, 60-89 days or 90 or more days, respectively.

(D) 3 Month CRR, or the voluntary prepayment rate, represents the annualized rate of the voluntary prepayments during the three months as a percentage of the total principal balance of the pool, net of draws on revolving loans.

(E) 3 Month CDR, or the involuntary prepayment rate, represents the annualized rate of the involuntary prepayments (defaults) during the three months as a percentage of the total principal balance of the pool.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Management’s discussion and analysis of financial condition and results of operations is based upon our Condensed Consolidated Financial Statements, which have been prepared in accordance with 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. Actual results could differ from these estimates. We believe that the estimates and assumptions utilized in the preparation of the Condensed Consolidated Financial Statements are prudent and reasonable. Actual results historically have been in line with our estimates and judgments used in applying each of the accounting policies described below, as modified periodically to reflect current market conditions. The following is a summary of our accounting policies that are most affected by judgments, estimates and assumptions.

Excess MSR

Upon acquisition, we elected to record each investment in Excess MSR at fair value. We elected to record our investments in Excess MSR at fair value in order to provide users of the financial statements with better information regarding the effects of prepayment risk and other market factors on the Excess MSR.

Our Excess MSR are categorized as Level 3 under the GAAP hierarchy. The inputs used in the valuation of Excess MSR include prepayment speed, delinquency rate, recapture rate, excess mortgage servicing amount and discount rate. The determination of estimated cash flows used in pricing models is inherently subjective and imprecise. The methods used to estimate fair value may

not result in an amount that is indicative of net realizable value or reflective of future fair values. Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could result in a significant increase or decrease in fair value. We validate significant inputs and outputs of our models by comparing them to available independent third party market parameters and models for reasonableness. We believe the assumptions we use are within the range that a market participant would use, and factor in the liquidity conditions in the markets. Any changes to the valuation methodology will be reviewed by us to ensure the changes are appropriate.

In order to evaluate the reasonableness of its fair value determinations, we engage an independent valuation firm to separately measure the fair value of our Excess MSR pools. The independent valuation firm determines an estimated fair value range based on its own models and issues a “fairness opinion” with this range. We compare the range included in the opinion to the values generated by our internal models. To date, we have not made any significant valuation adjustments as a result of these fairness opinions.

Investments in Excess MSRs are aggregated into pools as applicable; each pool of Excess MSRs is accounted for in the aggregate. Interest income for Excess MSRs is accreted using an effective yield or “interest” method, based upon the expected income from the Excess MSRs through the expected life of the underlying mortgages. The inputs used in estimating cash flows are generally the same as those used in estimating fair value, and are subject to the same judgments and uncertainties. Changes to expected cash flows result in a cumulative retrospective adjustment, which will be recorded in the period in which the change in expected cash flows occurs. Under the retrospective method, the interest income recognized for a reporting period would be measured as the difference between the amortized cost basis at the end of the period and the amortized cost basis at the beginning of the period, plus any cash received during the period. The amortized cost basis is calculated as the present value of estimated future cash flows using an effective yield, which is the yield that equates all past actual and current estimated future cash flows to the initial investment. In addition, our policy is to recognize interest income only on Excess MSRs in existing eligible underlying mortgages.

Under the fair value election, the difference between the fair value of Excess MSRs and their amortized cost basis is recorded as “Change in fair value of investments in excess mortgage servicing rights,” as applicable. Fair value is generally determined by discounting the expected future cash flows using discount rates that incorporate the market risks and liquidity premium specific to the Excess MSRs, and therefore may differ from their effective yields.

The following table summarizes the estimated change in fair value of our interests in the Excess MSRs owned directly as of March 31, 2016 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at March 31, 2016	\$	1,547,004			
Discount rate shift in %		-20%	-10%	10%	20%
Estimated fair value	\$	1,678,345	\$ 1,609,898	\$ 1,489,048	\$ 1,435,499
Change in estimated fair value:					
Amount	\$	131,341	\$ 62,894	\$ (57,956)	\$ (111,505)
%		8.5 %	4.1 %	(3.7)%	(7.2)%
Prepayment rate shift in %		-20%	-10%	10%	20%
Estimated fair value	\$	1,680,304	\$ 1,611,364	\$ 1,486,828	\$ 1,430,482
Change in estimated fair value:					
Amount	\$	133,300	\$ 64,360	\$ (60,176)	\$ (116,522)
%		8.6 %	4.2 %	(3.9)%	(7.5)%
Delinquency rate shift in %		-20%	-10%	10%	20%
Estimated fair value	\$	1,552,303	\$ 1,549,654	\$ 1,544,353	\$ 1,541,702
Change in estimated fair value:					
Amount	\$	5,299	\$ 2,650	\$ (2,651)	\$ (5,302)
%		0.3 %	0.2 %	(0.2)%	(0.3)%
Recapture rate shift in %		-20%	-10%	10%	20%
Estimated fair value	\$	1,531,339	\$ 1,539,119	\$ 1,554,996	\$ 1,563,098
Change in estimated fair value:					
Amount	\$	(15,665)	\$ (7,885)	\$ 7,992	\$ 16,094
%		(1.0)%	(0.5)%	0.5 %	1.0 %

The following table summarizes the estimated change in fair value of our interests in the Excess MSRs owned through equity method investees as of March 31, 2016 given several parallel shifts in the discount rate, prepayment rate, delinquency rate and recapture rate (dollars in thousands):

Fair value at March 31, 2016	\$ 209,901			
Discount rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$ 228,138	\$ 218,619	\$ 201,892	\$ 194,513
Change in estimated fair value:				
Amount	\$ 18,237	\$ 8,718	\$ (8,009)	\$ (15,388)
%	8.7 %	4.2 %	(3.8)%	(7.3)%
Prepayment rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$ 225,434	\$ 217,439	\$ 202,793	\$ 196,087
Change in estimated fair value:				
Amount	\$ 15,533	\$ 7,538	\$ (7,108)	\$ (13,814)
%	7.4 %	3.6 %	(3.4)%	(6.6)%
Delinquency rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$ 213,866	\$ 211,884	\$ 207,918	\$ 205,935
Change in estimated fair value:				
Amount	\$ 3,965	\$ 1,983	\$ (1,983)	\$ (3,966)
%	1.9 %	0.9 %	(0.9)%	(1.9)%
Recapture rate shift in %	-20%	-10%	10%	20%
Estimated fair value	\$ 202,681	\$ 206,268	\$ 213,580	\$ 217,306
Change in estimated fair value:				
Amount	\$ (7,220)	\$ (3,633)	\$ 3,679	\$ 7,405
%	(3.4)%	(1.7)%	1.8 %	3.5 %

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.

Servicer Advances

We account for investments in servicer advances, which include the basic fee component of the related MSR (the “servicer advance investments”), as financial instruments, because we are not the named mortgage servicer or owner of the related MSR.

We have elected to account for the servicer advance investments at fair value. Accordingly, we estimate the fair value of the servicer advance investments at each reporting date and reflect changes in the fair value of the servicer advance investments as gains or losses.

We recognize interest income from our servicer advance investments using the interest method, with adjustments to the yield applied based upon changes in actual or expected cash flows under the retrospective method. The servicer advances are not interest-bearing, but we accrete the effective rate of interest applied to the aggregate cash flows from the servicer advances and the basic fee component of the related MSR.

We categorize servicer advance investments under Level 3 of the GAAP hierarchy because we use internal pricing models to estimate the future cash flows related to the servicer advance investments that incorporate significant unobservable inputs and include assumptions that are inherently subjective and imprecise. In order to evaluate the reasonableness of our fair value determinations, we engage an independent valuation firm to separately measure the fair value of our servicer advances investment. The independent valuation firm determines an estimated fair value range based on its own models and issues a “fairness opinion” with this range.

Our estimations of future cash flows include the combined cash flows of all of the components that comprise the servicer advance investments: existing advances, the requirement to purchase future advances and the right to the basic fee component of the related MSR. The factors that most significantly impact the fair value include (i) the rate at which the servicer advance balance declines, which we estimate is approximately \$1.0 billion per year on average over the weighted average life of the investment held as of March 31, 2016, (ii) the duration of outstanding servicer advances, which we estimate is approximately nine months on average for an advance balance at a given point in time (not taking into account new advances made with respect to the pool), and (iii) the UPB of the underlying loans with respect to which we have the obligation to make advances and own the basic fee component.

As described above, we recognize income from servicer advance investments in the form of (i) interest income, which we reflect as a component of net interest income and (ii) changes in the fair value of the servicer advances, which we reflect as a component of other income.

We remit to our servicers a portion of the basic fee component of the MSR related to our servicer advance investments as compensation for acting as servicer, as described in more detail under “—Our Portfolio—Servicing Related Assets—Servicer Advances.” Our interest income is recorded net of the servicing fees owed to our servicers.

Real Estate Securities (RMBS)

Our Non-Agency RMBS and Agency RMBS are classified 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.

We expect that any RMBS we acquire will be categorized under Level 2 or Level 3 of the GAAP hierarchy, depending on the observability of the inputs. Fair value may be based upon broker quotations, counterparty quotations, pricing service quotations or internal pricing models. The significant inputs used in the valuation of our securities include the discount rate, prepayment speeds, default rates and loss severities, as well as other variables.

The determination of estimated cash flows used in pricing models is inherently subjective and imprecise. The methods used to estimate fair value may not be indicative of net realizable value or reflective of future fair values. Changes in market conditions, as well as changes in the assumptions or methodology used to determine fair value, could result in a significant increase or decrease in fair value. We validate significant inputs and outputs of our models by comparing them to available independent third party market parameters and models for reasonableness. We believe the assumptions we use are within the range that a market participant would use, and factor in the liquidity conditions in the markets. Any changes to the valuation methodology will be reviewed by us to ensure the changes are appropriate.

We must also assess whether unrealized losses on securities, if any, reflect a decline in value that is other-than-temporary and, if so, record an OTTI 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 that 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 that 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 will assume the anticipated recovery period is until the expected maturity of the applicable security. Also, for securities that represent beneficial interests in securitized financial assets within the scope of ASC No. 325-40, whenever there is a probable adverse change in the timing or amounts of estimated cash flows of a security from the cash flows previously projected, an OTTI will be deemed to have occurred. Our Non-Agency RMBS acquired with evidence of deteriorated credit quality for which it was probable, at acquisition, that we would be unable to collect all contractually required payments receivable, fall within the scope of ASC No. 310-30, as opposed to ASC No. 325-40. All of our other Non-Agency RMBS, those not acquired with evidence of deteriorated credit quality, fall within the scope of ASC No. 325-40.

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. Such assumptions include the rate and timing of principal and interest receipts (which may be subject to prepayments and defaults). These assumptions 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. For securities acquired at a discount for credit losses, we recognize the excess of all cash flows expected over our investment in the securities 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.

Impairment of Performing 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 a loan, or, for loans acquired at a discount for credit losses, when it is deemed probable that we will be unable to collect as anticipated. 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.

Our residential mortgage loans are aggregated into pools for evaluation based on like characteristics, such as loan type and acquisition date. Pools of loans are evaluated based on criteria such as an analysis of borrower performance, credit ratings of borrowers, loan to value ratios, the estimated value of the underlying collateral, the key terms of the loans and historical and anticipated trends in defaults and loss severities for the type and seasoning of loans being evaluated. This information is used to estimate provisions for estimated unidentified incurred losses on pools of loans. Significant judgment is required 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.

A loan is determined to be past due when a monthly payment is due and unpaid for 30 days or more. Loans, other than PCD loans (described below), are placed on nonaccrual status and considered non-performing when full payment of principal and interest is in doubt, which generally occurs when principal or interest is 120 days or more past due unless the loan is both well secured and in the process of collection. A loan may be returned to accrual status when repayment is reasonably assured and there has been demonstrated performance under the terms of the loan or, if applicable, the terms of the restructured loan.

Loans, other than PCD loans, are generally charged off or charged down to the net realizable value of the underlying collateral (i.e., fair value less costs to sell), with an offset to the allowance for loan losses, when available information indicates that loans are uncollectible.

Determinations of whether a loan is collectible are inherently uncertain and subject to significant judgment.

Purchased Credit Deteriorated (PCD) Loans

We evaluate the credit quality of our loans, as of the acquisition date, for evidence of credit quality deterioration. Loans with evidence of credit deterioration since their origination, and where it is probable that we will not collect all contractually required principal and interest payments, are PCD loans. Recognition of income and accrual status on PCD loans is dependent on having a reasonable expectation about the timing and amount of cash flows to be collected. At acquisition, we aggregate PCD loans into pools based on common risk characteristics and loans aggregated into pools are accounted for as if each pool were a single loan with a single composite interest rate and an aggregate expectation of cash flows.

The excess of the total cash flows (both principal and interest) expected to be collected over the carrying value of the PCD loans is referred to as the accretable yield. This amount is not reported on our Condensed Consolidated Balance Sheets but is accreted into interest income at a level rate of return over the remaining estimated life of the pool of loans.

On a quarterly basis, we estimate the total cash flows expected to be collected over the remaining life of each pool. Probable decreases in expected cash flows trigger the recognition of impairment. Impairments are recognized through the valuation and loss provision for loans and an increase in the allowance for loan losses. Probable and significant 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 estimated lives of the underlying loans.

The excess of the total contractual cash flows over the cash flows expected to be collected is referred to as the nonaccretable difference. This amount is not reported on our Condensed Consolidated Balance Sheets and represents an estimate of the amount of principal and interest that will not be collected.

The estimation of future cash flows for PCD loans is subject to significant judgment and uncertainty. Actual cash flows could be materially different than our estimates.

The liquidation of PCD loans, which may include sales of loans, receipt of payment in full by the borrower, or foreclosure, results in removal of the loans from the underlying PCD pool. When the amount of the liquidation proceeds (e.g., cash, real estate), if any, is less than the unpaid principal balance of the loan, the difference is first applied against the PCD pool’s nonaccretable

difference. When the nonaccretable difference for a particular loan pool has been fully depleted, any excess of the unpaid principal balance of the loan over the liquidation proceeds is written off against the PCD pool's allowance for loan losses.

Real Estate Owned (REO)

REO assets are those individual properties where the owner of the related loan receives the property in satisfaction of a debt (e.g., by taking legal title or physical possession). We recognize REO assets: (i) at the completion of the foreclosure process or upon execution of a deed in lieu of foreclosure with the borrower or (ii) when acquired. We measure REO assets at the lower of cost or fair value, with valuation changes recorded in other income. REO is illiquid in nature and its valuation is subject to significant uncertainty and judgment and is greatly impacted by local market conditions.

Consumer Loans

Prior to the SpringCastle Transaction (Note 1 to our Condensed Consolidated Financial Statements), we accounted for our investment in the Consumer Loan Companies pursuant to the equity method of accounting because we could exercise significant influence over the Consumer Loan Companies, but the requirements for consolidation were not met. Our share of earnings and losses in these equity method investees was recorded in "Earnings from investments in consumer loans, equity method investees" on the Condensed Consolidated Statements of Income. Equity method investments are included in "Investments in consumer loans, equity method investees" on the Condensed Consolidated Balance Sheets.

Subsequent to the SpringCastle Transaction, we consolidate the Consumer Loan Companies. The Consumer Loan Companies classify their investments in consumer loans as held-for-investment, as they have the intent and ability to hold for the foreseeable future, or until maturity or payoff. The Consumer Loan Companies record the consumer loans at cost net of any unamortized discount or loss allowance. The Consumer Loan Companies determined at acquisition that these loans would be aggregated into pools based on common risk characteristics (credit quality, loan type, and date of origination or acquisition); the loans aggregated into pools are accounted for as if each pool were a single loan.

Investment Consolidation

The analysis as to whether to consolidate an entity is subject to a significant amount of judgment. Some of the criteria considered are the determination as to the degree of control over an entity by its various equity holders, the design of the entity, how closely related the entity is to each of its equity holders, the relation of the equity holders to each other and a determination of the primary beneficiary in entities in which we have a variable interest. These analyses involve estimates, based on the assumptions of management, as well as judgments regarding significance and the design of 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.

Our investments and certain other interests in Non-Agency RMBS are variable interests. 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 de-consolidation of an entity that otherwise would have been consolidated.

We have not consolidated the securitization entities that issued our Non-Agency RMBS. This determination is based, in part, on our assessment that we do not have the power to direct the activities that most significantly impact the economic performance of these entities, such as if we owned a majority of the currently controlling class. In addition, we are not obligated to provide, and have not provided, any financial support to these entities.

We have not consolidated the entities in which we hold a 50% interest that made an investment in Excess MSRs. We have determined that the decisions that most significantly impact the economic performance of these entities will be made collectively by us and the other investor in the entities. In addition, these entities have sufficient equity to permit the entities to finance their activities without additional subordinated financial support. Based on our analysis, these entities do not meet any of the VIE criteria.

We have invested in Nationstar serviced servicer advances, including the basic fee component of the related MSRs, through the Buyer, of which we are the managing member. The Buyer was formed through cash contributions by us and third-parties in exchange for membership interests. As of March 31, 2016, we owned an approximately 44.5% interest in the Buyer, and the third-party investors owned the remaining membership interests. Through our managing member interest, we direct substantially all of the day-to-day activities of the Buyer. The third-party investors do not possess substantive participating rights or the power to direct the day-to-day activities that most directly affect the operations of the Buyer. In addition, no single third-party investor, or group of third-party investors, possesses the substantive ability to remove us as the managing member of the Buyer. We have determined that the Buyer is a variable interest entity. As a result of our managing member interest, which represents a controlling financial interest, we have determined that we are the primary beneficiary and consolidate the Buyer and its wholly owned subsidiaries, and we reflect membership interests in the Buyer held by third parties as noncontrolling interests.

As a result of the SpringCastle Transaction, we have a 53.5% interest in and are the managing member of the Consumer Loan Companies. The Consumer Loan Companies were formed as joint ventures, designed by the members to share risk and rewards and provide each member with a certain level of participation in the overall management. Since formation, the Consumer Loan Companies have demonstrated their ability to finance activities without additional subordinated financial support and, based on the Second A&R LLC Agreements, were organized with substantive voting rights and the holders of the equity investment at risk, as a group, have the characteristics of a controlling financial interest. Therefore, we have determined that the Consumer Loan Companies are voting interest entities. As the holder of 53.5% of the voting equity and managing member, we have determined that we own a controlling financial interest and, as the third party investor does not possess substantive participating rights, we have consolidated the Consumer Loan Companies. We reflect the 46.5% membership interest held by the third party as a noncontrolling interest.

Income Taxes

We intend to operate in a manner that allows us to qualify for taxation as a REIT. As a result of our expected REIT qualification, we do not generally expect to pay U.S. federal or state and local corporate level income taxes. Many of the REIT requirements, however, are highly technical and complex. If we were to fail to meet the REIT requirements, we would be subject to U.S. federal, state and local corporate level income taxes, and we would face a variety of adverse consequences. See “Risk Factors—Risks Related to Our Taxation as a REIT.” We have made certain investments, particularly our investments in servicer advances, through TRSs and are subject to regular corporate income taxes on these investments.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 1 to our Condensed Consolidated Financial Statements.

RESULTS OF OPERATIONS

The following table summarizes the changes in our results of operations for the three months ended March 31, 2016 compared to the three months ended March 31, 2015 (dollars in thousands). Our results of operations are not necessarily indicative of future performance.

	Three Months Ended March 31,		Increase (Decrease)
	2016	2015	Amount
Interest income	\$ 190,036	\$ 84,373	\$ 105,663
Interest expense	81,228	33,979	47,249
Net Interest Income	108,808	50,394	58,414
Impairment			
Other-than-temporary impairment (OTTI) on securities	3,254	1,071	2,183
Valuation and loss provision (reversal) on loans and real estate owned	6,745	977	5,768
	9,999	2,048	7,951
Net interest income after impairment	98,809	48,346	50,463
Other Income			
Change in fair value of investments in excess mortgage servicing rights	7,926	(1,761)	9,687
Change in fair value of investments in excess mortgage servicing rights, equity method investees	3,022	4,921	(1,899)
Change in fair value of investments in servicer advances	(31,224)	(7,669)	(23,555)
Gain on consumer loans investment	9,943	10,447	(504)
Gain on remeasurement of consumer loans investment	71,250	—	71,250
Gain (loss) on settlement of investments, net	(14,500)	14,767	(29,267)
Other income (loss), net	(14,495)	(8,410)	(6,085)
	31,922	12,295	19,627
Operating Expenses			
General and administrative expenses	12,081	8,560	3,521
Management fee to affiliate	10,008	5,126	4,882
Incentive compensation to affiliate	1,196	3,693	(2,497)
Loan servicing expense	1,731	4,891	(3,160)
	25,016	22,270	2,746
Income (Loss) Before Income Taxes	105,715	38,371	67,344
Income tax expense (benefit)	(10,223)	(3,427)	(6,796)
Net Income (Loss)	\$ 115,938	\$ 41,798	\$ 74,140
Noncontrolling Interests in Income (Loss) of Consolidated Subsidiaries	\$ 4,202	\$ 5,823	\$ (1,621)
Net Income (Loss) Attributable to Common Stockholders	\$ 111,736	\$ 35,975	\$ 75,761

Interest Income

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

Interest income increased by \$105.7 million, primarily attributable to incremental interest income of (i) \$28.0 million from Excess MSR investments and (ii) \$38.7 million from servicer advance investments, in which we made additional investments subsequent to March 31, 2015, primarily through the HLSS Acquisition. Interest income further increased by (iii) \$31.6 million, largely due to an increase in the size of real estate securities portfolio and accelerated accretion on real estate securities owned in Non-Agency

RMBS trusts that were terminated upon the exercise of call rights, and (iv) \$6.8 million related to interest income on real estate loans, specifically the FNMA loan pool acquired in December 2015 and the Ginnie Mae EBO loans acquired through the HLSS Acquisition.

Interest Expense

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

Interest expense increased by \$47.2 million primarily attributable to increases of (i) \$39.5 million of interest on financings related to servicer advances primarily acquired through the HLSS Acquisition, (ii) \$4.0 million of interest on repurchase agreements and financings on real estate securities in which we made additional levered investments subsequent to March 31, 2015, (iii) \$2.2 million of interest on corporate loans secured by Excess MSRs issued subsequent to March 31, 2015 and (iv) \$1.3 million of interest on real estate loans due to a larger portfolio during the three months ended March 31, 2016.

Other-Than-Temporary Impairment on Securities

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

The other-than-temporary impairment on securities increased by \$2.2 million during the three months ended March 31, 2016 compared to the three months ended March 31, 2015 primarily resulting from a decline in fair values on a greater portion of our Non-Agency RMBS, which we purchased with existing credit impairment, below their amortized cost basis as of March 31, 2016.

Valuation and Loss Provision (Reversal) on Loans and Real Estate Owned

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

The \$5.8 million increase in the valuation and loss provision (reversal) on residential mortgage loans, held-for-sale and real estate owned resulted from an increase in impairment on loans of \$2.1 million related to loans acquired through the exercise of call rights and \$3.7 million of impairment on existing REO for which new broker price opinions were obtained.

Change in Fair Value of Investments in Excess Mortgage Servicing Rights

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

The change in fair value of investments in excess mortgage servicing rights increased by \$9.7 million during the three months ended March 31, 2016 compared to the three months ended March 31, 2015. This increase primarily relates to mark-to-market fair value adjustments of \$7.9 million during the three months ended March 31, 2016 compared to negative adjustments of \$1.8 million during the three months ended March 31, 2015. The mark-to-market adjustments during the three months ended March 31, 2016 were primarily driven by slower prepayments speeds and decreased delinquency assumptions.

Change in Fair Value of Investments in Excess Mortgage Servicing Rights, Equity Method Investees

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

The change in fair value of investments in excess mortgage servicing rights, equity method investees decreased by \$1.9 million during the three months ended March 31, 2016 compared to the three months ended March 31, 2015. This decrease relates to decreased mark-to-market fair value adjustments during the three months ended March 31, 2016 compared to the three months ended March 31, 2015 due primarily to an increase in the weighted average discount rate from 9.6% to 9.8%.

Change in Fair Value of Investments in Servicer Advances

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

The change in fair value of investments in servicer advances decreased by \$23.6 million during the three months ended March 31, 2016 compared to the three months ended March 31, 2015. This decrease primarily relates to asset mark-downs of \$31.2 million during the three months ended March 31, 2016 compared to mark-downs of \$7.6 million during the three months ended March 31, 2015. The net decrease in value during the three months ended March 31, 2016 was primarily due to a lower performance fee adjustment related to HLSS servicing advances resulting from a lower forward LIBOR curve as compared to prior projections.

The decrease in fair value of investments in servicer advances for the three months ended March 31, 2015 was primarily due to an increase in the weighted average life of the portfolio.

Gain on Consumer Loans Investment

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

Gain on consumer loans investment decreased by \$0.5 million as a result of slightly reduced cash distributions during the three months ended March 31, 2016 relative to March 31, 2015.

Gain on Remeasurement of Consumer Loans Investment

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

Gain on remeasurement of consumer loans investment of \$71.3 million represents the remeasurement of New Residential's previously held equity method investment in the Consumer Loan Companies as a result of obtaining a controlling financial interest through the SpringCastle Transaction (Note 1 to our Condensed Consolidated Financial Statements).

Gain on Settlement of Investments, Net

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

Gain on settlement of investments decreased by \$29.3 million, primarily related to (i) decreased gain on sale of real estate securities and residential mortgage loans of \$8.6 million and \$20.7 million, respectively, (ii) increased loss on settlement of derivatives of \$10.0 million, and (iii) decreased gain on liquidated residential mortgage loans of \$0.4 million, partially offset by (iv) decreased loss on sale of REO of \$5.8 million, and (v) increased other gains of \$4.7 million during the three months ended March 31, 2016 compared to the three months ended March 31, 2015.

Other Income (Loss), Net

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

Other income (loss), net decreased by \$6.1 million, primarily attributable to (i) a \$15.3 million net increase in unrealized losses on non-hedge derivative instruments, partially offset by (ii) increased unrealized gain on other ABS of \$0.3 million, (iii) increased gain on transfer of loans to REO of \$3.0 million, (iv) increased gain on Excess MSR recapture agreements of \$0.7 million and (v) increased other income of \$5.2 million during the three months ended March 31, 2016 compared to the three months ended March 31, 2015.

General and Administrative Expenses

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

General and administrative expenses increased by \$3.5 million due to an increase in deal expenses, including legal deal expenses related to the SpringCastle Transaction, refinancings and the exercise of call rights.

Management Fee to Affiliate

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

Management fee to affiliate increased by \$4.9 million as a result of increases to our gross equity subsequent to March 31, 2015.

Incentive Compensation to Affiliate

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

Incentive compensation to affiliate decreased by \$2.5 million due to a decrease in our incentive compensation earnings measure resulting from the changes in the income and expense items described above, excluding any unrealized gains or losses from mark-

to-market valuation changes on investments and debt, and excluding the Gain on Remeasurement of Consumer Loans Investment, during the three months ended March 31, 2016 compared to the three months ended March 31, 2015.

Loan Servicing Expense

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

Loan servicing expense decreased by \$3.2 million due to a smaller average real estate loan portfolio in the three months ended March 31, 2016 as a result of significant loan sales completed during the three months ended March 31, 2015.

Income Tax Expense (Benefit)

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

Income tax expense (benefit) increased by \$6.8 million primarily due to the increase in the net deferred tax benefit resulting from changes in mark-to-market fair value adjustments on investments in servicer advances and other book to tax differences.

Noncontrolling Interests in Income of Consolidated Subsidiaries

Three months ended March 31, 2016 compared to the three months ended March 31, 2015.

Noncontrolling interests in income of consolidated subsidiaries decreased by \$1.6 million primarily due to (i) a decrease in net interest income earned on the Buyer's levered assets as they are repaid over time, partially offset by (ii) a decrease in the change in fair value of the Buyer's assets.

LIQUIDITY AND CAPITAL RESOURCES

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. Additionally, to maintain our status as a REIT under the Internal Revenue Code, we must distribute annually at least 90% of our REIT taxable income. 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.

Our primary sources of funds for liquidity generally consist of cash provided by operating activities (primarily income from our investments in Excess MSRs, servicer advances, RMBS and loans), sales of and repayments from our investments, potential debt financing sources, including securitizations, and the issuance of equity securities, when feasible and appropriate. Our primary uses of funds are the payment of interest, management fees, incentive compensation, outstanding commitments (including margins) and other operating expenses, and the repayment of borrowings and hedge obligations, as well as dividends.

Currently, our primary sources of financing are notes and bonds payable and repurchase agreements, although we have in the past and may in the future also pursue one or more other sources of financing such as securitizations and other secured and unsecured forms of borrowing. As of March 31, 2016, we had outstanding repurchase agreements with an aggregate face amount of approximately \$4.0 billion to finance residential mortgage loans, real estate owned, consumer loans, Non-Agency RMBS and Agency RMBS. The financing of our entire RMBS portfolio, which generally has 30 to 90 day terms, is subject to margin calls. Under repurchase agreements, we sell a security to a counterparty and concurrently agree to repurchase the same security at a later date for a higher specified price. The sale price represents financing proceeds and the difference between the sale and repurchase prices represents interest on the financing. The price at which the security is sold generally represents the market value of the security less a discount or "haircut," which can range broadly, for example from 3% - 4% for Agency RMBS, 10% - 50% for Non-Agency RMBS, and 5% - 53% for residential mortgage loans. During the term of the repurchase agreement, the counterparty holds the security as collateral. If the agreement is subject to margin calls, the counterparty monitors and calculates what it estimates to be the value of the collateral during the term of the agreement. If this value declines by more than a de minimis threshold, the counterparty could require us to post additional collateral (or "margin") in order to maintain the initial haircut on the collateral. This margin is typically required to be posted in the form of cash and cash equivalents. Furthermore, we may, from time to time, be a party to derivative agreements or financing arrangements that may be 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.

Our ability to obtain borrowings and to raise future equity capital is dependent on our ability to access borrowings and the capital markets on attractive terms. 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. Our Manager's senior management team has extensive long-term relationships with investment banks, brokerage firms and commercial banks, which we believe will enhance our ability to source and finance asset acquisitions on attractive terms and access borrowings and the capital markets at attractive levels.

With respect to the next 12 months, we expect that our cash on hand, combined with our cash flow provided by operations and our ability to roll our repurchase agreements and servicer advance financings, will be sufficient to satisfy our anticipated liquidity needs with respect to our current investment portfolio, including related financings, potential margin calls and operating expenses. While it is inherently more difficult to forecast beyond the next 12 months, we currently expect to meet our long-term liquidity requirements through our cash on hand and, if needed, additional borrowings, proceeds received from repurchase agreements and other financings, proceeds from equity offerings and the liquidation or refinancing of our assets.

These short-term and long-term expectations are forward-looking and subject to a number of uncertainties and assumptions, including those described under "—Market Considerations," as well as "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 such a shortfall may occur rapidly and with little or no notice, which could limit our ability to address such a shortfall on a timely basis and could have a material adverse effect on our business.

Our cash flow provided by operations differs from our net income due to these primary factors: (i) accretion of discount or premium on our residential securities and loans, (ii) the difference between (a) accretion and unrealized gains and losses recorded with respect to our Excess MSR (direct and indirect) and servicer advance investments and (b) cash received therefrom, (iii) unrealized gains and losses on our derivatives, and recorded impairments, if any, (iv) deferred taxes, and (v) principal cash flows related to held-for-sale loans, which are characterized as operating cash flows under GAAP.

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 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 ability to finance certain of our investments at rates that provide a positive net spread.
- *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 are unpredictable and may vary materially from their estimated fair value and their carrying value. Further, the availability of investments that provide similar returns to those repaid or sold investments is unpredictable and returns on new investments may vary materially from those on existing investments.

Debt Obligations

The following table presents certain information regarding our debt obligations (dollars in thousands):

	March 31, 2016									
Debt Obligations/Collateral	Month Issued	Outstanding Face Amount	Carrying Value ^(A)	Final Stated Maturity ^(B)	Weighted Average Funding Cost	Weighted Average Life (Years)	Collateral			Weighted Average Life (Years)
							Outstanding Face	Amortized Cost Basis	Carrying Value	
Repurchase Agreements ^(C)										
Agency RMBS ^(D)	Various	\$ 1,629,971	\$ 1,629,971	Apr-16	0.70%	0.1	\$ 1,612,119	\$ 1,667,876	\$ 1,691,144	0.6
Non-Agency RMBS ^(E)	Various	1,490,273	1,490,273	Apr-16 to Jun-16	1.96%	0.1	3,599,118	1,788,871	1,777,260	7.2
Residential Mortgage Loans ^(F)	Various	723,954	723,167	May-16 to Mar-17	2.87%	0.6	1,119,845	886,918	884,110	3.1
Real Estate Owned ^{(G)(H)}	Various	95,983	95,878	May-16 to Mar-17	2.76%	0.6	N/A	N/A	108,330	N/A
Consumer Loan Investment ^(I)	Apr-15	34,223	34,223	Apr-16	4.11%	0.1	N/A	N/A	71,250	4.2
Total Repurchase Agreements		3,974,404	3,973,512		1.65%	0.2				
Notes and Bonds Payable										
Secured Corporate Note ^(J)	May-15	182,772	181,602	Apr-17	5.69%	1.1	89,074,745	212,250	258,422	5.2
Servicer Advances ^(K)	Various	6,880,413	6,868,732	Aug-16 to Aug-18	3.44%	1.2	7,203,924	7,005,501	7,001,004	4.5
Residential Mortgage Loans ^(L)	Oct-15	13,786	13,786	Oct-16	3.30%	0.5	20,801	13,914	12,809	4.4
Consumer Loans ^(M)	Oct-14	1,808,211	1,803,192	May-23 to Apr-34	4.14%	3.7	1,986,162	1,951,879	1,951,879	4.2
Receivable from government agency ^(L)	Oct-15	3,539	3,539	—	3.30%	0.5	N/A	N/A	5,333	N/A
Total Notes and Bonds Payable		8,888,721	8,870,851		3.63%	1.7				
Total/ Weighted Average		\$ 12,863,125	\$ 12,844,363		3.02%	1.2				

(A) Net of deferred financing costs.

(B) All debt obligations with a stated maturity of April 2016 were refinanced, extended, or repaid.

(C) These repurchase agreements had approximately \$6.7 million of associated accrued interest payable as of March 31, 2016.

(D) All of the Agency RMBS repurchase agreements have a fixed rate. Collateral amounts include approximately \$1.5 billion of related trade and other receivables.

(E) All of the Non-Agency RMBS repurchase agreements have LIBOR-based floating interest rates. This includes repurchase agreements of \$145.8 million on retained servicer advance bonds.

(F) All of these repurchase agreements have LIBOR-based floating interest rates.

(G) All of these repurchase agreements have LIBOR-based floating interest rates.

(H) Includes financing collateralized by receivables including claims from FHA on Ginnie Mae EBO loans for which foreclosure has been completed and for which we have made or intend to make a claim on the FHA guarantee.

(I) The repurchase agreement bears interest equal to three-month LIBOR plus 3.50% and is collateralized by 56% of our interest in the Consumer Loan Companies (Note 9 to our Condensed Consolidated Financial Statements).

(J) The loan bears interest equal to the sum of (i) a floating rate index equal to one-month LIBOR and (ii) a margin of 5.25%. The outstanding face amount of the collateral represents the UPB of the residential mortgage loans underlying the Excess MSRs that secure this corporate note.

(K) \$2.7 billion face amount of the notes have a fixed rate while the remaining notes bear interest equal to the sum of (i) a floating rate index rate equal to one-month LIBOR or a cost of funds rate, as applicable, and (ii) a margin ranging from 1.7% to 2.2%.

(L) The note is payable to Nationstar and bears interest equal to one-month LIBOR plus 2.875%.

(M) Represents the debt assumed in the SpringCastle Transaction (Note 1 to our Condensed Consolidated Financial Statements), which is comprised of the following classes of asset-backed notes (collectively, the “2014-A Notes”) held by third parties: \$850.2 million UPB of Class A notes with a coupon of 2.7% and a stated maturity date in May 2023 (the “Class A Notes”); \$427.0 million UPB of Class B notes with a coupon of 4.61% and a stated maturity date in October 2027 (the “Class B Notes”); \$331.2 million UPB of Class C notes with a coupon of 5.59% and a stated maturity date in October 2033 (the “Class C Notes”); and \$199.8 million UPB of Class D notes with a coupon of 6.82% and a stated

maturity date in April 2034 (the “Class D Notes”). Prior to the payment date in October 2016, the redemption price for any class of the outstanding 2014-A Notes shall be the sum of (i) 100% of the outstanding principal balance of the 2014-A Notes of the applicable class to be redeemed, plus (ii) the applicable Specified Call Premium Amount (as defined below) for such 2014-A Notes, plus (iii) accrued and unpaid interest and fees in respect of such 2014-A Notes. On or after the payment date occurring in October 2016, the redemption price for any class of 2014-A Notes shall be the sum of (i) 100% of the outstanding principal balance of the 2014-A Notes of the applicable class to be redeemed, plus (ii) accrued and unpaid interest and fees in respect of such 2014-A Notes. The “Specified Call Premium Amount” on any payment date for any class of 2014-A Notes shall mean (i) in the case of Class A Notes, an amount equal to 1.00% of the outstanding principal balance of the Class A Notes to be redeemed and (ii) in the case of the Class B Notes, the Class C Notes and the Class D Notes, an amount equal to (a) the product of (1) with respect to the Class B Notes, 0.75%, with respect to the Class C Notes, 1.00% and with respect to the Class D Notes, 2.00%, times (2) the outstanding principal balance of the 2014-A Notes of such class to be redeemed on such payment date, times (3) the number of days, computed on a 30/360 basis, from and including such payment date to but excluding the payment date occurring in October 2016, divided by (b) 360.

Certain of the debt obligations included above are obligations of our consolidated subsidiaries, which own the related collateral. In some cases, including Servicer Advances, such collateral is not available to other creditors of ours.

We have margin exposure on \$4.0 billion of repurchase agreements. To the extent that the value of the collateral underlying these repurchase agreements declines, we may be required to post margin, which could significantly impact our liquidity.

The following tables provide additional information regarding our short-term borrowings (dollars in thousands).

	Outstanding Balance at March 31, 2016	Three Months Ended March 31, 2016		
		Average Daily Amount Outstanding ^(A)	Maximum Amount Outstanding	Weighted Average Daily Interest Rate
<u>Repurchase Agreements</u>				
Agency RMBS	\$ 1,629,971	\$ 1,637,506	\$ 1,683,305	0.69%
Non-Agency RMBS	1,490,273	1,369,703	1,490,273	1.86%
Residential Mortgage Loans	723,954	889,834	974,408	2.80%
Real Estate Owned	95,983	87,270	97,943	3.07%
Consumer Loans	34,223	34,569	40,446	4.10%
<u>Notes and Bonds Payable</u>				
Servicer Advances	2,916,719	2,651,087	2,961,031	2.43%
Residential Mortgage Loans	13,786	14,260	15,652	3.26%
Real Estate Owned	3,539	3,518	3,877	3.26%
Total/Weighted Average	\$ 6,908,448	\$ 6,687,747	\$ 7,266,935	1.96%

(A) Represents the average for the period the debt was outstanding.

For additional information on our debt activities, see Note 11 to our Condensed Consolidated Financial Statements.

Maturities

Our debt obligations as of March 31, 2016, as summarized in Note 11 to our Condensed Consolidated Financial Statements, had contractual maturities as follows (in thousands):

Year	Nonrecourse ^(A)	Recourse ^(B)	Total
April 1 through December 31, 2016	\$ 1,547,745	\$ 3,652,241	\$ 5,199,986
2017	5,045,240	441,308	5,486,548
2018	368,380	—	368,380
2019	—	—	—
2020	—	—	—
2021 and thereafter	1,808,211	—	1,808,211
	<u>\$ 8,769,576</u>	<u>\$ 4,093,549</u>	<u>\$ 12,863,125</u>

(A) Includes repurchase agreements and notes and bonds payable of \$81.0 million and \$8,688.6 million, respectively.

(B) Includes repurchase agreements and notes and bonds payable of \$3,893.5 million and \$200.1 million, respectively.

The weighted average differences between the fair value of the assets and the face amount of available financing for the Agency RMBS repurchase agreements (including amounts related to Trades Receivable) and Non-Agency RMBS repurchase agreements were 3.6% and 16.1%, respectively, and for Residential Mortgage Loans and Real Estate Owned were 17.7% and 15.3%, respectively, during the three months ended March 31, 2016.

Borrowing Capacity

The following table represents our borrowing capacity as of March 31, 2016 (in thousands):

Debt Obligations/ Collateral	Collateral Type	Borrowing Capacity	Balance Outstanding	Available Financing
<u>Repurchase Agreements</u>				
Residential Mortgage Loans	Real Estate Loans	\$ 2,435,000	\$ 819,937	\$ 1,615,063
<u>Notes and Bonds Payable</u>				
Servicer Advances ^(A)	Servicer Advances	7,574,183	6,880,413	693,770
		<u>\$ 10,009,183</u>	<u>\$ 7,700,350</u>	<u>\$ 2,308,833</u>

(A) Our unused borrowing capacity is available to us if we have additional eligible collateral to pledge and meet other borrowing conditions as set forth in the applicable agreements, including any applicable advance rate. We pay a 0.3% fee on the unused borrowing capacity. Excludes borrowing capacity and outstanding debt for retained non-agency bonds with a current face amount of \$175.8 million.

Covenants

Certain of the debt obligations are subject to customary loan covenants and event of default provisions, including event of default provisions triggered by a 50% equity decline over any 12-month period, or a 35% decline over any three-month period, as of a quarter end, and a 4:1 indebtedness to tangible net worth provision. We were in compliance with all of our debt covenants as of March 31, 2016.

Stockholders' Equity

Common Stock

Approximately 2.4 million shares of our common stock were held by Fortress, through its affiliates, and its principals as of March 31, 2016.

As of March 31, 2016, our outstanding options corresponding to Newcastle options issued prior to 2011 had a weighted average exercise price of \$31.36 and our outstanding options corresponding to Newcastle options issued in 2011, 2012 and 2013, as well as options issued by us in 2013 and thereafter, had a weighted average exercise price of \$14.32. Our outstanding options as of March 31, 2016 are summarized as follows:

	March 31, 2016		
	Issued Prior to 2011	Issued in 2011 - 2015	Total
Held by the Manager	345,720	8,874,152	9,219,872
Issued to the Manager and subsequently transferred to certain of the Manager's employees	88,280	3,067,955	3,156,235
Issued to the independent directors	—	4,000	4,000
Total	434,000	11,946,107	12,380,107

On January 19, 2016, we announced that our board of directors had authorized the repurchase of up to \$200 million of our common stock over the next 12 months. Repurchases may be made at any time and from time to time through open market purchases or privately negotiated transactions, pursuant to one or more plans established pursuant to Rule 10b5-1 under the Exchange Act, by means of one or more tender offers, or otherwise, in each case, as permitted by securities laws and other legal and contractual requirements. The amount and timing of the purchases, if any, will depend on a number of factors including the price and availability of our shares, trading volume, capital availability, our performance and general economic and market conditions. The share repurchase program may be suspended or discontinued at any time. No share repurchases have been made as of the filing of this report. Repurchases may impact our financial results, including fees paid to our Manager.

Accumulated Other Comprehensive Income (Loss)

During the three months ended March 31, 2016, our accumulated other comprehensive income (loss) changed due to the following factors (in thousands):

	Total Accumulated Other Comprehensive Income
Accumulated other comprehensive income, December 31, 2015	\$ 3,936
Net unrealized gain (loss) on securities	(19,969)
Reclassification of net realized (gain) loss on securities into earnings	3,121
Accumulated other comprehensive income (loss), March 31, 2016	\$ (12,912)

Our GAAP equity changes as our real estate securities portfolio is marked to market each quarter, among other factors. The primary causes of mark to market changes are changes in interest rates and credit spreads. During the three months ended March 31, 2016, we recorded unrealized losses on our real estate securities primarily caused by performance, liquidity and other factors related specifically to certain investments, offset by a net tightening of credit spreads. We recorded OTTI charges of \$3.3 million with respect to real estate securities and realized gains of \$16.1 million on sales of real estate securities.

See “—Market Considerations” above for a further discussion of recent trends and events affecting our unrealized gains and losses, as well as our liquidity.

Common Dividends

We are organized and intend to conduct our operations to qualify as a REIT for U.S. federal income tax purposes. We intend to make regular quarterly distributions to holders of our common stock. U.S. federal income tax law generally requires that a REIT distribute annually at least 90% of its REIT taxable income, without regard to the deduction for dividends paid and excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its taxable income. We intend to make regular quarterly distributions of our taxable income to holders of our common stock out of assets legally available for this purpose, if and to the extent authorized by our board of directors. Before we pay any dividend, whether for U.S. federal income tax purposes or otherwise, we must first meet both our operating requirements and debt service on our repurchase agreements and other debt payable. If our cash available for distribution is less than our taxable income, we could be required to sell assets or raise capital to make cash distributions or we may make a portion of the required distribution in the form of a taxable stock distribution or distribution of debt securities.

We make distributions based on a number of factors, including an estimate of taxable earnings per common share. Dividends distributed and taxable and GAAP earnings will typically differ due to items such as fair value adjustments, differences in premium amortization and discount accretion, other differences in method of accounting, non-deductible general and administrative expenses, taxable income arising from certain modifications of debt instruments and investments held in TRSs. Our quarterly dividend per share may be substantially different than our quarterly taxable earnings and GAAP earnings per share.

Common Dividends Declared for the Period Ended	Paid	Amount Per Share
December 31, 2015	January 2016	\$ 0.46
March 31, 2016	April 2016	\$ 0.46

Cash Flow

Operating Activities

Net cash flows provided by operating activities increased approximately \$184.8 million for the three months ended March 31, 2016 as compared to the three months ended March 31, 2015. Operating cash inflows for the three months ended March 31, 2016 primarily consisted of proceeds from sales and principal repayments of purchased residential mortgage loans, held-for-sale of \$249.6 million, collections on receivables and other assets of \$28.3 million, net interest income received of \$74.8 million, distributions of earnings from equity method investees of \$9.8 million, and distributions from equity method investees in excess of our basis of \$9.9 million. Operating cash outflows primarily consisted of purchases of residential mortgage loans, held-for-sale of \$173.3 million, incentive compensation and management fees paid to the Manager of \$29.4 million, income taxes paid of \$0.3 million and other outflows of approximately \$5.4 million that primarily consisted of general and administrative costs.

Investing Activities

Cash flows used in investing activities were \$221.9 million for the three months ended March 31, 2016. Investing activities during the three months ended March 31, 2016 consisted primarily of the acquisition of Servicer Advances, Excess MSRs, real estate securities and loans, as well as the SpringCastle Transaction, net of principal repayments from Excess MSRs, Servicer Advances, Agency RMBS, Non-Agency RMBS and loans, as well as proceeds from the sale of real estate securities and loans, and derivative cash flows.

Financing Activities

Cash flows used in financing activities were approximately \$382.6 million during the three months ended March 31, 2016. Financing activities during the three months ended March 31, 2016 consisted primarily of borrowings net of repayments under debt obligations, capital distributions to noncontrolling interests in the equity of a consolidated subsidiary, and payment of dividends.

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 “Quantitative and Qualitative Disclosures About Market Risk.”

OFF-BALANCE SHEET ARRANGEMENTS

We have material off-balance sheet arrangements related to our non-consolidated securitizations of mortgage loans treated as sales in which we retained certain interests. 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. Our exposure to credit losses related to these non-recourse, off-balance sheet financings is limited to \$108.9 million. As of March 31, 2016, there was \$1,685.2 million in total outstanding unpaid principal balance of mortgage loans underlying such securitization trusts that represent off-balance sheet financings.

We did not have any other off-balance sheet arrangements as of March 31, 2016. We did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured investment vehicles, or special purpose or variable interest entities, established to facilitate off-balance sheet arrangements or other contractually narrow or limited purposes, other than the entities described above. Further, we have not guaranteed any obligations of unconsolidated entities or entered into any commitment and do not intend to provide additional funding to any such entities.

CONTRACTUAL OBLIGATIONS

Our contractual obligations as of March 31, 2016 included all of the material contractual obligations referred to in our annual report on Form 10-K for the year ended December 31, 2015, excluding debt that was repaid as described in “—Liquidity and Capital Resources—Debt Obligations.”

In addition, we executed the following material contractual obligations during the three months ended March 31, 2016:

- *Derivatives* – as described in Note 10 to our Condensed Consolidated Financial Statements, we have altered the composition of our economic hedges during the period.
- *Debt obligations* – as described in Note 11 and Note 18 to our Condensed Consolidated Financial Statements, we borrowed additional amounts, including borrowings to fund servicer advances and Excess MSRs, and to purchase loans and securities.

See Notes 14 and 18 to our Condensed Consolidated Financial Statements included in this report for information regarding commitments and material contracts entered into subsequent to March 31, 2016, if any. As described in Note 14, we have committed to purchase certain future servicer advances from our servicer counterparties. The actual amount of future advances is subject to significant uncertainty. However, we currently expect that net recoveries of servicer advances will exceed net fundings for the foreseeable future. This expectation is based on judgments, estimates and assumptions, all of which are subject to significant uncertainty, as further described in “—Application of Critical Accounting Policies—Servicer Advances.”

INFLATION

Virtually all of our assets and liabilities are financial in nature. As a result, 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 “Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk.”

CORE EARNINGS

We have four primary variables that impact our operating performance: (i) the current yield earned on our investments, (ii) the interest expense under the debt incurred to finance our investments, (iii) our operating expenses and taxes and (iv) our realized and unrealized gains or losses, including any impairment and deferred tax, on our investments. “Core earnings” is a non-GAAP measure of our operating performance, excluding the fourth variable above and adjusting the earnings from the consumer loan investment to a level yield basis. It is used by management to evaluate our performance without taking into account: (i) realized and unrealized gains and losses, which although they represent a part of our recurring operations, are subject to significant variability and are only a potential indicator of future economic performance; (ii) incentive compensation paid to our Manager; (iii) non-capitalized transaction-related expenses; and (iv) deferred taxes, which are not representative of current operations.

While incentive compensation paid to our Manager may be a material operating expense, we exclude it from core earnings because (i) from time to time, a component of the computation of this expense will relate to items (such as gains or losses) that are excluded from core earnings, and (ii) it is impractical to determine the portion of the expense related to core earnings and non-core earnings, and the type of earnings (loss) that created an excess (deficit) above or below, as applicable, the incentive compensation threshold. To illustrate why it is impractical to determine the portion of incentive compensation expense that should be allocated to core earnings, we note that, as an example, in a given period, we may have core earnings in excess of the incentive compensation threshold but incur losses (which are excluded from core earnings) that reduce total earnings below the incentive compensation threshold. In such case, we would either need to (a) allocate zero incentive compensation expense to core earnings, even though core earnings exceeded the incentive compensation threshold, or (b) assign a “pro forma” amount of incentive compensation expense to core earnings, even though no incentive compensation was actually incurred. We believe that neither of these allocation methodologies achieves a logical result. Accordingly, the exclusion of incentive compensation facilitates comparability between periods and avoids the distortion to our non-GAAP operating measure that would result from the inclusion of incentive compensation that relates to non-core earnings.

With regard to non-capitalized transaction-related expenses, management does not view these costs as part of our core operations. Non-capitalized transaction-related expenses are generally legal and valuation service costs, as well as other professional service fees, incurred when we acquire certain investments, as well as costs associated with the acquisition and integration of acquired businesses.

In the fourth quarter of 2014, we modified our definition of core earnings to include accretion on held-for-sale loans as if they continued to be held-for-investment. Although we intend to sell such loans, there is no guarantee that such loans will be sold or that they will be sold within any expected timeframe. During the period prior to sale, we continue to receive cash flows from such loans and believe that it is appropriate to record a yield thereon. This modification had no impact on core earnings in 2014 or any prior period. In the second quarter of 2015, we modified our definition of core earnings to exclude all deferred taxes, rather than just deferred taxes related to unrealized gains or losses, because we believe deferred taxes are not representative of current operations. This modification was applied prospectively due to only immaterial impacts in prior periods. In the fourth quarter of 2015, we modified our definition of core earnings to limit accreted interest income on RMBS where we receive par upon the exercise of associated call rights based on the estimated value of the underlying collateral. We made the modification in order to be able to accrete to the lower of par or the value of the underlying collateral, in instances where the value of the underlying collateral is lower than par. We believe this amount represents the amount of accretion we would have expected to earn on such bonds had the call rights not been exercised. This modification had no impact on core earnings in prior periods.

Management believes that the adjustments to compute “core earnings” specified above allow investors and analysts to readily identify the operating performance of the assets that form the core of our activity, assist in comparing the core operating results between periods, and enable investors to evaluate our current performance using the same measure that management uses to operate the business.

The primary differences between core earnings and the measure we use to calculate incentive compensation relate to (i) realized gains and losses (including impairments), (ii) non-capitalized transaction-related expenses and (iii) deferred taxes (other than those related to unrealized gains and losses). Each are excluded from core earnings and included in our incentive compensation measure (either immediately or through amortization). In addition, our incentive compensation measure does not include accretion on held-for-sale loans and the timing of recognition of income from consumer loans is different. Unlike core earnings, our incentive compensation measure is intended to reflect all realized results of operations. The Gain on Remeasurement of Consumer Loans Investment was treated as an unrealized gain for the purposes of calculating incentive compensation and was therefore excluded from such calculation.

Core earnings does not represent and should not be considered as a substitute for, or superior to, net income or as a substitute for, or superior to, cash flows from operating activities, each as determined in accordance with U.S. GAAP, and our calculation of this measure may not be comparable to similarly entitled measures reported by other companies. For a further description of the difference between cash flow provided by operations and net income, see “—Liquidity and Capital Resources” above. Set forth below is a reconciliation of core earnings to the most directly comparable GAAP financial measure (dollars in thousands):

	Three Months Ended March 31,	
	2016	2015
Net income attributable to common stockholders	\$ 111,736	\$ 35,975
Impairment	9,999	2,048
Other Income adjustments:		
Other Income		
Change in fair value of investments in excess mortgage servicing rights	(7,926)	1,761
Change in fair value of investments in excess mortgage servicing rights, equity method investees	(3,022)	(4,921)
Change in fair value of investments in servicer advances	31,224	7,669
Gain on consumer loans investment	(9,943)	(10,447)
Gain on remeasurement of consumer loans investment	(71,250)	—
(Gain) loss on settlement of investments, net	14,500	(14,767)
Unrealized (gain) loss on derivative instruments	22,303	7,030
(Gain) loss on transfer of loans to REO	(2,483)	544
Unrealized (gain) loss on other ABS	(268)	290
Gain on Excess MSR recapture agreements	(732)	(730)
Other (income) loss	1,528	1,276
Other Income attributable to non-controlling interests	(992)	(4,529)
Total Other Income Adjustments	(27,061)	(16,824)
Incentive compensation to affiliate	1,196	3,693
Non-capitalized transaction-related expenses	5,970	5,549
Deferred taxes	(10,681)	(3,007)
Interest income on residential mortgage loans, held-for-sale	1,912	13,435
Limit on RMBS discount accretion related to called deals	(2,649)	—
Core earnings of equity method investees:		
Excess mortgage servicing rights	4,029	5,838
Consumer loans	17,906	16,758
Core Earnings	\$ 112,357	\$ 63,465

ITEM 3. 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, equity prices and other market based risks. The primary market risks that we are exposed to are interest rate risk, prepayment speed risk, credit spread risk and credit 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 (other than TBAs) are for non-trading purposes only. For a further discussion of how market risk may affect our financial position or results of operations, please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Application of Critical Accounting Policies.”

Interest Rate Risk

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.

We may use 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 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 or decreases in interest rates can nonetheless reduce our net interest income to the extent that we are not completely match funded. Furthermore, a period of changing 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 or subsequent 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 changing interest rates. See further disclosure regarding our Agency RMBS under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Our Portfolio—Real Estate Securities—Agency RMBS” for information about the reset terms and “Management’s Discussion and Analysis of Financial Conditions as Results of Operations—Liquidity and Capital Resources—Debt Obligations” for information about related debt.

We are exposed to fluctuations in forward LIBOR rates across our portfolio. For our investments in Servicer Advances, forward LIBOR rates have a direct impact on current period income recognition. Performance-based incentive fees paid to both Nationstar and Ocwen as part of our MSR purchase agreements are impacted by changes in LIBOR.

Ocwen’s performance-based incentive fee is reduced by a LIBOR-based factor if the advance ratio exceeds a predetermined level for that month. Shifts upward in projected LIBOR will increase any projected reduction in Ocwen’s incentive fee, thus increasing our share of the servicing fee. Conversely, shifts downward in projected LIBOR will decrease the projected reduction in Ocwen’s incentive fee, thus decreasing our share of the servicing fee.

Nationstar’s performance-based incentive fee is based on our target equity return. Changes in LIBOR may impact Nationstar’s ability to reach our target return. Shifts downward in projected LIBOR will decrease our projected cost of borrowings thus decreasing the share of the servicing fee we need to receive in order to obtain our target return. Conversely, shifts upward in projected LIBOR will increase our projected cost of borrowings thus increasing the share of the servicing fee we need to receive in order to obtain our target return.

We have elected to record our investments in servicer advances, including the right to the basic fee component of the related MSRs, at fair value. Therefore, any changes to our projected payments to/from our related servicers can impact the estimated future cash flows used to value the investments and the unrealized gains/losses on the investment. Changes to estimated future cash flows will also impact interest income recognized in the current period.

We may project net cash flow increases in connection with decreases in projected LIBOR, as a result of estimated savings on our future cost of borrowings outweighing estimated reductions of future retained servicing fees. However, only the asset impact would be reflected in our current period income statement.

As of March 31, 2016, an immediate 50 basis point increase in short term interest rates, based on a shift in the yield curve, would increase our cash flows by approximately \$7.0 million in the next 12 months, whereas a 50 basis point decrease in short term interest rates would decrease our cash flows by approximately \$2.2 million in the next 12 months, based solely on our current net floating rate exposure and assuming a static portfolio of investments (including fixed rate repurchase agreements that mature within 60 days of March 31, 2016 and assuming a LIBOR floor of 0.0%).

As of March 31, 2016, an immediate 50 basis point increase in short term interest rates, based on a shift in the yield curve, would increase our net book value by approximately \$131.7 million, whereas a 50 basis point decrease in short term interest rates would decrease our net book value by approximately \$129.0 million, based on the present value of estimated cash flows on a static portfolio of investments. This does not include changes in our book value resulting from potential related changes in discount rates; refer to “—Credit Spread Risk” below.

Second, changes in the level of interest rates also affect the yields required by the marketplace on interest bearing instruments. 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, to the extent the related assets are expected to be held, as their fair value is not relevant to their underlying cash flows. 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 certain cases, our net income.

Our investments are generally subject to interest rate risk. Generally, in a declining interest rate environment, prepayment speeds increase which in turn would cause the value of Excess MSR and basic fees to decrease and the value of loans to increase. Conversely, in an increasing interest rate environment, prepayment speeds decrease which in turn would cause the value of Excess MSR and basic fees to increase and the value of loans to decrease. To the extent we do not hedge against changes in interest rates, our balance sheet, results of operations and cash flows would be susceptible to significant volatility due to changes in the fair value of, or cash flows from, our investments as interest rates change. However, rising interest rates could result from more robust market conditions, which could reduce the credit risk associated with our investments. The effects of such a decrease in values on our financial position, results of operations and liquidity are discussed below under “—Prepayment Speed Exposure.”

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.

Interest rates are highly sensitive to many factors, including fiscal and monetary policies and domestic and international economic and political considerations, as well as other factors beyond our control.

A further discussion on the sensitivity of our book value to changes in yields required by the marketplace on interest bearing investments is included below under “—Credit Spread Risk.”

We are subject to margin calls on our repurchase agreements. Furthermore, we may, from time to time, be a party to derivative agreements or 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 but there can be no assurance that our cash reserves will be sufficient.

Prepayment Speed Exposure

Prepayment speeds significantly affect the value of Excess MSR, the basic fee component of MSR (which we own as part of our investment in servicer advances) and loans, including consumer loans. Prepayment speed is the measurement of how quickly borrowers pay down the UPB of their loans or how quickly loans are otherwise brought current, modified, liquidated or charged off. The price we pay to acquire certain investments will be based on, among other things, our projection of the cash flows from the related pool of loans. Our expectation of prepayment speeds is a significant assumption underlying those cash flow projections. If the fair value of Excess MSR decreases, we would be required to record a non-cash charge, which would have a negative impact on our financial results. Furthermore, a significant increase in prepayment speeds could materially reduce the ultimate cash flows we receive from Excess MSR or our right to the basic fee component of MSR, and we could ultimately receive substantially less than what we paid for such assets. Conversely, a significant decrease in prepayment speeds with respect to our loans could delay our expected cash flows and reduce the yield on these investments.

We seek to reduce our exposure to prepayment through the structuring of our investments. For example, in our Excess MSR investments, we seek to enter into “recapture agreements” whereby we will receive a new Excess MSR with respect to a loan that was originated by the servicer and used to repay a loan underlying an Excess MSR that we previously acquired from that same servicer. In lieu of receiving an Excess MSR with respect to the loan used to repay a prior loan, the servicer may supply a similar Excess MSR. We seek to enter into such recapture agreements in order to protect our returns in the event of a rise in voluntary prepayment rates.

Please refer to the table in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Application of Critical Accounting Policies—Excess MSRs” for an analysis of the sensitivity of these investments to changes in certain market factors.

Credit Spread Risk

Credit spreads measure the yield demanded on financial instruments by the market based on their credit relative to U.S. Treasuries, for fixed rate credit, or LIBOR, for floating rate credit. Excessive supply of such financial instruments combined with reduced demand will generally cause the market to require a higher yield on such financial instruments, 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 financial instruments. This widening would reduce the value of the financial instruments we hold at the time because higher required yields result in lower prices on existing financial instruments 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 Risk.”

As of March 31, 2016, a 25 basis point increase in credit spreads would decrease our net book value by approximately \$77.8 million, and a 25 basis point decrease in credit spreads would increase our net book value by approximately \$80.7 million, based on a static portfolio of investments, but would not directly affect our earnings or cash flow.

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

We are subject to varying degrees of credit risk in connection with our assets. Credit risk refers to the ability of each individual borrower underlying our investments in Excess MSRs, servicer advances, securities and loans to make required interest and principal payments on the scheduled due dates. If delinquencies increase, then the amount of servicer advances we are required to make will also increase. We also invest in loans and Non-Agency RMBS which represent “first loss” pieces; in other words, they do not benefit from credit support although we believe they predominantly benefit from underlying collateral value in excess of their carrying amounts. Although we do not expect to encounter credit risk in our Agency RMBS, we do anticipate credit risk related to Non-Agency RMBS, residential mortgage loans and consumer loans.

We seek to reduce credit risk through prudent asset selection, 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. Our pre-acquisition due diligence and processes for monitoring performance include the evaluation of, among other things, credit and risk ratings, principal subordination, prepayment rates, delinquency and default rates, and vintage of collateral.

Liquidity Risk

The assets that comprise our asset portfolio are generally not publicly traded. A portion of these assets may be subject to legal and other restrictions on resale or otherwise be less liquid than publicly-traded securities. The illiquidity of our assets may make it difficult for us to sell such assets if the need or desire arises, including in response to changes in economic and other conditions.

ITEM 4. CONTROLS AND PROCEDURES

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 is 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 were effective.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

On March 31, 2016, the Company completed the SpringCastle Transaction. As a result, the Company's internal control over financial reporting is being broadened to include the assets acquired, liabilities assumed and related processes. In order to broaden its internal control over financial reporting to include the assets acquired, liabilities assumed and related processes, the Company is in the process of modifying existing controls to accommodate the SpringCastle Transaction and adding controls with regards to certain new processes.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Following the HLSS Acquisition, material potential claims, lawsuits, regulatory inquiries or investigations, and other proceedings, of which we are currently aware, are as follows. We have not accrued losses in connection with these legal contingencies because management does not believe there is a probable and reasonably estimable loss. Furthermore, we cannot reasonably estimate the range of potential loss related to these legal contingencies at this time. However, the ultimate outcomes of the proceedings described below may have a material adverse effect on our business, financial position or results of operations.

In addition to the matters described below, from time to time, we are or may be involved in various disputes, litigation and regulatory inquiry and investigation matters that arise in the ordinary course of business. Given the inherent unpredictability of these types of proceedings, it is possible that future adverse outcomes could have a material adverse effect on our financial results.

Three putative class action lawsuits have been filed against HLSS and certain of its current and former officers and directors in the United States District Court for the Southern District of New York entitled: (i) *Oliveira v. Home Loan Servicing Solutions, Ltd., et al.*, No. 15-CV-652 (S.D.N.Y.), filed on January 29, 2015; (ii) *Berglan v. Home Loan Servicing Solutions, Ltd., et al.*, No. 15-CV-947 (S.D.N.Y.), filed on February 9, 2015; and (iii) *W. Palm Beach Police Pension Fund v. Home Loan Servicing Solutions, Ltd., et al.*, No. 15-CV-1063 (S.D.N.Y.), filed on February 13, 2015. On April 2, 2015, these lawsuits were consolidated into a single action, which is referred to as the “Securities Action.” On April 28, 2015, lead plaintiffs, lead counsel and liaison counsel were appointed in the Securities Action. On November 9, 2015, lead plaintiffs filed an amended class action complaint. On January 27, 2016, the Securities Action was transferred to the United States District Court for the Southern District of Florida and given the Index No. 16-CV-60165 (S.D. Fla.).

The Securities Action names as defendants HLSS, former HLSS Chairman William C. Erbey, HLSS Director, President, and Chief Executive Officer John P. Van Vlack, and HLSS Chief Financial Officer James E. Lauter. The Securities Action asserts causes of action under Sections 10(b) and 20(a) of the Exchange Act based on certain public disclosures made by HLSS relating to its relationship with Ocwen and HLSS’s risk management and internal controls. More specifically, the consolidated class action complaint alleges that a series of statements in HLSS’s disclosures were materially false and misleading, including statements about (i) Ocwen’s servicing capabilities; (ii) HLSS’s contingencies and legal proceedings; (iii) its risk management and internal controls; and (iv) certain related party transactions. The consolidated class action complaint also appears to allege that HLSS’s financial statements for the years ended 2012 and 2013, and the first quarter ended March 30, 2014, were false and misleading based on HLSS’s August 18, 2014 restatement. Lead plaintiffs in the Securities Action also allege that HLSS misled investors by failing to disclose, among other things, information regarding governmental investigations of Ocwen’s business practices. Lead plaintiffs seek money damages under the Exchange Act in an amount to be proven at trial and reasonable costs, expenses, and fees. We intend to vigorously defend the Securities Action and consistent therewith on February 11, 2015, defendants filed motions to dismiss the Securities Action in its entirety.

Three shareholder derivative actions have been filed in the United States District Court for the Southern District of Florida purportedly on behalf of Ocwen: (i) *Sokolowski v. Erbey, et al.*, No. 14-CV-81601 (S.D. Fla.) (the “Sokolowski Action”); (ii) *Hutt v. Erbey, et al.*, No. 15-CV-81709 (S.D. Fla.) (the “Hutt Action”); and (iii) *Lowinger v. Erbey, et al.*, No. 15-CV-62628 (S.D. Fla.) (the “Lowinger Action”). On November 9, 2015, HLSS filed a motion to dismiss the Sokolowski Action. While that motion was pending, the Hutt Action, which at the time did not name HLSS as a defendant, was transferred from the Northern District of Georgia to the Southern District of Florida and the Lowinger Action, which at the time also did not name HLSS as a defendant, was filed. On January 8, 2016, the court consolidated the three actions and denied HLSS’s motion to dismiss the Sokolowski complaint as moot and without prejudice to re-file a new motion to dismiss following the filing of a consolidated complaint. On March 8, 2016, plaintiffs filed their consolidated complaint. The consolidated complaint alleges, among other things, that certain of Ocwen’s current and former directors and officers, including former HLSS Chairman William C. Erbey, breached their fiduciary duties to Ocwen by, among other things, causing Ocwen to enter into transactions that were harmful to Ocwen. The complaint further alleges that HLSS and others aided and abetted the alleged breaches of fiduciary duty by Mr. Erbey and the other directors and officers of Ocwen who have been named as defendants. The consolidated complaint also asserts causes of action against HLSS and others for unjust enrichment and for contribution. The lawsuit seeks money damages from HLSS in an amount to be proven at trial. We intend to vigorously defend the lawsuit.

One shareholder derivative action has been filed in Florida state court in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida purportedly on behalf of Ocwen: *Moncavage v. Faris, et al.*, No. 2015CA003244 (Fla. Palm Beach Cty. Ct.). The complaint alleges, among other things, that certain current and former Ocwen directors and officers breached their fiduciary duties to Ocwen. The complaint also alleged that HLSS and others aided and abetted the alleged breaches of fiduciary duty. The lawsuit seeks money damages from HLSS in an amount to be proved at trial. On November 9, 2015, the court entered

an order staying all proceedings in the case pending further order of the Court. HLSS has not been served. If the litigation proceeds, New Residential intends to vigorously defend the lawsuit.

On March 11, 2015, plaintiff David Rattner filed a shareholder derivative action purportedly on behalf of HLSS entitled *Rattner v. Van Vlack, et al.*, No. 2015CA002833 (Fla. Palm Beach Cty. Ct.). The lawsuit names as defendants HLSS directors, New Residential Investment Corp., and Hexagon Merger Sub, Ltd. The HLSS Derivative Action alleges that the Director Defendants breached their fiduciary duties of due care, diligence, loyalty, honesty and good faith and the duty to act in the best interests of HLSS under Cayman law and claims that the Director Defendants approved a proposed merger with New Residential Investment Corp. that (i) provided inadequate consideration to HLSS's shareholders, (ii) included unfair deal protection devices, (iii) and was the result of an inadequate process due to conflicts of interest. On July 8, 2015, the complaint was voluntarily dismissed without prejudice.

New Residential is, from time to time, subject to inquiries by government entities. New Residential currently does not believe any of these inquiries would result in a material adverse effect on New Residential's business.

ITEM 1A. RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully read and consider the following risk factors and all other information contained in this report. If any of the following risks, as well as additional risks and uncertainties not currently known to us or that we currently deem immaterial, occur, our business, financial condition or results of operations could be materially and adversely affected. The risk factors summarized below are categorized as follows: (i) Risks Related to Our Business, (ii) Risks Related to Our Manager, (iii) Risks Related to the Financial Markets, (iv) Risks Related to Our Taxation as a REIT, (v) Risks Related to Our Common Stock and (vi) Risks Related to the HLSS Acquisition. However, these categories do overlap and should not be considered exclusive.

Risks Related to Our Business

We may not be able to successfully operate our business strategy or generate sufficient revenue to make or sustain distributions to our stockholders.

We cannot assure you that we will be able to successfully operate our business or implement our operating policies and strategies. There can be no assurance that we will be able to generate sufficient returns to pay our operating expenses and make satisfactory distributions to our stockholders, or any distributions at all. Our results of operations and our ability to make or sustain distributions to our stockholders depend on several factors, including the availability of opportunities to acquire attractive assets, the level and volatility of interest rates, the availability of adequate short- and long-term financing, conditions in the real estate market, the financial markets and economic conditions.

The value of our investments is based on various assumptions that could prove to be incorrect and could have a negative impact on our financial results.

When we make investments, we base the price we pay and the rate of amortization of those investments on, among other things, our projection of the cash flows from the related pool of loans. We record such investments on our balance sheet at fair value, and we measure their fair value on a recurring basis. Our projections of the cash flow from our investments, and the determination of the fair value thereof, are based on assumptions about various factors, including, but not limited to:

- rates of prepayment and repayment of the underlying loans;
- potential fluctuations in prevailing interest rates;
- rates of delinquencies and defaults; and
- in the case of MSRs, recapture rates; and
- in the case of servicer advances, the amount and timing of servicer advances and recoveries.

Our assumptions could differ materially from actual results. The use of different estimates or assumptions in connection with the valuation of these investments could produce materially different fair values for such investments, which could have a material adverse effect on our consolidated financial position, results of operations and cash flows. The ultimate realization of the value of our investments may be materially different than the fair values of such investments as reflected in our Condensed Consolidated Financial Statements as of any particular date.

With respect to our investments in Excess MSRs, interest-only RMBS, mortgage loans and consumer loans, when the related loans are prepaid as a result of a refinancing or otherwise, the related cash flows payable to us will either, in the case of interest-only

RMBS and/or Excess MSR cease (unless, in the case of Excess MSRs, the loans are recaptured by the related servicer upon a refinancing) or we will cease to receive interest income on such investments, as applicable. Borrowers under residential mortgage loans and consumer loans are generally permitted to prepay their loans at any time without penalty. Our expectation of prepayment speeds is a significant assumption underlying our cash flow projections. Prepayment speed is the measurement of how quickly borrowers pay down the UPB of their loans or how quickly loans are otherwise brought current, modified, liquidated or charged off. If the fair value of our Excess MSRs or interest-only RMBS decreases, we would be required to record a non-cash charge, which would have a negative impact on our financial results. Furthermore, a significant increase in prepayment speeds could materially reduce the ultimate cash flows and/or interest income, as applicable, we receive from our investments, and we could ultimately receive substantially less than what we paid for such assets. Consequently, the price we pay to acquire our investments may prove to be too high if there is a significant increase in prepayment speeds.

The values of our investments are highly sensitive to changes in interest rates. Historically, the value of MSRs, which underpin the value of certain of our investments, has increased when interest rates rise and decreased when interest rates decline due to the effect of changes in interest rates on prepayment speeds. Prepayment speeds could increase in the current interest rate environment, or as a result of a general economic recovery or other factors, which would reduce the value of our interests in MSRs.

Moreover, delinquency rates have a significant impact on the value of our investments. When delinquent mortgage loans are resolved through foreclosure (or repurchased by the GSEs), the UPB of such mortgage loans cease to be a part of the aggregate UPB of the serviced loan pool when the related properties are foreclosed on and liquidated and the related cash flows payable to us, as the holder of the Excess MSR or basic fee, as applicable, cease. An increase in delinquencies will generally result in lower revenue because typically we will only collect on our Excess MSRs from GSEs or mortgage owners for performing loans. An increase in delinquencies with respect to the loans underlying our servicer advances could also result in a higher advance balance and the need to obtain additional financing, which we may not be able to do on favorable terms or at all. In addition, delinquencies on the loans underlying our servicer advances give rise to accrued but unpaid servicing fees, or “deferred servicing fees,” which we have agreed to purchase in connection with our purchase of servicer advances, and deferred servicing fees generally cannot be financed on terms as favorable as the terms available to other types of servicer advances. Additionally, in the case of mortgage loans, consumer loans and RMBS that we own, an increase in foreclosures could result in an acceleration of repayments, resulting in a decrease in interest income. Alternatively, increases in delinquencies and defaults could also adversely affect our investments in RMBS, mortgage loans and/or consumer loans if and to the extent that losses are suffered on mortgage loans, consumer loans or, in the case of RMBS, the mortgage loans underlying such RMBS. Accordingly, if delinquencies are significantly greater than expected, the estimated fair value of these investments could be diminished. As a result, we could suffer a loss, which would have a negative impact on our financial results.

We are party to “recapture agreements” whereby we receive a new Excess MSR with respect to a loan that was originated by the servicer and used to repay a loan underlying an Excess MSR that we previously acquired from that same servicer. In lieu of receiving an Excess MSR with respect to the loan used to repay a prior loan, the servicer may supply a similar Excess MSR. We believe that recapture agreements will mitigate the impact on our returns in the event of a rise in voluntary prepayment rates. There are no assurances, however, that servicers will enter into recapture agreements with us in connection with any future investment in Excess MSRs. We are not party to any similar recapture arrangements with respect to mortgage loans or consumer loans that we own.

If the servicer does not meet anticipated recapture targets, the servicing cash flow on a given pool could be significantly lower than projected, which could have a material adverse effect on the value of our Excess MSRs and consequently on our business, financial condition, results of operations and cash flows. Our recapture target for our current recapture agreements is stated in the table in Note 12 to our Condensed Consolidated Financial Statements included herein. In our investment in servicer advances, we are not entitled to the cash flows from recaptured loans.

Servicer advances may not be recoverable or may take longer to recover than we expect, which could cause us to fail to achieve our targeted return on our investment in servicer advances.

We have agreed (in the case of Nationstar, together with certain third-party investors) to purchase from certain of our servicers all servicer advances related to certain loan pools, as a result of which we are entitled to amounts representing repayment for such advances. During any period in which a borrower is not making payments, a servicer is generally required under the applicable servicing agreement to advance its own funds to cover the principal and interest remittances due to investors in the loans, pay property taxes and insurance premiums to third parties, and to make payments for legal expenses and other protective advances. The servicer also advances funds to maintain, repair and market real estate properties on behalf of investors in the loans.

Repayment for servicer advances and payment of deferred servicing fees are generally made from late payments and other collections and recoveries on the related mortgage loan (including liquidation, insurance and condemnation proceeds) or, if the

related servicing agreement provided for a “general collections backstop,” from collections on other mortgage loans to which such servicing agreement relates. The rate and timing of payments on servicer advances and deferred servicing fees are unpredictable for several reasons, including the following:

- payments on the servicer advances and the deferred servicing fees depend on the source of repayment, and whether and when the related servicer receives such payment (certain servicer advances are reimbursable only out of late payments and other collections and recoveries on the related mortgage loan, while others are also reimbursable out of principal and interest collections with respect to all mortgage loans serviced under the related servicing agreement, and as a consequence, the timing of such reimbursement is highly uncertain);
- the length of time necessary to obtain liquidation proceeds may be affected by conditions in the real estate market or the financial markets generally, the availability of financing for the acquisition of the real estate and other factors, including, but not limited to, government intervention;
- the length of time necessary to effect a foreclosure may be affected by variations in the laws of the particular jurisdiction in which the related mortgaged property is located, including whether or not foreclosure requires judicial action;
- the requirements for judicial actions for foreclosure (which can result in substantial delays in reimbursement of servicer advances and payment of deferred servicing fees), which vary from time to time as a result of changes in applicable state law; and
- the ability of the related servicer to sell delinquent mortgage loans to third parties prior to liquidation, resulting in the early reimbursement of outstanding unreimbursed servicer advances in respect of such mortgage loans.

As home values change, the servicer may have to reconsider certain of the assumptions underlying its decisions to make advances. In certain situations, its contractual obligations may require the servicer to make certain advances for which it may not be reimbursed. In addition, when a mortgage loan defaults or becomes delinquent, the repayment of the advance may be delayed until the mortgage loan is repaid or refinanced, or a liquidation occurs. To the extent that one of our servicers fails to recover the servicer advances in which we have invested, or takes longer than we expect to recover such advances, the value of our investment could be adversely affected and we could fail to achieve our expected return and suffer losses.

Servicing agreements related to residential mortgage securitization transactions generally require a residential mortgage servicer to make servicer advances in respect of serviced mortgage loans unless the servicer determines in good faith that the servicer advance would not be ultimately recoverable from the proceeds of the related mortgage loan, mortgaged property or mortgagor. In many cases, if the servicer determines that a servicer advance previously made would not be recoverable from these sources, the servicer is entitled to withdraw funds from the related custodial account in respect of payments on the related pool of serviced mortgages to reimburse the related servicer advance. This is what is often referred to as a “general collections backstop.” The timing of when a servicer may utilize a general collections backstop can vary (some contracts require actual liquidation of the related loan first, while others do not), and contracts vary in terms of the types of servicer advances for which reimbursement from a general collections backstop is available. Accordingly, a servicer may not ultimately be reimbursed if both (i) the payments from related loan, property or mortgagor payments are insufficient for reimbursement, and (ii) a general collections backstop is not available or is insufficient. Also, if a servicer improperly makes a servicer advance, it would not be entitled to reimbursement. Historically, according to information made available to us, Nationstar and Ocwen have each recovered more than 99% of the advances that they have made. While we do not expect recovery rates to vary materially during the term of our investments, there can be no assurance regarding future recovery rates related to our portfolio.

We rely heavily on mortgage servicers to achieve our investment objective and have no direct ability to influence their performance.

The value of our investments in Excess MSRs, servicer advances, Non-Agency RMBS and residential mortgage loans is dependent on the satisfactory performance of servicing obligations by the related mortgage servicer. The duties and obligations of mortgage servicers are defined through contractual agreements, generally referred to as Servicing Guides in the case of GSEs, or Pooling and Servicing Agreements in the case of private-label securities (collectively, the “Servicing Guidelines”). Our investment in Excess MSRs is subject to all of the terms and conditions of the applicable Servicing Guidelines. Servicing Guidelines generally provide for the possibility of termination of the contractual rights of the servicer in the absolute discretion of the owner of the mortgages being serviced (or a majority of the bondholders of a residential mortgage backed securitization). Under the GSE Servicing Guidelines, the servicer may be terminated by the applicable GSE for any reason, “with” or “without” cause, for all or any portion of the loans being serviced for such GSE. In the event mortgage owners (or bondholders) terminate the servicer, the related Excess MSRs and basic fees would under most circumstances lose all value on a going forward basis. If the servicer is terminated as servicer for any Agency pools, the related Excess MSRs will be extinguished and our investment in such Excess MSRs will likely lose all of its value. Any recovery in such circumstances will be highly conditioned and will require, among other things, a new servicer willing to pay for the right to service the applicable mortgage loans while assuming responsibility for the origination and prior servicing of the mortgage loans. In addition, any payment received from a successor servicer will be applied first to

pay the GSE for all of its claims and costs, including claims and costs against the servicer that do not relate to the mortgage loans for which we own the Excess MSRs. A termination could also result in an event of default under our financings for servicer advances. It is expected that any termination of a servicer by mortgage owners (or bondholders) would take effect across all mortgages of such mortgage owners (or bondholders) and would not be limited to a particular vintage or other subset of mortgages. Therefore, it is expected that all investments with a given servicer would lose all their value in the event mortgage owners (or bondholders) terminate such servicer. Nationstar and Ocwen are the servicers of most of the loans underlying our investments in Excess MSRs and servicer advances, and Nationstar and Ocwen are the servicer or master servicer of the vast majority of the loans underlying our Non-Agency RMBS to date. See “—We have significant counterparty concentration risk in Nationstar, Ocwen and OneMain, and are subject to other counterparty concentration and default risks.” As a result, we could be materially and adversely affected if Nationstar, Ocwen or any other servicer of the loans underlying our investments is unable to adequately carry out its duties as a result of:

- its failure to comply with applicable laws and regulation;
- a downgrade in its servicer rating;
- its failure to maintain sufficient liquidity or access to sources of liquidity;
- its failure to perform its loss mitigation obligations;
- its failure to perform adequately in its external audits;
- a failure in or poor performance of its operational systems or infrastructure;
- regulatory or legal scrutiny regarding any aspect of a servicer’s operations, including, but not limited to, servicing practices and foreclosure processes lengthening foreclosure timelines;
- a GSE’s or a whole-loan owner’s transfer of servicing to another party; or
- any other reason.

Nationstar is subject to numerous legal proceedings, federal, state or local governmental examinations, investigations or enforcement actions in the ordinary course of business, which could adversely affect its reputation and its liquidity, financial position and results of operations. For example, on March 5, 2014, Nationstar received a letter from Benjamin Lawsky, Superintendent of the New York Department of Financial Services (“NY DFS”), in connection with Nationstar’s recent growth, certain operational issues alleged in complaints from certain New York consumers. Other servicers, including Ocwen, have experienced heightened regulatory scrutiny, and Nationstar could be adversely affected by the market’s perception that Nationstar could experience similar regulatory issues. See “—Ocwen has been and is subject to certain federal and state regulatory matters” for more information on heightened regulatory scrutiny of Ocwen.

Loss mitigation techniques are intended to reduce the probability that borrowers will default on their loans and to minimize losses when defaults occur, and they may include the modification of mortgage loan rates, principal balances and maturities. If any of our servicers or subservicers fails to adequately perform its loss mitigation obligations, we could be required to purchase servicer advances in excess of those that we might otherwise have had to purchase, and the time period for collecting servicer advances may extend. Any increase in servicer advances or material increase in the time to resolution of a defaulted loan could result in increased capital requirements and financing costs for us and our co-investors and could adversely affect our liquidity and net income. In the event that one of our servicers from which we are obligated to purchase servicer advances is required by the applicable Servicing Guidelines to make advances in excess of amounts that we or, in the case of Nationstar, the co-investors, are willing or able to fund, such servicer may not be able to fund these advance requests, which could result in a termination event under the applicable Servicing Guidelines, an event of default under our advance facilities and a breach of our purchase agreement with such servicer. As a result, we could experience a partial or total loss of the value of our investment in servicer advances.

MSRs and servicer advances are subject to numerous federal, state and local laws and regulations and may be subject to various judicial and administrative decisions. If the servicer actually or allegedly failed to comply with applicable laws, rules or regulations, it could be terminated as the servicer, and could lead to civil and criminal liability, loss of licensing, damage to our reputation and litigation, which could have a material adverse effect on our business, financial condition, results of operations or cash flows. In addition, servicer advances that are improperly made may not be eligible for financing under our facilities and may not be reimbursable by the related securitization trust or other owner of the mortgage loan, which could cause us to suffer losses.

Favorable ratings from third-party rating agencies, such as Standard & Poor’s Ratings Services (“S&P”), Moody’s Investors Service (“Moody’s”) and Fitch Ratings (“Fitch”), are important to the conduct of a mortgage servicer’s loan servicing business, and a downgrade in a mortgage servicer’s ratings could have an adverse effect on the value of our Excess MSRs and servicer advances, and result in an event of default under our financing for advances. Downgrades in a mortgage servicer’s servicer ratings could adversely affect their and our ability to finance servicer advances and maintain their status as an approved servicer by Fannie Mae and Freddie Mac. Downgrades in servicer ratings could also lead to the early termination of existing advance facilities and affect the terms and availability of match funded advance facilities that a mortgage servicer or we may seek in the future. A mortgage servicer’s failure to maintain favorable or specified ratings may cause their termination as a servicer and may impair

their ability to consummate future servicing transactions, which could result in an event of default under our financing for servicer advances and have an adverse effect on the value of our investments since we will rely heavily on mortgage servicers to achieve our investment objective and have no direct ability to influence their performance.

In addition, a bankruptcy by any mortgage servicer that services the mortgage loans underlying our Excess MSRs and servicer advances could materially and adversely affect us. See “—A bankruptcy of any of our mortgage servicers could materially and adversely affect us.”

For additional information about the ways in which we may be affected by mortgage servicers, see “—The value of our Excess MSRs, servicer advances and RMBS may be adversely affected by deficiencies in servicing and foreclosure practices, as well as related delays in the foreclosure process.”

Ocwen has been and is subject to certain federal and state regulatory matters.

Ocwen, a public company, has announced that, on December 19, 2013, Ocwen reached an agreement, which was approved by consent judgment by the U.S. District Court for the District of Columbia on February 26, 2014, involving the Consumer Financial Protection Bureau, various state attorneys general and other agencies that regulate the mortgage servicing industry. According to Ocwen’s disclosure, the key elements of the settlement are as follows:

- A commitment by Ocwen to service loans in accordance with specified servicing guidelines and to be subject to oversight by an independent national monitor for three years;
- A payment of \$127.3 million to a consumer relief fund to be disbursed by an independent administrator to eligible borrowers. In May 2014, Ocwen satisfied this obligation with regard to the consumer relief fund, \$60.4 million of which is the responsibility of former owners of certain servicing portfolios acquired by Ocwen, pursuant to indemnification and loss sharing provisions in the applicable agreements; and
- A commitment by Ocwen to continue its principal forgiveness modification programs to delinquent and underwater borrowers, including underwater borrowers at imminent risk of default, in an aggregate amount of at least \$2.0 billion over three years from the date of the consent order. Ocwen will only receive credit towards its \$2.0 billion commitment for principal reductions that satisfy various criteria set forth in the settlement. If Ocwen fails to fulfill its \$2.0 billion commitment before the deadline, Ocwen will be required to pay a cash penalty in an amount equal to the unmet commitment amount, unless the parties to the settlement negotiate an extension or other modification of the terms of the commitment.

On December 22, 2014, Ocwen announced that it had reached a settlement agreement with the NY DFS related to investigations into Ocwen’s mortgage servicing practices in New York. According to Ocwen’s disclosure, the key elements of the settlement are as follows:

- Payment of \$100 million to the NY DFS to be used by the State of New York for housing, foreclosure relief and community redevelopment programs;
- Payment of \$50 million as restitution to certain New York borrowers;
- Installation of a NY DFS Operations Monitor to monitor and assess the adequacy and effectiveness of Ocwen’s operations for a period of two years, which may be extended another 12 months at the option of the NY DFS;
- Requirements that Ocwen will not share any common officers or employees with any related party and will not share risk, internal audit or vendor oversight functions with any related party;
- Requirements that certain Ocwen employees, officers and directors be recused from negotiating or voting to approve certain transactions with a related party;
- Resignation of Ocwen’s Chairman of the Board from the Board of Directors of Ocwen and at related companies, including HLSS; and
- Restrictions on Ocwen’s ability to acquire new MSRs.

On January 23, 2015, Ocwen announced that it had reached a settlement with the California Department of Business Oversight (the “CA DBO”) in relation to an administrative action dated October 3, 2014 in California. According to Ocwen’s disclosure, the key elements of the settlement are as follows:

- Payment of \$2.5 million;
- Engagement of an independent auditor to assess Ocwen’s compliance with laws and regulations impacting California’ borrowers for a period of at least two years; and
- Prevention of Ocwen from acquiring additional MSRs for loans secured in the State of California until the CA DBO is satisfied that Ocwen can satisfactorily respond to the requests for information and documentation made in the course of a regulatory exam.

Regulatory action against Ocwen could increase our financing costs or operating expenses, reduce our revenues or otherwise materially adversely affect our business, financial condition, results of operations and liquidity. Ocwen may be subject to additional federal and state regulatory matters in the future that could materially and adversely affect the value of our investments because we rely heavily on Ocwen to achieve our investment objectives and have no direct ability to influence its performance.

We have significant counterparty concentration risk in Nationstar, Ocwen and OneMain, and are subject to other counterparty concentration and default risks.

We are not restricted from dealing with any particular counterparty or from concentrating any or all of our transactions with a few counterparties. 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, cash flows and financial condition.

A majority of our co-investments in Excess MSR and servicer advances related to loans serviced by Nationstar or Ocwen. If Nationstar or Ocwen is terminated as the servicer of some or all of these portfolios, or in the event that it files for bankruptcy, our expected returns on these investments would be severely impacted. In addition, a large portion of the loans underlying our Non-Agency RMBS are serviced by Nationstar or Ocwen. We closely monitor Nationstar's and Ocwen's mortgage servicing performance and overall operating performance, financial condition and liquidity, as well as its compliance with regulations and Servicing Guidelines. We have various information, access and inspection rights in our agreements with Nationstar and Ocwen that enable us to monitor their financial and operating performance and credit quality, which we periodically evaluate and discuss with Nationstar's management. However, we have no direct ability to influence our servicers' performance, and our diligence cannot prevent, and may not even help us anticipate, the termination of any such servicers' servicing agreement.

Furthermore, Nationstar and Ocwen are subject to numerous legal proceedings, federal, state or local governmental examinations, investigations or enforcement actions, which could adversely affect its reputation and its liquidity, financial position and results of operations.

None of our servicers have an obligation to offer us any future co-investment opportunity on the same terms as prior transactions, or at all, and we may not be able to find suitable counterparties from which to acquire Excess MSR and servicer advances, which could impact our business strategy. See "—We will rely heavily on mortgage servicers to achieve our investment objective and have no direct ability to influence their performance."

Repayment of the outstanding amount of servicer advances (including payment with respect to deferred servicing fees) may be subject to delay, reduction or set-off in the event that any applicable servicer or subservicer breaches any of its obligations under the related servicing agreements, including, without limitation, any failure of such servicer to perform its servicing and advancing functions in accordance with the terms of such servicing agreements. If any applicable servicer is terminated or resigns as servicer and the applicable successor servicer does not purchase all outstanding servicer advances at the time of transfer, collection of the servicer advances will be dependent on the performance of such successor servicer and, if applicable, reliance on such successor servicer's compliance with the "first-in, first-out" or "FIFO" provisions of the Servicing Guidelines. In addition, such successor servicers may not agree to purchase the outstanding advances on the same terms as our current purchase arrangements and may require, as a condition of their purchase, modification to such FIFO provisions, which could further delay our repayment and have adversely affect the returns from our investment.

We are subject to substantial other operational risks associated to Nationstar, Ocwen or any other applicable servicer or subservicer in connection with the financing of servicer advances. In our current financing facilities for servicer advances, the failure of our servicer or subservicer to satisfy various covenants and tests can result in an amortization event and/or an event of default. We have no direct ability to control our servicer or subservicer's compliance with those covenants and tests. Failure of our servicer or subservicer to satisfy any such covenants or tests could result in a partial or total loss on our investment.

In addition, Ocwen is a party to substantially all financing agreements with subsidiaries of HLSS acquired by us in the HLSS Acquisition (including the servicer advance facilities). Our ability to obtain financing for the assets of those acquired subsidiaries is dependent on Ocwen's agreement to be a party to its financing agreements. If Ocwen does not agree to be a party to these financing agreements for any reason, we may not be able to obtain financing on favorable terms or at all. Breaches and other events with respect to Ocwen (including, without limitation, failure of Ocwen to satisfy certain financial tests) could cause certain or all of the financing, in respect of assets acquired from HLSS to become due and payable prior to maturity. Our ability to obtain financing on such assets is dependent on Ocwen's ability to satisfy various tests under such financing arrangements. We will be dependent on Ocwen as the servicer of the mortgage loans with respect to which we are entitled to the basic fee component, and Ocwen's servicing practices may impact the value of certain of our assets. We may be adversely impacted:

- By regulatory actions taken against Ocwen;
- By a default by Ocwen under its debt agreements;
- By further downgrades in Ocwen's servicer rating;
- If Ocwen fails to ensure its servicer advances comply with the terms of its Pooling and Servicing Agreements ("PSAs");
- If Ocwen were terminated as servicer under certain PSAs;
- If Ocwen becomes subject to a bankruptcy proceeding; or
- If Ocwen fails to meet its obligations or is deemed to be in default under the indenture governing notes issued under any servicer advance facility with respect to which Ocwen is the servicer.

In addition, the consumer loans in which we have invested are serviced by OneMain. If OneMain is terminated as the servicer of some or all of these portfolios, or in the event that it files for bankruptcy, our expected returns on these investments could be severely impacted.

Moreover, we are party to repurchase agreements with a limited number of counterparties. If any of our counterparties elected not to roll our repurchase agreements, we may not be able to find a replacement counterparty, which would have a material adverse effect on our financial condition.

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 will 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, cash flows 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.

Counterparty risks have increased in complexity and magnitude as a result of the insolvency of a number of major financial institutions in recent years and the consequent decrease in the number of potential counterparties. In addition, counterparties have generally tightened their underwriting standards and increased their margin requirements for financing, which could negatively impact us in several ways, including by 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.

A bankruptcy of any of our mortgage servicers could materially and adversely affect us.

If Nationstar, Ocwen or any of our other mortgage servicers becomes subject to a bankruptcy proceeding, we could be materially and adversely affected, and you could suffer losses, as discussed below.

A sale of Excess MSRs, servicer advances or other asset, including loans, could be re-characterized as a pledge of such assets in a bankruptcy proceeding.

We believe that a mortgage servicer's transfer to us of Excess MSRs, servicer advances and any other asset transferred pursuant to a related purchase agreement, including loans, constitutes a sale of such assets, in which case such assets would not be part of such servicer's bankruptcy estate. The servicer (as debtor-in-possession in the bankruptcy proceeding), a bankruptcy trustee appointed in such servicer's bankruptcy proceeding, or any other party in interest, however, might assert in a bankruptcy proceeding that Excess MSRs, servicer advances or any other assets transferred to us pursuant to the related purchase agreement were not sold to us but were instead pledged to us as security for such servicer's obligation to repay amounts paid by us to the servicer pursuant to the related purchase agreement. If such assertion were successful, all or part of the Excess MSRs, servicer advances or any other asset transferred to us pursuant to the related purchase agreement would constitute property of the bankruptcy estate of such servicer, and our rights against the servicer would be those of a secured creditor with a lien on such assets. Under such circumstances, cash proceeds generated from our collateral would constitute "cash collateral" under the provisions of the U.S. bankruptcy laws. Under U.S. bankruptcy laws, the servicer could not use our cash collateral without either (a) our consent or (b) approval by the bankruptcy court, subject to providing us with "adequate protection" under the U.S. bankruptcy laws. In addition, under such circumstances, an issue could arise as to whether certain of these assets generated after the commencement of the bankruptcy proceeding would constitute after-acquired property excluded from our lien pursuant to the U.S. bankruptcy laws.

If such a recharacterization occurs, the validity or priority of our security interest in the Excess MSRs, servicer advances or other assets could be challenged in a bankruptcy proceeding of such servicer.

If the purchases pursuant to the related purchase agreement are recharacterized as secured financings as set forth above, we nevertheless created and perfected security interests with respect to the Excess MSRs, servicer advances and other assets that we may have purchased from such servicer by including a pledge of collateral in the related purchase agreement and filing financing statements in appropriate jurisdictions. Nonetheless, our security interests may be challenged and ruled unenforceable, ineffective or subordinated by a bankruptcy court. If this were to occur, then the servicer's obligations to us with respect to purchased Excess MSRs, servicer advances and other assets would be deemed unsecured obligations, payable from unencumbered assets to be shared among all of such servicer's unsecured creditors. In addition, even if the security interests are found to be valid and enforceable, if a bankruptcy court determines that the value of the collateral is less than such servicer's underlying obligations to us, the difference between such value and the total amount of such obligations will be deemed an unsecured "deficiency" claim and the same result will occur with respect to such unsecured claim. In addition, even if the security interest is found to be valid and enforceable, such servicer would have the right to use the proceeds of our collateral subject to either (a) our consent or (b) approval by the bankruptcy court, subject to providing us with "adequate protection" under U.S. bankruptcy laws. Such servicer also would have the ability to confirm a chapter 11 plan over our objections if the plan complied with the "cramdown" requirements under U.S. bankruptcy laws.

Payments made by a servicer to us could be voided by a court under federal or state preference laws.

If one of our mortgage servicers were to file, or to become the subject of, a bankruptcy proceeding under the United States Bankruptcy Code or similar state insolvency laws, and our security interest is declared unenforceable, ineffective or subordinated, payments previously made by a servicer to us pursuant to the related purchase agreement may be recoverable on behalf of the bankruptcy estate as preferential transfers. A payment could constitute a preferential transfer if a court were to find that the payment was a transfer of an interest of property of such servicer that:

- Was made to or for the benefit of a creditor;
- Was for or on account of an antecedent debt owed by such servicer before that transfer was made;
- Was made while such servicer was insolvent (a company is presumed to have been insolvent on and during the 90 days preceding the date the company's bankruptcy petition was filed);
- Was made on or within 90 days (or if we are determined to be a statutory insider, on or within one year) before such servicer's bankruptcy filing;
- Permitted us to receive more than we would have received in a Chapter 7 liquidation case of such servicer under U.S. bankruptcy laws; and
- Was a payment as to which none of the statutory defenses to a preference action apply.

If the court were to determine that any payments were avoidable as preferential transfers, we would be required to return such payments to such servicer's bankruptcy estate and would have an unsecured claim against such servicer with respect to such returned amounts.

Payments made to us by such servicer, or obligations incurred by it, could be voided by a court under federal or state fraudulent conveyance laws.

The mortgage servicer (as debtor-in-possession in the bankruptcy proceeding), a bankruptcy trustee appointed in such servicer's bankruptcy proceeding, or another party in interest could also claim that such servicer's transfer to us of Excess MSRs, servicer advances or other assets or such servicer's agreement to incur obligations to us under the related purchase agreement was a fraudulent conveyance. Under U.S. bankruptcy laws and similar state insolvency laws, transfers made or obligations incurred could be voided if such servicer, at the time it made such transfers or incurred such obligations: (a) received less than reasonably equivalent value or fair consideration for such transfer or incurrence and (b) either (i) was insolvent at the time of, or was rendered insolvent by reason of, such transfer or incurrence; (ii) was engaged in, or was about to engage in, a business or transaction for which the assets remaining with such servicer were an unreasonably small capital; or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature. If any transfer or incurrence is determined to be a fraudulent conveyance, Ocwen or Nationstar, as the case may be, (as debtor-in-possession in the bankruptcy proceeding) or a bankruptcy trustee on such servicer's behalf would be entitled to recover such transfer or to avoid the obligation previously incurred.

Any purchase agreement pursuant to which we purchase Excess MSRs, servicer advances or other assets, including loans, could be rejected in a bankruptcy proceeding of one of our mortgage servicers.

The mortgage servicer (as debtor-in-possession in the bankruptcy proceeding) or a bankruptcy trustee appointed in such servicer's bankruptcy proceeding could seek to reject the related purchase agreement and thereby terminate such servicer's obligation to service the Excess MSRs, servicer advances and any other asset transferred pursuant to such purchase agreement, and terminate our right to acquire additional assets under such purchase agreement and our right to require such servicer to use commercially reasonable efforts to transfer servicing. If the bankruptcy court approved the rejection, we would have a claim against such servicer for any damages from the rejection.

A bankruptcy court could stay a transfer of servicing to another servicer.

Our ability to require a mortgage servicer to use commercially reasonable efforts to transfer servicing rights to a new servicer would be subject to the automatic stay in such servicer's bankruptcy proceeding. To enforce this right, we would have to seek relief from the bankruptcy court to lift such stay, and there is no assurance that the bankruptcy court would grant this relief.

The Subservicing Agreement could be rejected in a bankruptcy proceeding.

If one of our mortgage servicers were to file, or to become the subject of, a bankruptcy proceeding under the United States Bankruptcy Code or similar state insolvency laws, such servicer (as debtor-in-possession in the bankruptcy proceeding) or the bankruptcy trustee could reject its subservicing agreement with us and terminate such servicer's obligation to service the Excess MSRs, servicer advances or loans in which we have an investment. Any claim we have for damages arising from the rejection of a subservicing agreement would be treated as a general unsecured claim for purposes of distributions from such servicer's bankruptcy estate.

Our mortgage servicers could discontinue servicing.

If one of our mortgage servicers were to file or to become the subject of a bankruptcy proceeding under the United States Bankruptcy Code, such servicer could be terminated as servicer (with bankruptcy court approval) or could discontinue servicing, in which case there is no assurance that we would be able to continue receiving payments and transfers in respect of the Excess MSRs, servicer advances and other assets purchased under the related purchase agreement. Even if we were able to obtain the servicing rights, because we do not and in the future may not have the employees, servicing platforms, or technical resources necessary to service mortgage loans, we would need to engage an alternate subservicer (which may not be readily available on acceptable terms or at all) or negotiate a new subservicing agreement with such servicer, which presumably would be on less favorable terms to us. Any engagement of an alternate subservicer by us would require the approval of the related RMBS trustees.

The automatic stay under the United States Bankruptcy Code may prevent the ongoing receipt of servicing fees or other amounts due.

Even if we are successful in arguing that we own the Excess MSRs, servicer advances and other assets, including loans, purchased under the related purchase agreement, we may need to seek relief in the bankruptcy court to obtain turnover and payment of amounts relating to such assets, and there may be difficulty in recovering payments in respect of such assets that may have been commingled with other funds of such servicer.

A bankruptcy of any of our servicers defaults our advance financing facilities and negatively impacts our ability to continue to purchase servicer advances.

If any of our servicers were to file or to become the subject of a bankruptcy proceeding, it will result in an event of default under certain of our advance financing facilities that would terminate the revolving period of such facilities. In this scenario, our advance financing facilities would not have the ability to continue funding the purchase of servicer advances under the related purchase agreement. Notwithstanding this inability to fund, such servicer may try to force us to continue making such purchases. If it is determined that we are in breach of our obligation to purchase servicer advances, any claims that we may have against such servicer may be subject to offset against claims such servicer may have against us by reason of this breach.

GSE initiatives and other actions may adversely affect returns from investments in Excess MSRs.

On January 17, 2011, the Federal Housing Finance Agency ("FHFA") announced that it had instructed Fannie Mae and Freddie Mac to study possible alternatives to the current residential mortgage servicing and compensation system used for single-family mortgage loans. It is unclear what the GSEs, including Fannie Mae or Freddie Mac, may propose as alternatives to current servicing

compensation practices, or when any such alternatives may become effective. Although we do not expect MSR that have already been created to be subject to any changes implemented by Fannie Mae or Freddie Mac, it is possible that, because of the significant role of Fannie Mae or Freddie Mac in the secondary mortgage market, any changes they implement could become prevalent in the mortgage servicing industry generally. Other industry stakeholders or regulators may also implement or require changes in response to the perception that the current mortgage servicing practices and compensation do not appropriately serve broader housing policy objectives. These proposals are still evolving. To the extent the GSEs implement reforms that materially affect the market for conforming loans, there may be secondary effects on the subprime and Alt-A markets. These reforms may have a material adverse effect on the economics or performance of any Excess MSR that we may acquire in the future.

Changes to the minimum servicing amount for GSE loans could occur at any time and could impact us in significantly negative ways that we are unable to predict or protect against.

Currently, when a loan is sold into the secondary market for Fannie Mae or Freddie Mac loans, the servicer is generally required to retain a minimum servicing amount ("MSA") of 25 basis points of the UPB for fixed rate mortgages. As has been widely publicized, in September 2011, the FHFA announced that a Joint Initiative on Mortgage Servicing Compensation was seeking public comment on two alternative mortgage servicing compensation structures detailed in a discussion paper. Changes to the MSA structure could significantly impact our business in negative ways that we cannot predict or protect against. For example, the elimination of a MSA could radically change the mortgage servicing industry and could severely limit the supply of Excess MSR available for sale. In addition, a removal of, or reduction in, the MSA could significantly reduce the recapture rate on the affected loan portfolio, which would negatively affect the investment return on our Excess MSR. We cannot predict whether any changes to current MSA rules will occur or what impact any changes will have on our business, results of operations, liquidity or financial condition.

Our investments in Excess MSR and servicer advances may involve complex or novel structures.

Investments in Excess MSR and servicer advances are new types of transactions and may involve complex or novel structures. Accordingly, the risks associated with the transactions and structures are not fully known to buyers and sellers. In the case of Excess MSR on Agency pools, GSEs may require that we submit to costly or burdensome conditions as a prerequisite to their consent to an investment in Excess MSR on Agency pools. GSE conditions may diminish or eliminate the investment potential of Excess MSR on Agency pools by making such investments too expensive for us or by severely limiting the potential returns available from Excess MSR on Agency pools.

It is possible that a GSE's views on whether any such acquisition structure is appropriate or acceptable may not be known to us when we make an investment and may change from time to time for any reason or for no reason, even with respect to a completed investment. A GSE's evolving posture toward an acquisition or disposition structure through which we invest in or dispose of Excess MSR on Agency pools may cause such GSE to impose new conditions on our existing investments in Excess MSR on Agency pools, including the owner's ability to hold such Excess MSR on Agency pools directly or indirectly through a grantor trust or other means. Such new conditions may be costly or burdensome and may diminish or eliminate the investment potential of the Excess MSR on Agency pools that are already owned by us. Moreover, obtaining such consent may require us or our co-investment counterparties to agree to material structural or economic changes, as well as agree to indemnification or other terms that expose us to risks to which we have not previously been exposed and that could negatively affect our returns from our investments.

We do not have legal ownership of our acquired mortgage servicing rights.

We do not have legal ownership of the MSR related to the transactions contemplated by the purchase agreements pursuant to which we acquire advances, and are subject to increased risks as a result of the servicer continuing to own the mortgage servicing rights. The validity or priority of our interest in the underlying mortgage servicing could be challenged in a bankruptcy proceeding of the servicer, and the related purchase agreement could be rejected in such proceeding. Any of the foregoing events might have a material adverse effect on our business, financial condition, results of operations and liquidity.

Many of our investments may be 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.

Many of our investments are illiquid. Illiquidity may result from the absence of an established market for the investments, as well as legal or contractual restrictions on their resale, refinancing or other disposition. Dispositions of investments may be subject to contractual and other limitations on transfer or other restrictions that would interfere with subsequent sales of such investments or adversely affect the terms that could be obtained upon any disposition thereof.

Excess MSR and servicer advances are highly illiquid and may be subject to numerous restrictions on transfers, including without limitation the receipt of third-party consents. For example, the Servicing Guidelines of a mortgage owner may require that holders of Excess MSR obtain the mortgage owner's prior approval of any change of direct ownership of such Excess MSR. Such approval may be withheld for any reason or no reason in the discretion of the mortgage owner. Moreover, we have not received and do not expect to receive any assurances from any GSEs that their conditions for the sale by us of any Excess MSR will not change. Therefore, the potential costs, issues or restrictions associated with receiving such GSEs' consent for any such dispositions by us cannot be determined with any certainty. Additionally, investments in Excess MSR and servicer advances are new types of transaction, and the risks associated with the transactions and structures are not fully known to buyers or sellers. As a result of the foregoing, we may be unable to locate a buyer at the time we wish to sell Excess MSR or servicer advances. There is some risk that we will be required to dispose of Excess MSR or servicer advances either through an in-kind distribution or other liquidation vehicle, which will, in either case, provide little or no economic benefit to us, or a sale to a co-investor in the Excess MSR or servicer advances, which may be an affiliate. Accordingly, we cannot provide any assurance that we will obtain any return or any benefit of any kind from any disposition of Excess MSR or servicer advances. We may not benefit from the full term of the assets and for the aforementioned reasons may not receive any benefits from the disposition, if any, of such assets.

In addition, some of our real estate related securities may not be 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. There are also no established trading markets for a majority of our intended investments. Moreover, certain of our investments, including our investments in consumer loans, servicer advances and certain investments in Excess MSR, are made indirectly through a vehicle that owns the underlying assets. Our ability to sell our interest may be contractually limited or prohibited. As a result, our ability to vary our portfolio in response to changes in economic and other conditions may be limited.

Our real estate related 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. A disruption in these trading markets could reduce the trading for many real estate related securities, resulting in less transparent prices for those securities, which would make selling such assets more difficult. Moreover, a decline in market demand for the types of assets that we hold would make it more difficult to sell our assets. 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.

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

The market in which we operate is 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;
- the ability of securities dealers to make markets in relevant securities and loans;
- loan values relative to the value of the underlying real estate assets;
- default rates on the loans underlying our investments and the amount of the related losses;
- prepayment speeds, delinquency rates and legislative/regulatory changes with respect to our investments in Excess MSR, servicer advances, RMBS, and loans, and the timing and amount of servicer advances;
- the actual and perceived state of the real estate markets, market for dividend-paying stocks 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, at various points in time, 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. While market conditions have generally improved since 2008, they could deteriorate as a result of a variety of factors beyond our control with adverse effects to our financial condition.

The geographic distribution of the 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 financial condition.

The geographic distribution of the loans underlying, and collateral securing, our investments, including our Excess MSRs, servicer advances, Non-Agency RMBS and loans, exposes us to risks associated with the real estate and commercial lending 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; increased energy costs; unemployment; 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.

As of March 31, 2016, 24.3% of the total UPB of the residential mortgage loans underlying our Excess MSRs was secured by properties located in California, which are particularly susceptible to natural disasters such as fires, earthquakes and mudslides, and 8.7% was secured by properties located in Florida. As of March 31, 2016, 34.4% of the collateral securing our Non-Agency RMBS was located in the Western U.S., 24.3% was located in the Southeastern U.S., 19.5% was located in the Northeastern U.S., 11.7% was located in the Midwestern U.S. and 9.9% was located in the Southwestern U.S. We were unable to obtain geographical information for 0.2% of the collateral. As a result of this concentration, we may be more susceptible to adverse developments in those markets than if we owned a more geographically diverse portfolio. 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, cash flows and financial condition could suffer a material adverse effect.

Many of the RMBS in which we invest are collateralized by subprime mortgage loans, which are subject to increased risks.

Many of the RMBS in which we invest are 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 Fannie Mae and Freddie Mac. 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 could be correspondingly adversely affected, which could adversely impact our results of operations, liquidity, financial condition and business.

The value of our Excess MSRs, servicer advances and 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.

Justice Department 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 from pursuing additional actions against the banks and servicers in the future.

Under the terms of the agreement governing our investment in servicer advances, we (in certain cases, together with third-party co-investors) are required to purchase from Nationstar, Ocwen and our other servicers, advances on certain loan pools. While a mortgage loan is in foreclosure, servicers are generally required to continue to advance delinquent principal and interest and to also make advances for delinquent taxes and insurance and foreclosure costs and the upkeep of vacant property in foreclosure to the extent it determines that such amounts are recoverable. Servicer advances are generally recovered when the delinquency is resolved.

Foreclosure moratoria or other actions that lengthen the foreclosure process increase the amount of servicer advances our servicers are required to make and we are required to purchase, lengthen the time it takes for us to be repaid for such advances and increase the costs incurred during the foreclosure process. In addition, our advance financing facilities contain provisions that modify the advance rates for, and limit the eligibility of, servicer advances to be financed based on the length of time that servicer advances are outstanding, and, as a result, an increase in foreclosure timelines could further increase the amount of servicer advances that we need to fund with our own capital. Such increases in foreclosure timelines could increase our need for capital to fund servicer advances (which do not bear interest), which would increase our interest expense, reduce the value of our investment and potentially reduce the cash that we have available to pay our operating expenses or to pay dividends.

Even in states where servicers have not suspended foreclosure proceedings or have lifted (or will soon lift) any such delayed foreclosures, servicers, including Nationstar, Ocwen and our other servicers, have faced, and may continue to face, increased delays and costs in the foreclosure process. For example, the current legislative and regulatory climate could lead borrowers to contest foreclosures that they would not otherwise have contested under ordinary circumstances, and servicers may incur increased litigation costs if the validity of a foreclosure action is challenged by a borrower. In general, regulatory developments with respect to foreclosure practices could result in increases in the amount of servicer advances and the length of time to recover servicer advances, fines or increases in operating expenses, and decreases in the advance rate and availability of financing for servicer advances. This would lead to increased borrowings, reduced cash and higher interest expense which could negatively impact our liquidity and profitability. Although the terms of our investment in servicer advances contain adjustment mechanisms that would reduce the amount of performance fees payable to the related servicer if servicer advances exceed pre-determined amounts, those fee reductions may not be sufficient to cover the expenses resulting from longer foreclosure timelines.

The integrity of the servicing and foreclosure processes are critical to the value of the mortgage loan portfolios underlying our Excess MSRs, servicer advances and 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 result in losses on, these investments. Foreclosure delays may also increase the administrative expenses of the securitization trusts for the 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 of RMBS that we own, thus possibly adversely affecting these securities. Additionally, a substantial portion of the \$25 billion settlement is a "credit" to the banks and servicers for principal write-downs or reductions they may make to certain mortgages underlying RMBS. There remains 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 our Excess MSRs, servicer advances and 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, time consuming and, ultimately, uneconomic for us to enforce our contractual rights. 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, cash flows and financial condition.

A failure by any or all of the members of Buyer to make capital contributions for amounts required to fund servicer advances could result in an event of default under our advance facilities and a complete loss of our investment.

Buyer has agreed to purchase all future arising servicer advances from Nationstar under certain residential mortgage servicing agreements. Buyer relies, in part, on its members to make committed capital contributions in order to pay the purchase price for future servicing advances. A failure by any or all of the members to make such capital contributions for amounts required to fund servicer advances could result in an event of default under our advance facilities and a complete loss of our investment.

The loans underlying the securities we invest in and the loans we directly invest in are subject to delinquency, foreclosure and loss, which could result in losses to us.

Mortgage backed securities are securities backed by mortgage loans. The ability of borrowers to repay these mortgage loans 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. Our investments in RMBS 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.

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 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 results of operations, cash flows and financial condition.

Our investments in real estate related securities are subject to changes in credit spreads as well as available market liquidity, which could adversely affect our ability to realize gains on the sale of such investments.

Real estate related securities are subject to changes in credit spreads. Credit spreads measure the yield demanded on securities by the market based on their credit relative to a specific benchmark.

Fixed rate securities are valued based on a market credit spread over the rate payable on fixed rate U.S. Treasuries of like maturity. Floating rate securities are valued based on a market credit spread over LIBOR and are affected similarly by changes in LIBOR spreads. As of March 31, 2016, 59.8% of our Non-Agency RMBS Portfolio consisted of floating rate securities and 40.2% consisted of fixed rate securities, and 12.2% of our Agency RMBS portfolio consisted of floating rate securities and 87.8% consisted of fixed rate securities, based on the amortized cost basis of all securities (including the amortized cost basis of interest-only and residual classes). Excessive supply of these securities combined with reduced demand will generally cause the market to require a higher yield on these securities, 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 real estate related securities portfolios would tend to decline. Conversely, if the spread used to value such securities were to decrease, or "tighten," the value of our real estate related securities portfolio would tend to increase. Such changes in the market value of our real estate securities portfolios may affect our net equity, net income or cash flow 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. Widening credit spreads could cause the net unrealized gains on our securities and derivatives, recorded in accumulated other comprehensive income or retained earnings, and therefore our book value per share, to decrease and result in net losses.

Prepayment rates on the mortgage loans underlying our real estate related securities may adversely affect our profitability.

In general, the mortgage loans backing our real estate related securities may be prepaid at any time without penalty. Prepayments on our real estate related securities result when homeowners/mortgagors satisfy (i.e., pay off) the mortgage upon selling or refinancing their mortgaged property. When we acquire a particular security, we anticipate that the underlying mortgage loans will prepay at a projected rate which, together with expected coupon income, provides us with an expected yield on such securities. If we purchase assets at a premium to par value, and borrowers prepay their mortgage loans faster than expected, the corresponding prepayments on the real estate related security may reduce the expected yield on such securities because we will have to amortize the related premium on an accelerated basis. Conversely, if we purchase assets at a discount to par value, when borrowers prepay their mortgage loans slower than expected, the decrease in corresponding prepayments on the real estate related security may

reduce the expected yield on such securities because we will not be able to accrete the related discount as quickly as originally anticipated.

Prepayment rates on loans are influenced by changes in mortgage and market interest rates and a variety of economic, geographic and other factors, all of which are beyond our control. Consequently, such prepayment rates cannot be predicted with certainty and no strategy can completely insulate us from prepayment or other such risks. In periods of declining interest rates, prepayment rates on mortgage loans generally increase. If general interest rates decline at the same time, 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 our real estate related securities may, because of the risk of prepayment, benefit less than other fixed-income securities from declining interest rates.

With respect to Agency RMBS, we may purchase securities that have a higher or lower coupon rate than the prevailing market interest rates. In exchange for a higher coupon rate, we would then pay a premium over par value to acquire these securities. In accordance with GAAP, we would amortize the premiums on our Agency RMBS over the life of the related securities. If the mortgage loans securing these securities prepay at a more rapid rate than anticipated, we would have to amortize our premiums on an accelerated basis which may adversely affect our profitability. As compensation for a lower coupon rate, we would then pay a discount to par value to acquire these securities. In accordance with GAAP, we would accrete any discounts on our Agency RMBS over the life of the related securities. If the mortgage loans securing these securities prepay at a slower rate than anticipated, we would have to accrete our discounts on an extended basis which may adversely affect our profitability. Defaults on the mortgage loans underlying Agency RMBS typically have the same effect as prepayments because of the underlying Agency guarantee.

Prepayments, which are the primary feature of mortgage backed securities that distinguish them from other types of bonds, are difficult to predict and can vary significantly over time. As the holder of the security, on a monthly basis, we receive a payment equal to a portion of our investment principal in a particular security as the underlying mortgages are prepaid. In general, on the date each month that principal prepayments are announced (i.e., factor day), the value of our real estate related security pledged as collateral under our repurchase agreements is reduced by the amount of the prepaid principal and, as a result, our lenders will typically initiate a margin call requiring the pledge of additional collateral or cash, in an amount equal to such prepaid principal, in order to re-establish the required ratio of borrowing to collateral value under such repurchase agreements. Accordingly, with respect to our Agency RMBS, the announcement on factor day of principal prepayments is in advance of our receipt of the related scheduled payment, thereby creating a short-term receivable for us in the amount of any such principal prepayments. However, under our repurchase agreements, we may receive a margin call relating to the related reduction in value of our Agency RMBS and, prior to receipt of this short-term receivable, be required to post additional collateral or cash in the amount of the principal prepayment on or about factor day, which would reduce our liquidity during the period in which the short-term receivable is outstanding. As a result, in order to meet any such margin calls, we could be forced to sell assets in order to maintain liquidity. Forced sales under adverse market conditions may result in lower sales prices than ordinary market sales made in the normal course of business. If our real estate related securities were liquidated at prices below our amortized cost (i.e., the cost basis) of such assets, we would incur losses, which could adversely affect our earnings. In addition, in order to continue to earn a return on this prepaid principal, we must reinvest it in additional real estate related securities or other assets; however, if interest rates decline, we may earn a lower return on our new investments as compared to the real estate related securities that prepay.

Prepayments may have a negative impact on our financial results, the effects of which depend on, among other things, the timing and amount of the prepayment delay on our Agency RMBS, the amount of unamortized premium or discount on our real estate related securities, the rate at which prepayments are made on our Non-Agency RMBS, the reinvestment lag and the availability of suitable reinvestment opportunities.

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

We will be 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 security, it is probable that the value of the security 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, which would adversely affect our results of operations in the applicable period and thereby adversely affect our ability to pay dividends to our stockholders.

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

We finance a meaningful portion of our investments in RMBS with repurchase agreements, which are short-term financing arrangements. Under the terms of these agreements, we will sell a security to the lending counterparty for a specified price and concurrently agree to repurchase the same security from our counterparty at a later date for a higher specified price. During the term of the repurchase agreement—which can be as short as 30 days—the counterparty will make funds available to us and hold the security 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 will be required to repurchase the security 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 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. Counterparties electing to roll our repurchase agreements may charge higher spread 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 simply may not be available. If we were unable to pay the repurchase price for any security financed with a repurchase agreement, the counterparty has the right to sell the underlying security being held as collateral and require us to compensate it 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 March 31, 2016, we had outstanding repurchase agreements with an aggregate face amount of approximately \$1.5 billion to finance Non-Agency RMBS and approximately \$1.6 billion to finance Agency RMBS and related trade receivables. Moreover, our repurchase agreement obligations are currently with a limited number of counterparties. If any of our counterparties elected not to roll our repurchase agreements, we may not be able to find a replacement counterparty in a timely manner. Finally, some of our repurchase agreements contain covenants and our failure to comply with such covenants could result in a loss of our investment.

The financing sources under our servicer advance financing facilities may elect not to extend financing to us or may have or take positions adverse to us, which could quickly and seriously impair our liquidity.

We finance a meaningful portion of our investments in servicer advances with structured financing arrangements. These arrangements are commonly of a short-term nature. These arrangements are generally accomplished by having the purchaser of such servicer advances, which is a subsidiary of the Company, transfer our right to repayment for certain servicer advances we have acquired from one of our mortgage servicers to one of our wholly owned bankruptcy remote subsidiaries (a “Depositor”). We are generally required to continue to transfer to the related Depositor all of our rights to repayment for any particular pool of servicer advances as they arise (and are transferred from one of our mortgage servicers) until the related financing arrangement is paid in full and is terminated. The related Depositor then transfers such rights to an “Issuer.” The Issuer then issues limited recourse notes to the financing sources backed by such rights to repayment.

The outstanding balance of servicer advances securing these arrangements is not likely to be repaid on or before the maturity date of such financing arrangements. Accordingly, we rely heavily on our financing sources to extend or refinance the terms of such financing arrangements. Our financing sources are not required to extend the arrangements upon the expiration of their stated terms, which subjects us to a number of risks. Financing sources electing to extend may charge higher interest rates and impose more onerous terms upon us, including without limitation, lowering the amount of financing that can be extended against any particular pool of servicer advances.

If a financing source is unable or unwilling to extend financing, including, but not limited to, due to legal or regulatory matters applicable to us or our mortgage servicers, the related Issuer will be required to repay the outstanding balance of the financing on the related maturity date. Additionally, there may be substantial increases in the interest rates under a financing arrangement if the related notes are not repaid, extended or refinanced prior to the expected repayment date, which may be before the related maturity date. If an Issuer is unable to pay the outstanding balance of the notes, the financing sources generally have the right to foreclose on the servicer advances pledged as collateral.

As of March 31, 2016, certain of the notes issued under our structured servicer advance financing arrangements accrued interest at a floating rate of interest. Servicer advances are non-interest bearing assets. Accordingly, if there is an increase in prevailing interest rates and/or our financing sources increase the interest rate “margins” or “spreads,” the amount of financing that we could obtain against any particular pool of servicer advances may decrease substantially and/or we may be required to obtain interest rate hedging arrangements. There is no assurance that we will be able to obtain any such interest rate hedging arrangements.

Alternate sources of financing may be more expensive, contain more onerous terms or simply may not be available. Moreover, our structured servicer advance financing arrangements are currently with a limited number of counterparties. If any of our sources are unable to or elected not to extend or refinance such arrangements, we may not be able to find a replacement counterparty in a timely manner.

Many of our servicer advance financing arrangements are provided by financial institutions with whom we have substantial relationships. Some of our servicer advance financing arrangements entail the issuance of term notes to capital markets investors with whom we have little or no relationships or the identities of which we may not be aware and, therefore, we have no ability to control or monitor the identity of the holders of such term notes. Holders of such term notes may have or may take positions - for example, "short" positions in our stock or the stock of our servicers - that could be benefited by adverse events with respect to us or our servicers. If any holders of term notes allege or assert noncompliance by us or the related servicer under our advance financing arrangements in order to realize such benefits, we or our servicers, or our ability to maintain advance financing on favorable terms, could be materially and adversely affected.

We may not be able to finance our investments on attractive terms or at all, and financing for Excess MSRs or servicer advances may be particularly difficult to obtain.

The ability to finance investments with securitizations or other long-term non-recourse financing not subject to margin requirements has been more challenging since 2007 as a result of market conditions. These conditions may result in having 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. In addition, there is no established market for financing of investments in Excess MSRs, and it is possible that one will not develop for a variety of reasons, such as the challenges with perfecting security interests in the underlying collateral.

Certain of our advance facilities may mature in the short term, and there can be no assurance that we will be able to renew these facilities on favorable terms or at all. Moreover, an increase in delinquencies with respect to the loans underlying our servicer advances could result in the need for additional financing, which may not be available to us on favorable terms or at all. If we are not able to obtain adequate financing to purchase servicer advances from our servicers in accordance with the applicable agreement, any such servicer could default on its obligation to fund such advances, which could result in its termination as servicer under the applicable pooling and servicing agreements and a partial or total loss of our investment in servicer advances and Excess MSRs.

The non-recourse long-term financing structures we use expose us to risks, which could result in losses to us.

We use securitization and other non-recourse long-term financing for our investments to the extent available and appropriate. 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.

The final Basel FRTB Ruling, which raised capital charges for bank holders of ABS, CMBS and Non-Agency MBS beginning in 2019, could adversely impact available trading liquidity and access to financing.

In January 2006, the Basel Committee on Banking Supervision released a finalized framework for calculating minimum capital requirements for market risk, which will take effect in January 2019. In the final proposal, capital requirements would overall be meaningfully higher than current requirements, but are less punitive than the previous December 2014 proposal. However, each country's specific regulator may codify the rules differently. Under the framework, capital charges on a bond are calculated based

on three components: default, market and residual risk. Implementation of the final proposal could impose meaningfully higher capital charges on dealers compared with current requirements, and could reduce liquidity in the securitized products market.

Risks associated with our investment in the consumer loan sector could have a material adverse effect on our business and financial results.

Our portfolio includes an investment in the consumer loan sector. Although many of the risks applicable to consumer loans are also applicable to residential real estate loans, and thus the type of risks that we have experience managing, there are nevertheless substantial risks and uncertainties associated with engaging in a new category of investment. There may be factors that affect the consumer loan sector with which we are not as familiar compared to the residential mortgage loan sector. Moreover, our underwriting assumptions for these investments may prove to be materially incorrect. It is also possible that the addition of consumer loans to our investment portfolio could divert our Manager's time away from our other investments. Furthermore, external factors, such as compliance with regulations, may also impact our ability to succeed in the consumer loan investment sector. Failure to successfully manage these risks could have a material adverse effect on our business and financial results.

The consumer loans we invest in are subject to delinquency and loss, which could have a negative impact on our financial results.

The ability of borrowers to repay the consumer loans we invest in may be adversely affected by numerous personal factors, including unemployment, divorce, major medical expenses or personal bankruptcy. General factors, including an economic downturn, high energy costs or acts of God or terrorism, may also affect the financial stability of borrowers and impair their ability or willingness to repay the consumer loans in our investment portfolio. In the event of any default under a loan in the consumer loan portfolio in which we have invested, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral securing the loan, if any, and the principal and accrued interest of the loan. In addition, our investments in consumer loans may entail greater risk than our investments in residential real estate loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly. In such cases, repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency often does not warrant further substantial collection efforts against the borrower. Further, repossessing personal property securing a consumer loan can present additional challenges, including locating the collateral and taking possession of it. In addition, borrowers under consumer loans may have lower credit scores. There can be no guarantee that we will not suffer unexpected losses on our investments as a result of the factors set out above, which could have a negative impact on our financial results.

The servicer of the loans underlying our consumer loan investment may not be able to accurately track the default status of senior lien loans in instances where our consumer loan investments are secured by second or third liens on real estate.

A portion of our investment in consumer loans is secured by second and third liens on real estate. When we hold the second or third lien another creditor or creditors, as applicable, holds the first and/or second, as applicable, lien on the real estate that is the subject of the security. In these situations our second or third lien is subordinate in right of payment to the first and/or second, as applicable, holder's right to receive payment. Moreover, as the servicer of the loans underlying our consumer loan portfolio is not able to track the default status of a senior lien loan in instances where we do not hold the related first mortgage, the value of the second or third lien loans in our portfolio may be lower than our estimates indicate.

The consumer loan investment sector is subject to various initiatives on the part of advocacy groups and extensive regulation and supervision under federal, state and local laws, ordinances and regulations, which could have a negative impact on our financial results.

In recent years consumer advocacy groups and some media reports have advocated governmental action to prohibit or place severe restrictions on the types of short-term consumer loans in which we have invested. Such consumer advocacy groups and media reports generally focus on the annual percentage rate to a consumer for this type of loan, which is compared unfavorably to the interest typically charged by banks to consumers with top-tier credit histories.

The fees charged on the consumer loans in the portfolio in which we have invested may be perceived as controversial by those who do not focus on the credit risk and high transaction costs typically associated with this type of investment. If the negative characterization of these types of loans becomes increasingly accepted by consumers, demand for the consumer loan products in which we have invested could significantly decrease. Additionally, if the negative characterization of these types of loans is accepted by legislators and regulators, we could become subject to more restrictive laws and regulations in the area.

In addition, we are, or may become, subject to federal, state and local laws, regulations, or regulatory policies and practices, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") (which, among other things,

established the Consumer Financial Protection Bureau with broad authority to regulate and examine financial institutions), which may, amongst other things, limit the amount of interest or fees allowed to be charged on the consumer loans we invest in, or the number of consumer loans that customers may receive or have outstanding. The operation of existing or future laws, ordinances and regulations could interfere with the focus of our investments which could have a negative impact on our financial results.

A significant portion of the residential mortgage loans that we acquire are, or may become, sub-performing loans, non-performing loans or REO assets, which increases our risk of loss.

We acquire distressed residential mortgage loans where the borrower has failed to make timely payments of principal and/or interest. As part of the residential mortgage loan portfolios we purchase, we also may acquire performing loans that are or subsequently become sub-performing or non-performing, meaning the borrowers fail to timely pay some or all of the required payments of principal and/or interest. Under current market conditions, it is likely that some of these loans will have current loan-to-value ratios in excess of 100%, meaning the amount owed on the loan exceeds the value of the underlying real estate.

The borrowers on sub-performing or non-performing loans may be in economic distress and may have become unemployed, bankrupt or otherwise unable or unwilling to make payments when due. Borrowers may also face difficulties with refinancing such loans, including due to reduced availability of refinancing alternatives and insufficient equity in their homes to permit them to refinance. Increases in mortgage interest rates would exacerbate these difficulties. We may need to foreclose on collateral securing such loans, and the foreclosure process can be lengthy and expensive. Furthermore, REO assets (i.e., real estate owned by the lender upon completion of the foreclosure process) are relatively illiquid, and we may not be able to sell such REO assets on terms acceptable to us or at all.

Even though we typically pay less than the amount owed on these loans to acquire them, if actual results differ from our assumptions in determining the price we paid to acquire such loans, we may incur significant losses. Any loss we incur may be significant and could materially and adversely affect us.

Certain jurisdictions require licenses to purchase, hold, enforce or sell residential mortgage loans and/or MSRs, and we may not be able to obtain and/or maintain such licenses.

Certain jurisdictions require a license to purchase, hold, enforce or sell residential mortgage loans and/or MSRs. We currently hold some but not all such licenses. In the event that any licensing requirement is applicable to us, there can be no assurance that we will obtain such licenses or, if obtained, that we will be able to maintain them. Our failure to obtain or maintain such licenses could restrict our ability to invest in loans in these jurisdictions if such licensing requirements are applicable. With respect to mortgage loans, in lieu of obtaining such licenses, we may contribute our acquired residential mortgage loans to one or more wholly owned trusts whose trustee is a national bank, which may be exempt from state licensing requirements. We have formed one or more subsidiaries to apply for certain state licenses. If these subsidiaries obtain the required licenses, any trust holding loans in the applicable jurisdictions may transfer such loans to such subsidiaries, resulting in these loans being held by a state-licensed entity. There can be no assurance that we will be able to obtain the requisite licenses in a timely manner or at all or in all necessary jurisdictions, or that the use of the trusts will reduce the requirement for licensing. In addition, even if we obtain necessary licenses, we may not be able to maintain them. Any of these circumstances could limit our ability to invest in residential mortgage loans or MSRs in the future and have a material adverse effect on us.

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 certain of our assets through a variety of borrowings. Our investment guidelines do not limit the amount of leverage we may incur with respect to any specific asset or pool of assets. The return we are able to earn on our investments and cash available for distribution to our stockholders may be significantly reduced due to changes in market conditions, which may cause the cost of our financing to increase relative to the income that can be derived from our assets.

A significant portion of our investments are not match funded, which may increase the risks associated with these investments.

When available, a match funding 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 (as is the case with our investments in servicer advances and our Agency and Non-Agency RMBS portfolios). 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. 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 (as is the case with most of our RMBS portfolios), 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, to the extent our investments are not match funded with respect to maturities and interest rates, we are exposed to the risk that we may not be able to finance or refinance our investments on economically favorable terms, or at all, or may have to liquidate assets at a loss.

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 investments in Excess MSRs, servicer advances, RMBS, consumer loans and any floating rate debt obligations that we may incur. 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 related securities at attractive prices, the value of our real estate related securities and derivatives and our ability to realize gains from the sale of such assets. We may wish to use hedging transactions to protect certain positions from interest rate fluctuations, but we may not be able to do so as a result of market conditions, REIT rules or other reasons. In such event, interest rate fluctuations could adversely affect our financial condition, cash flows 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 our real estate related securities and loans is dependent on our ability to place the 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 related securities 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 related 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 related securities portfolio and our financial position and operations to a change in interest rates generally.

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

We may 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 may 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 any items 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 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. See “—Risks Related to Our Taxation as a REIT—Complying with the REIT requirements may limit our ability to hedge effectively.”

Accounting for derivatives under 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 us. In addition, under applicable accounting standards, we may be required to treat some of our investments as derivatives, which could adversely affect our results of operations.

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

We intend to continue to conduct our operations so that neither we nor any of our subsidiaries are required to register as an investment company under the 1940 Act. We believe we will not be considered an investment company under Section 3(a)(1)(A) of the 1940 Act because we will not engage primarily, or hold ourselves out as being engaged primarily, in the business of investing, reinvesting or trading in securities. However, under Section 3(a)(1)(C) of the 1940 Act, because we are a holding company that will conduct its businesses primarily through wholly owned and majority owned subsidiaries, the securities issued by our subsidiaries that are excluded from the definition of “investment company” under Section 3(c)(1) or Section 3(c)(7) of the 1940 Act, together with any other investment securities we may own, may not have a combined value in excess of 40% of the value of our total assets (exclusive of U.S. Government securities and cash items) on an unconsolidated basis. For purposes of the foregoing, we currently treat our SLS-serviced servicer advances and our subsidiaries that hold consumer loans as investment securities because these subsidiaries presently rely on the exclusion provided by Section 3(c)(7) of the 1940 Act. The 40% test under Section 3(a)(1)(C) of the 1940 Act limits the types of businesses in which we may engage through our subsidiaries. In addition, the assets we and our subsidiaries may originate or acquire are limited by the provisions of the 1940 Act and the rules and regulations promulgated under the 1940 Act, which may adversely affect our business.

If the value of securities issued by our subsidiaries that are excluded from the definition of “investment company” by Section 3(c)(1) or 3(c)(7) of the 1940 Act, together with any other investment securities we own, exceeds the 40% test under Section 3(a)(1)(C) of the 1940 Act (e.g., the value of our interests in the taxable REIT subsidiaries that hold servicer advances increases significantly in proportion to the value of our other assets), or if one or more of such subsidiaries fail to maintain an exclusion or exception from the 1940 Act, we could, among other things, be required either (a) to substantially change the manner in which we conduct our operations to avoid being required to register as an investment company or (b) to register as an investment company under the 1940 Act, either of which could have an adverse effect on us and the market price of our securities. As discussed above, for purposes of the foregoing, we generally treat our interests in our SLS-serviced servicer advances and our subsidiaries that hold consumer loans as investment securities because these subsidiaries presently rely on the exclusion provided by Section 3(c)(7) of the 1940 Act. If we or any of our subsidiaries were required to register as an investment company under the 1940 Act, the registered entity would become subject to substantial regulation with respect to capital structure (including the ability to use leverage), management, operations, transactions with affiliated persons (as defined in the 1940 Act), portfolio composition, including restrictions with respect to diversification and industry concentration, compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations.

Failure to maintain an exclusion would require us to significantly restructure our investment strategy. For example, because affiliate transactions are generally prohibited under the 1940 Act, we would not be able to enter into transactions with any of our affiliates if we are required to register as an investment company, and we might be required to terminate our Management Agreement and any other agreements with affiliates, which could have a material adverse effect on our ability to operate our business and pay distributions. If we were required to register us as an investment company but failed to do so, we would be prohibited from engaging in our business, and criminal and civil actions could be brought against us. In addition, our contracts would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of us and liquidate our business.

For purposes of the foregoing, we treat our interests in certain of our wholly owned and majority owned subsidiaries, which constitutes more than 60% of the value of our adjusted total assets on an unconsolidated basis, as non-investment securities because such subsidiaries qualify for exclusion from the definition of an investment company under the 1940 Act pursuant to Section 3(c)(5)(C) of the 1940 Act. The Section 3(c)(5)(C) exclusion is available for entities “primarily engaged” in the business of “purchasing or otherwise acquiring mortgages and other liens on and interests in real estate.” The Section 3(c)(5)(C) exclusion generally

requires that at least 55% of these subsidiaries' assets must comprise qualifying real estate assets and at least 80% of each of their portfolios must comprise qualifying real estate assets and real estate-related assets under the 1940 Act. We expect each of our subsidiaries relying on Section 3(c)(5)(C) to rely on guidance published by the SEC staff or on our analyses of such guidance to determine which assets are qualifying real estate assets and real estate-related assets. However, the SEC's guidance was issued in accordance with factual situations that may be substantially different from the factual situations each of our subsidiaries may face, and much of the guidance was issued more than 20 years ago. No assurance can be given that the SEC staff will concur with the classification of each of our subsidiaries' assets. In addition, the SEC staff may, in the future, issue further guidance that may require us to re-classify some of our subsidiaries' assets for purposes of qualifying for an exclusion from regulation under the 1940 Act. For example, the SEC and its staff have not published guidance with respect to the treatment of 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 Section 3(c)(5)(C), we treat whole pool Non-Agency RMBS issued with respect to an underlying pool of mortgage loans in which our subsidiary relying on Section 3(c)(5)(C) holds all of the certificates issued by the pool as qualifying real estate assets. Based on our own judgment and analysis of the guidance from the SEC and its staff with respect to analogous assets, we treat Excess MSRs as real estate-related assets for purposes of satisfying the 80% test under the Section 3(c)(5)(C) exclusion. If we are required to re-classify any of our subsidiaries' assets, including those subsidiaries holding whole pool Non-Agency RMBS and/or Excess MSRs, such subsidiaries may no longer be in compliance with the exclusion from the definition of an "investment company" provided by Section 3(c)(5)(C) of the 1940 Act, and in turn, we may not satisfy the requirements to avoid falling within the definition of an "investment company" provided by Section 3(a)(1)(C). To the extent that the SEC staff publishes new or different guidance or disagrees with our analysis with respect to any assets of our subsidiaries we have determined to be qualifying real estate assets or real estate-related assets, we may be required to adjust our strategy accordingly. In addition, we may be limited in our ability to make certain investments and these limitations could result in a subsidiary holding assets we might wish to sell or selling assets we might wish to hold.

In August 2011, the SEC issued a concept release soliciting public comments on a wide range of issues relating to companies engaged in the business of acquiring mortgages and mortgage-related instruments and that rely on Section 3(c)(5)(C) of the 1940 Act. 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 or our subsidiaries 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, any of which could negatively affect the value of our common stock, the sustainability of our business model, and our ability to make distributions. In addition, if we or any of our subsidiaries were required to register as an investment company under the 1940 Act, the registered entity would become subject to substantial regulation with respect to capital structure (including the ability to use leverage), management, operations, transactions with affiliated persons (as defined in the 1940 Act), portfolio composition, including restrictions with respect to diversification and industry concentration, compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly change our operations.

Rapid changes in the values of our assets 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 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.

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. 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 and, as a result, our 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 compete successfully against any such companies.

Furthermore, we currently do not have a mortgage servicing platform. Therefore, we may not be an attractive buyer for those sellers of MSRs that prefer to sell MSRs and their mortgage servicing platform in a single transaction. Since our business model does not currently include acquiring and running servicing platforms, to engage in a bid for such a business we would need to find a servicer to acquire and run the platform or we would need to incur additional costs to shut down the acquired servicing platform. The need to work with a servicer in these situations increases the complexity of such potential acquisitions, and Nationstar, Ocwen and our other servicers may be unwilling or unable to act as servicer or subservicer on any acquisitions of Excess MSRs or servicer advances we want to execute. The complexity of these transactions and the additional costs incurred by us if we were to execute future acquisitions of this type could adversely affect our future operating results.

The valuations of our assets are subject to uncertainty because most of our assets are not traded in an active market.

There is not anticipated to be an active market for most of the assets in which we will invest. In the absence of market comparisons, we will use other pricing methodologies, including, for example, models based on assumptions regarding expected trends, historical trends following market conditions believed to be comparable to the then current market conditions and other factors believed at the time to be likely to influence the potential resale price of, or the potential cash flows derived from, an investment. Such methodologies may not prove to be accurate and any inability to accurately price assets may result in adverse consequences for us. A valuation is only an estimate of value and is not a precise measure of realizable value. Ultimate realization of the market value of a private asset depends to a great extent on economic and other conditions beyond our control. Further, valuations do not necessarily represent the price at which a private investment would sell since market prices of private investments can only be determined by negotiation between a willing buyer and seller. If we were to liquidate a particular private investment, the realized value may be more than or less than the valuation of such asset as carried on our books.

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 (the “FASB”) 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.

A prolonged economic slowdown, a lengthy or severe recession, or declining real estate values could harm our 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, as was the case in 2008. 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 the loans underlying our securities, Excess MSRs and servicer advances, if the real estate economy weakens. Further, declining real estate values significantly increase the likelihood that we will incur losses on our 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 the assets in our portfolio, which would significantly harm our revenues, results of operations, financial condition, liquidity, business prospects and our ability to make distributions to our stockholders.

Compliance with changing regulation of corporate governance and public disclosure has and will continue to result in increased compliance costs and pose challenges for our management team.

Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on us and, more generally, the financial services and mortgage industries. Additionally, we cannot predict whether there will be additional proposed laws or reforms that would affect us, whether or when such changes may be adopted, how such changes may be interpreted and enforced or how such changes may affect us. However, the costs of complying with any additional laws or regulations could have a material effect on our financial condition and results of operations.

Stockholder or other litigation against HLSS and/or us could result in the payment of damages and/or may materially and adversely affect our business, financial condition, results of operations and liquidity.

Transactions, such as the HLSS Acquisition, often give rise to lawsuits by stockholders or other third parties. Stockholders may, among other things, assert claims relating to the parties' mutual agreement to terminate the Agreement and Plan of Merger (the "HLSS Initial Merger Agreement"). Stockholders may also assert claims relating to the fact that HLSS no longer owns any significant assets other than the cash received from us in the HLSS Acquisition and any cash proceeds it received pursuant to its sale of our common stock. The defense or settlement of any lawsuit or claim regarding the HLSS Acquisition may materially and adversely affect our business, financial condition, results of operations and liquidity. Further, such litigation could be costly and could divert our time and attention from the operation of the business.

On May 22, 2015, a purported stockholder of the Company, Chester County Employees' Retirement Fund, filed a class action and derivative action in the Delaware Court of Chancery purportedly on behalf of all stockholders and the Company, titled *Chester County Employees' Retirement Fund v. New Residential Investment Corp., et al.*, C.A. No. 11058-VCMR. On October 30, 2015, plaintiff filed an Amended Complaint. The lawsuit names the Company, our directors, our Manager, Fortress and Fortress Operating Entity I LP as defendants, and alleges breaches of fiduciary duties by the Company, our directors, our Manager, Fortress and Fortress Operating Entity I LP in connection with the HLSS Acquisition. The lawsuit also seeks declaratory judgment, among other things, as to the applicability of Article Twelfth of the Company's Certificate of Incorporation and as to the validity of the release of claims of the Company's stockholders related to the termination of the HLSS Initial Merger Agreement. The Amended Complaint seeks declaratory relief, equitable relief and damages. On December 11, 2015, defendants filed a motion to dismiss the Amended Complaint, which has been fully briefed. The Company intends to vigorously defend against the lawsuit.

We may be unable to successfully integrate the acquired assets and assumed liabilities.

Achieving the anticipated benefits of the HLSS Acquisition is subject to a number of uncertainties, including, without limitation, whether we are able to integrate HLSS's assets and manage the assumed liabilities efficiently. HLSS depends on Ocwen for significant accounting and operational support, which could exacerbate the difficulties associated with acquiring these assets and impair our ability to produce accurate financial information on a timely basis, as required by the SEC. It is possible that the integration process could take longer than anticipated and could result in additional and unforeseen expenses, the disruption of our ongoing business, processes and systems, or inconsistencies in standards, controls, procedures, practices and policies, any of which could adversely affect our ability to achieve the anticipated benefits of the HLSS Acquisition. There may be increased risk due to integrating the assets into our financial reporting and internal control systems. Difficulties in adding the assets into our business could also result in the loss of contract counterparties or other persons with whom we or HLSS conduct business and potential disputes or litigation with contract counterparties or other persons with whom we or HLSS conduct business. We could also be adversely affected by any issues attributable to either company's operations that arise or are based on events or actions that occurred prior to the closing of the HLSS Acquisition. The integration process is subject to a number of uncertainties, and no assurance can be given that the anticipated benefits will be realized in their entirety or at all or, if realized, the timing of their realization. Failure to achieve these anticipated benefits could result in increased costs or decreases in the amount of expected revenues and could adversely affect our future business, financial condition, operating results and cash flows.

We are responsible for certain of HLSS's contingent and other corporate liabilities.

Under the HLSS Acquisition Agreement, we have assumed and are responsible for the payment of HLSS's contingent and other corporate liabilities of: (i) liabilities for litigation relating to, arising out of or resulting from certain lawsuits in which HLSS is named as the defendant, (ii) HLSS's tax liabilities, (iii) HLSS's corporate liabilities, (iv) generally any actions with respect to the HLSS Acquisition brought by any third party and (v) payments under contracts. We currently cannot estimate the amount we may ultimately be responsible for as a result of assuming substantially all of HLSS's contingent and other corporate liabilities. The amount for which we are ultimately responsible may be material and have a material adverse effect on our business, financial condition, results of operations and liquidity. In addition, certain claims and lawsuits may require significant costs to defend and resolve and may divert management's attention away from other aspects of operating and managing our business, each of which could materially and adversely affect our business, financial condition, results of operations and liquidity.

In August 2014, HLSS restated its consolidated financial statements for the quarter ended March 31, 2014, and for the years ended December 31, 2013 and 2012, including the quarterly periods within those years, to correct the valuation and the related effect on amortization of its Notes Receivable-Rights to MSRs that resulted from a material weakness in its internal control over financial reporting.

On March 23, 2015, HLSS received a subpoena from the SEC requesting that it provide information concerning communications between HLSS and certain investment advisors and hedge funds. The SEC also requested documents relating to HLSS's structure,

certain governance documents and any investigations or complaints connected to trading in HLSS's securities. We are cooperating with the SEC in this matter.

Three shareholder derivative actions have been filed in the United States District Court for the Southern District of Florida purportedly on behalf of Ocwen: (i) *Sokolowski v. Erbey, et al.*, No. 14-CV-81601 (S.D. Fla.) (the "Sokolowski Action"); (ii) *Hutt v. Erbey, et al.*, No. 15-CV-81709 (S.D. Fla.) (the "Hutt Action"); and (iii) *Lowinger v. Erbey, et al.*, No. 15-CV-62628 (S.D. Fla.) (the "Lowinger Action"). On November 9, 2015, HLSS filed a motion to dismiss the Sokolowski Action. While that motion was pending, the Hutt Action, which at the time did not name HLSS as a defendant, was transferred from the Northern District of Georgia to the Southern District of Florida and the Lowinger Action, which at the time also did not name HLSS as a defendant, was filed. On January 8, 2016, the court consolidated the three actions and denied HLSS's motion to dismiss the Sokolowski complaint as moot and without prejudice to re-file a new motion to dismiss following the filing of a consolidated complaint. On March 8, 2016, plaintiffs filed their consolidated complaint. The consolidated complaint alleges, among other things, that certain of Ocwen's current and former directors and officers, including former HLSS Chairman William C. Erbey, breached their fiduciary duties to Ocwen by, among other things, causing Ocwen to enter into transactions that were harmful to Ocwen. The complaint further alleges that HLSS and others aided and abetted the alleged breaches of fiduciary duty by Mr. Erbey and the other directors and officers of Ocwen who have been named as defendants. The consolidated complaint also asserts causes of action against HLSS and others for unjust enrichment and for contribution. The lawsuit seeks money damages from HLSS in an amount to be proven at trial. We intend to vigorously defend the lawsuit.

One shareholder derivative action has been filed in Florida state court in the Circuit Court of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida purportedly on behalf of Ocwen: *Moncavage v. Faris, et al.*, No. 2015CA003244 (Fla. Palm Beach Cty. Ct.). The complaint alleges, among other things, that certain current and former Ocwen directors and officers breached their fiduciary duties to Ocwen. The complaint also alleged that HLSS and others aided and abetted the alleged breaches of fiduciary duty. The lawsuit seeks money damages from HLSS in an amount to be proved at trial. On November 9, 2015, the court entered an order staying all proceedings in the case pending further order of the Court. HLSS has not been served. If the litigation proceeds, New Residential intends to vigorously defend the lawsuit.

Three putative class action lawsuits have been filed against HLSS and certain of its current and former officers and directors in the United States District Court for the Southern District of New York entitled: (i) *Oliveira v. Home Loan Servicing Solutions, Ltd., et al.*, No. 15-CV-652 (S.D.N.Y.), filed on January 29, 2015; (ii) *Berglan v. Home Loan Servicing Solutions, Ltd., et al.*, No. 15-CV-947 (S.D.N.Y.), filed on February 9, 2015; and (iii) *W. Palm Beach Police Pension Fund v. Home Loan Servicing Solutions, Ltd., et al.*, No. 15-CV-1063 (S.D.N.Y.), filed on February 13, 2015. On April 2, 2015, these lawsuits were consolidated into a single action, which is referred to as the "Securities Action." On April 28, 2015, lead plaintiffs, lead counsel and liaison counsel were appointed in the Securities Action. On November 9, 2015, lead plaintiffs filed an amended class action complaint. On January 27, 2016, the Securities Action was transferred to the United States District Court for the Southern District of Florida and given the Index No. 16-CV-60165 (S.D. Fla.).

The Securities Action names as defendants HLSS, former HLSS Chairman William C. Erbey, HLSS Director, President and Chief Executive Officer John P. Van Vlack, and HLSS Chief Financial Officer James E. Lauter. The Securities Action asserts causes of action under Sections 10(b) and 20(a) of the Exchange Act based on certain public disclosures made by HLSS relating to its relationship with Ocwen and HLSS's risk management and internal controls. More specifically, the consolidated class action complaint alleges that a series of statements in HLSS's disclosures were materially false and misleading, including statements about (i) Ocwen's servicing capabilities; (ii) HLSS's contingencies and legal proceedings; (iii) its risk management and internal controls; and (iv) certain related party transactions. The consolidated class action complaint also appears to allege that HLSS's financial statements for the years ended 2012 and 2013, and the first quarter ended March 30, 2014, were false and misleading based on HLSS's August 18, 2014 restatement. Lead plaintiffs in the Securities Action also allege that HLSS misled investors by failing to disclose, among other things, information regarding governmental investigations of Ocwen's business practices. Lead plaintiffs seek money damages under the Exchange Act in an amount to be proven at trial and reasonable costs, expenses, and fees. We intend to vigorously defend the Securities Action and consistent therewith on February 11, 2015, defendants filed motions to dismiss the Securities Action in its entirety.

On March 11, 2015, plaintiff David Rattner filed a shareholder derivative action purportedly on behalf of HLSS entitled *Rattner v. Van Vlack, et al.*, No. 2015CA002833 (Fla. Palm Beach Cty. Ct.) (the "HLSS Derivative Action"). The lawsuit names as defendants HLSS directors John P. Van Vlack, Robert J. McGinnis, Kerry Kennedy, Richard J. Lochrie, and David B. Reiner (collectively, the "Director Defendants"), New Residential Investment Corp., and Hexagon Merger Sub, Ltd. The HLSS Derivative Action alleges that the Director Defendants breached their fiduciary duties of due care, diligence, loyalty, honesty and good faith and the duty to act in the best interests of HLSS under Cayman law and claims that the Director Defendants approved a proposed merger with New Residential Investment Corp. that (i) provided inadequate consideration to HLSS's shareholders, (ii) included

unfair deal protection devices, and (iii) was the result of an inadequate process due to conflicts of interest. On July 8, 2015, the complaint was voluntarily dismissed without prejudice.

Refer to “Risk Factors—Risks Related to Our Business—Stockholder or other litigation against HLSS and/or us could result in the payment of damages and/or may materially and adversely affect our business, financial condition results of operations and liquidity” for a description of the Chester County Employees’ Retirement Fund litigation.

We cannot guarantee that we will not receive further regulatory inquiries or be subject to litigation regarding the subject matter of the subpoenas or matters relating thereto, or that existing inquiries, or, should they occur, any future regulatory inquiries or litigation, will not consume internal resources, result in additional legal and consulting costs or negatively impact our stock price.

We could be materially and adversely affected by events, conditions or actions that might occur at HLSS or Ocwen.

HLSS acquired assets and assumed liabilities could be adversely affected as a result of events or conditions that occurred or existed before the closing of the HLSS Acquisition. Adverse changes in the assets or liabilities we have acquired or assumed, respectively, as part of the HLSS Acquisition, could occur or arise as a result of actions by HLSS or Ocwen, legal or regulatory developments, including the emergence or unfavorable resolution of pre-acquisition loss contingencies, deteriorating general business, market, industry or economic conditions, and other factors both within and beyond the control of HLSS or Ocwen. We are subject to a variety of risks as a result of our dependence on mortgage servicers such as Nationstar and Ocwen, including, without limitation, the potential loss of all of the value of our Excess MSRs in the event that the servicer of the underlying loans is terminated by the mortgage loan owner or RMBS bondholders. A significant decline in the value of HLSS assets or a significant increase in HLSS liabilities we have acquired could adversely affect our future business, financial condition, cash flows and results of operations. HLSS is subject to a number of other risks and uncertainties, including regulatory investigations and legal proceedings against HLSS, and others with whom HLSS conducted and conducts business. Moreover, any insurance proceeds received with respect to such matters may be inadequate to cover the associated losses. Ocwen disclosed in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 that it received a subpoena from the SEC “requesting production of various documents relating to its business dealings from Altisource Portfolio Solutions, S.A., HLSS, Altisource Asset Management Corporation and Altisource Residential Corporation and the interests of its directors and executive officers in these companies.” Ocwen subsequently disclosed in its Quarterly Report on Form 10-Q for the quarter ended September 30, 2014 that it received an additional subpoena from the SEC related to an amendment to its Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2014. Ocwen subsequently disclosed in its Annual Report on Form 10-K for the year ended December 31, 2014 that it received a further subpoena from the SEC requesting certain documents related to Ocwen’s agreement with Southwest Business Corporation and related to former HLSS and Ocwen Chairman William C. Erbey’s approvals for specifically enumerated board actions. Ocwen subsequently settled these investigations with the SEC in January 2016. Ocwen also disclosed that it received a letter from the SEC staff dated February 10, 2015 informing it that the SEC was conducting an investigation relating to mortgage loan servicer use of collection agents and requesting voluntary production of documents and information. Adverse developments at Ocwen, including liquidity issues, ratings downgrades, defaults under debt agreements, servicer rating downgrades, failure to comply with the terms of PSAs, termination under PSAs, Ocwen bankruptcy proceedings and additional regulatory issues and settlements, could have a material adverse effect on us. See “—We rely heavily on mortgage servicers to achieve our investment objective and have no direct ability to influence their performance.”

Our ability to borrow may be adversely affected by the suspension or delay of the rating of the notes issued under the NRART facility and the existing “HSART II facility” or other future advance facilities by the credit agency providing the ratings.

All or substantially all of the notes issued under the NRZ Advance Receivables Trust 2015-ON1 (“NRART”) facility and the HLSS Servicer Advance Receivables Trust II (“HSART II facility”) are rated by one rating agency and we may sponsor advance facilities in the future that are rated by credit agencies. The related agency may suspend rating notes backed by servicer advances at any time. Rating agency delays may result in our inability to obtain timely ratings on new notes, which could adversely impact the availability of borrowings or the interest rates, advance rates or other financing terms and adversely affect our results of operations and liquidity. Further, if we are unable to secure ratings from other agencies, limited investor demand for unrated notes could result in further adverse changes to our liquidity and profitability.

A downgrade of certain of the notes issued under the NRART facility and HSART II facility or other future advance facilities would cause such notes to become due and payable prior to their expected repayment date/maturity date, which could have a material adverse effect on our business, financial condition, results of operations and liquidity.

Regulatory scrutiny regarding foreclosure processes could lengthen foreclosure timelines, which could increase advances and materially and adversely affect our business, financial condition, results of operations and liquidity.

When a mortgage loan is in foreclosure, the servicer is generally required to continue to advance delinquent principal and interest to the securitization trust and to also make advances for delinquent taxes and insurance and foreclosure costs and the upkeep of vacant property in foreclosure to the extent we determine that such amounts are recoverable. These servicer advances are generally recovered when the delinquency is resolved. Foreclosure moratoria or other actions that lengthen the foreclosure process increase the amount of servicer advances, lengthen the time it takes for reimbursement of such advances and increase the costs incurred during the foreclosure process. In addition, advance financing facilities generally contain provisions that limit the eligibility of servicer advances to be financed based on the length of time that servicer advances are outstanding, and, as a result, an increase in foreclosure timelines could further increase the amount of servicer advances that need to be funded from the related servicer's own capital. Such increases in foreclosure timelines could increase the need for capital to fund servicer advances, which would increase our interest expense, delay the collection of interest income or servicing fee revenue until the foreclosure has been resolved and, therefore, reduce the cash that we have available to pay our operating expenses or to pay dividends. According to Ocwen's public disclosures, on April 28, 2014, Ocwen received a letter from the staff of the New York Regional Office of the SEC informing Ocwen that the SEC was conducting an investigation relating to Ocwen and making a request for voluntary production of documents and information relating to the April 22, 2014 surrender of certain options to purchase its common stock by William C. Erbey, its former Executive Chairman, including the 2007 Equity Incentive Plan and the related option grant and surrender documents. On June 12, 2014, Ocwen received a subpoena from the SEC requesting production of various documents relating to its business dealings with HLSS, Altisource Portfolio Solutions, S.A., Altisource Asset Management Corporation and Altisource Residential Corporation and the interests of its directors and executive officers in these companies. Ocwen has also disclosed that it received an additional subpoena from the SEC related to its amendments to its Annual Report on Form 10-K for the fiscal year ended December 31, 2013 and its Quarterly Report on Form 10-Q for the quarter ended March 31, 2014. Ocwen subsequently disclosed in its Annual Report on Form 10-K for the year ended December 31, 2014 that it received a further subpoena from the SEC requesting certain documents related to Ocwen's agreement with Southwest Business Corporation and related to former HLSS and Ocwen Chairman William C. Erbey's approvals for specifically enumerated board actions, and that it received a letter from the SEC staff dated February 10, 2015 informing it that the SEC was conducting an investigation relating to mortgage loan servicer use of collection agents and requesting voluntary production of documents and information.

Certain of our servicers have triggered termination events or events of default under some PSAs underlying the MSRs with respect to which we are entitled to the basic fee component or Excess MSRs, and the parties to the related securitization transactions could enforce their rights against such servicer as a result.

If a servicer termination event or event of default occurs under a PSA, the servicer may be terminated without any right to compensation for its loss from the trustee for the securitization trust, other than the right to be reimbursed for any outstanding servicer advances as the related loans are brought current, modified, liquidated or charged off. So long as we are in compliance with our obligations under our servicing agreements and purchase agreements, if a servicer is terminated as servicer, we may have the right to receive an indemnification payment from such servicer, even if such termination related to servicer termination events or events of default existing at the time of any transaction with such servicer. If one of our servicers is terminated as servicer under a PSA, we will lose any investment related to such servicer's MSRs. If such servicer is terminated as servicer with respect to a PSA and we are unable to enforce our contractual rights against such servicer or if such servicer is unable to make any resulting indemnification payments to us, if any such payment is due and payable, it may have a material adverse effect on our financial condition, results of operations, ability to make distributions, liquidity and financing arrangements, including our advance financing facilities, and may make it more difficult for us to acquire additional MSRs in the future.

During February and March 2015, Ocwen received two notices of servicer termination affecting four separate PSAs related to MSRs related to the transactions contemplated by the Ocwen Purchase Agreement. Ocwen could be subject to further terminations as a result of its failure to maintain required minimum servicer ratings, which could have an adverse effect on our business, financing activities, financial condition and results of operations.

On January 23, 2015, Gibbs & Bruns LLP, on behalf of its clients, issued a press release regarding the notices of nonperformance provided to various trustees in relation to Ocwen's servicing practices under 119 residential mortgage-backed securities trusts. Of these transactions, 90 relate to agreements for MSRs related to the transactions contemplated by the Ocwen Purchase Agreement. It is possible that Ocwen could be terminated for other servicing agreements related to such MSRs.

On January 29, 2015, Moody's downgraded Ocwen's SQ assessment from SQ+ to SQ- as a primary servicer of subprime residential loans and as a special servicer of residential mortgage loans. During February 2015, Fitch Ratings downgraded Ocwen's residential primary servicer rating for subprime products from "RPS3" to "RPS4" and, in February 2016, upgraded such rating to "RPS3-." During February 2015, Morningstar also downgraded Ocwen's residential primary servicer rating from "MOR RS2" to

“MOR RS3.” On June 18, 2015, S&P downgraded Ocwen’s ratings as a residential mortgage prime, subprime, special, and subordinate-lien servicer from “average” to “below average.” On October 1, 2015, S&P downgraded Ocwen’s master servicer rating to “below average.”

The performance of loans that we acquired in the HLSS Acquisition may be adversely affected by the performance of parties who service or subservice these mortgage loans.

HLSS and its subsidiaries acquired by us in the HLSS Acquisition contracted with third parties for the servicing of the mortgage loans in its early buy-out (“EBO”) portfolio. The performance of this portfolio and our ability to finance this portfolio are subject to risks associated with inadequate or untimely servicing. If our servicers or subservicers commit a material breach of their obligations as a servicer, we may be subject to damages if the breach is not cured within a specified period of time following notice. In addition, we may be required to indemnify an investor or our lenders against losses from any failure of our servicer or subservicer to perform the servicing obligations properly. Poor performance by a servicer or subservicer may result in greater than expected delinquencies and foreclosures and losses on our mortgage loans. A substantial increase in our delinquency or foreclosure rate or the inability to process claims in accordance with Ginnie Mae or FHA guidelines could adversely affect our ability to access the capital and secondary markets for our financing needs.

Servicing issues in the portfolio of loans that was acquired in the HLSS Acquisition could adversely impact our claims against FHA insurance and result in our reliance on servicer indemnifications which could increase losses.

We will rely on HLSS’s servicers (including Ocwen) to service our Ginnie Mae EBO loans in a manner that supports our ability to make claims to the FHA for shortfalls on these loans. If servicing issues result in the curtailment of FHA insurance claims, we will only have recourse against the servicer for any shortfall. If the servicer is unable to make indemnification payments owed to us under this circumstance, we could incur losses.

Our borrowings collateralized by loans require that we make certain representations and warranties that, if determined to be inaccurate, could require us to repurchase loans or cover losses.

Our financing facilities require us to make certain representations and warranties regarding the loans that collateralize the borrowings. Although we perform due diligence on the loans that we acquire, certain representations and warranties that we make in respect of such loans may ultimately be determined to be inaccurate. In the event of a breach of a representation or warranty, we may be required to repurchase affected loans, make indemnification payments to certain indemnified parties or address any claims associated with such breach. Further, we may have limited or no recourse against the seller from whom we purchased the loans. Such recourse may be limited due to a variety of factors, including the absence of a representation or warranty from the seller corresponding to the representation provided by us or the contractual expiration thereof.

Representations and warranties made by us in our loan sale agreements may subject us to liability.

In March 2015, HLSS sold reperforming loans to an unrelated third party and transferred mortgages into a trust in exchange for cash. We may be liable to purchasers under the related sale agreement for any breaches of representations and warranties made by HLSS at the time the applicable loans are sold. Such representations and warranties may include, but are not limited to, issues such as the validity of the lien; the absence of delinquent taxes or other liens; the loans compliance with all local, state and federal laws and the delivery of all documents required to perfect title to the lien. If the purchaser is successful in asserting their claim for recourse, it could adversely affect the availability of financing under loan financing facilities or otherwise adversely impact our results of operations and liquidity. From time to time we sell residential mortgage loans pursuant to loan sale agreements. The risks describe in this paragraph relate to any such sale as well.

Our ability to exercise our cleanup call rights may be limited or delayed if a third party contests our ability to exercise our cleanup call rights, if the related securitization trustee refuses to permit the exercise of such rights, or if a related party is subject to bankruptcy proceedings.

Certain servicing contracts permit more than one party to exercise a cleanup call-meaning the right of a party to collapse a securitization trust by purchasing all of the remaining loans held by the securitization trust pursuant to the terms set forth in the applicable servicing agreement. While the servicers from which we acquired our cleanup call rights (or other servicers from which our servicers acquired MSR’s) may be named as the party entitled to exercise such rights, certain third parties may also be permitted to exercise such rights. If any such third party exercises a cleanup call, we could lose our ability to exercise our cleanup call right and, as a result, lose the ability to generate positive returns with respect to the related securitization transaction. In addition, another party could impair our ability to exercise our cleanup call rights by contesting our rights (for example, by claiming that they hold the exclusive cleanup call right with respect to the applicable securitization trust). Moreover, because the ability to exercise a

cleanup call right is governed by the terms of the applicable servicing agreement, any ambiguous or conflicting language regarding the exercise of such rights in the agreement may make it more difficult and costly to exercise a cleanup call right. Furthermore, certain servicing contracts provide cleanup call rights to a servicer currently subject to bankruptcy proceedings from which our servicers have acquired MSRs. While, notwithstanding the related bankruptcy proceedings, it is possible that we will be able to exercise the related cleanup calls within our desired time frame, our ability to exercise such rights may be significantly delayed or impaired by the applicable securitization trustee or bankruptcy estate or any additional steps required because of the bankruptcy process. Finally, many of our call rights are not currently exercisable and may not become exercisable for a period of years. As a result, our ability to realize the benefits from these rights will depend on a number of factors at the time they become exercisable many of which are outside our control, including interest rates, conditions in the capital markets and conditions in the residential mortgage market.

New Residential's subsidiary New Residential Mortgage LLC is or may become subject to significant state and federal regulations.

A subsidiary of NRZ, New Residential Mortgage LLC ("NRM"), is currently in the process of obtaining applicable qualifications, licenses and approvals to own agency and non-agency MSRs in the United States and certain other jurisdictions. As a result of NRM's current and expected approvals, NRM is or may in the future become subject to extensive and comprehensive regulation under federal, state and local laws in the United States. These laws and regulations may in the future significantly affect the way that NRM does business, and may subject NRM and New Residential to additional costs and regulatory obligations, which could impact our financial results.

NRM's business may become subject to increasing regulatory oversight and scrutiny in the future as it continues seeking and obtaining state and agency approvals to hold MSRs, which may lead to regulatory investigations or enforcement, including both formal and informal inquiries, from various state and federal agencies as part of those agencies' oversight of the mortgage servicing business. An adverse result in governmental investigations or examinations or private lawsuits, including purported class action lawsuits, may adversely affect NRM's and our financial results or result in serious reputational harm. In addition, a number of participants in the mortgage servicing industry have been the subject of purported class action lawsuits and regulatory actions by state regulators, and other industry participants have been the subject of actions by state Attorneys General.

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 individuals who perform services for us is an employee of New Residential. 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. 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. Furthermore, we are dependent on the services of certain key employees of our Manager whose compensation is partially or entirely 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.

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

Our Management Agreement with our Manager was not negotiated between unaffiliated parties, and its terms, including fees payable, although approved by the independent directors of New Residential as fair, may not be as favorable to us as if they had been negotiated with an unaffiliated third party.

There are conflicts of interest inherent in our relationship with our Manager insofar as our Manager and its affiliates—including investment funds, private investment funds, or businesses managed by our Manager, including Newcastle, Nationstar and OneMain—invest in real estate related securities, consumer loans and Excess MSRs and servicer advances and whose investment objectives overlap with our investment objectives. Certain investments appropriate for us may also be appropriate for one or more of these other investment vehicles. Certain members of our board of directors and employees of our Manager who are our officers also serve as officers and/or directors of these other entities. For example, we have some of the same directors and officers as Newcastle. Although we have the same Manager, we may compete with entities affiliated with our Manager or Fortress, including Newcastle, for certain target assets. From time to time, affiliates of Fortress focus on investments in assets with a similar profile as our target assets that we may seek to acquire. These affiliates may have meaningful purchasing capacity, which may change over time depending upon a variety of factors, including, but not limited to, available equity capital and debt financing, market conditions and cash on hand. Fortress has two funds primarily focused on investing in Excess MSRs with approximately \$0.7 billion in capital

commitments in aggregate. We have broad investment guidelines, and we have and may co-invest with Fortress funds or portfolio companies of private equity funds managed by our Manager (or an affiliate thereof) in a variety of investments. We also may invest in securities that are senior or junior to securities owned by funds managed by our Manager. Fortress funds generally have a fee structure similar to ours, but the fees actually paid will vary depending on the size, terms and performance of each fund. Fortress had approximately \$70.6 billion of assets under management as of March 31, 2016.

Our Management Agreement with our Manager generally does not limit or restrict our Manager or its affiliates from engaging in any business or managing other pooled investment vehicles that invest in investments that meet our investment objectives. Our Manager intends to engage in additional real estate related management and real estate and other investment opportunities in the future, which may compete with us for investments or result in a change in our current investment strategy. In addition, our certificate of incorporation provides that if Fortress or an affiliate or any of their officers, directors or employees acquire knowledge of a potential transaction that could be a corporate opportunity, they have no duty, to the fullest extent permitted by law, to offer such corporate opportunity to us, our stockholders or our affiliates. In the event that any of our directors and officers who is also a director, officer or employee of Fortress or its affiliates acquires knowledge of a corporate opportunity or is offered a corporate opportunity, provided that this knowledge was not acquired solely in such person's capacity as a director or officer of New Residential and such person acts in good faith, then to the fullest extent permitted by law such person is deemed to have fully satisfied such person's fiduciary duties owed to us and is not liable to us if Fortress or its affiliates pursues or acquires the corporate opportunity or if such person did not present the corporate opportunity to us.

The ability of our Manager and its officers and employees to engage in other business activities, subject to the terms of our Management Agreement with our Manager, may reduce the amount of time our Manager, its officers or other employees spend managing us. In addition, we may engage (subject to our investment guidelines) in material transactions with our Manager or another entity managed by our Manager or one of its affiliates, including Newcastle, Nationstar and OneMain which may include, but are not limited to, certain financing arrangements, purchases of debt, co-investments in Excess MSRs, consumer loans, servicer advances and other assets that present an actual, potential or perceived conflict of interest. It is possible that actual, potential or perceived conflicts could give rise to investor dissatisfaction, litigation or regulatory 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 equity securities and a resulting increased risk of litigation and regulatory enforcement actions.

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. In addition to its management fee, our Manager is currently entitled to receive incentive compensation. In evaluating investments and other management strategies, the opportunity to earn incentive compensation may lead our Manager to place undue emphasis on the maximization of earnings, including through the use of leverage, at the expense of other criteria, such as preservation of capital, in order to achieve higher incentive compensation. Investments with higher yield potential are generally riskier or more speculative than lower-yielding investments. Moreover, because our Manager receives compensation in the form of options in connection with the completion of our common equity offerings, our Manager may be incentivized to cause us to issue additional common stock, which could be dilutive to existing stockholders. In addition, our Manager's management fee is not tied to our performance and may not sufficiently incentivize our Manager to generate attractive risk-adjusted returns for us.

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 termination and will be paid a termination fee equal to the amount of the management fee earned by the Manager during the 12-month period preceding such termination. In addition, following any termination of the Management Agreement, our 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 broad investment guidelines for our Manager and do not approve each investment decision made by our Manager. In addition, we may change our investment strategy without a stockholder vote, which may result in our making investments that are different, riskier or less profitable than our current investments.

Our Manager is authorized to follow broad investment guidelines. Consequently, our Manager has great latitude in determining the types and categories of assets it may decide are proper investments for us, including the latitude to invest in types and categories of assets that may differ from those in which we currently invest. Our directors will periodically review our investment guidelines and our investment portfolio. However, our board does not review or pre-approve each proposed investment or our related financing arrangements. In addition, in conducting periodic reviews, the directors rely primarily on information provided to them by our Manager. Furthermore, transactions entered into by our Manager may be difficult or impossible to unwind by the time they are reviewed by the directors even if the transactions contravene the terms of the Management Agreement. In addition, we may change our investment strategy, including our target asset classes, without a stockholder vote.

Our investment strategy may evolve in light of existing market conditions and investment opportunities, and this evolution may involve additional risks depending upon the nature of the assets in which we invest and our ability to finance such assets on a short or long-term basis. 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. Decisions to make investments in new asset categories present risks that may be difficult for us to adequately assess and could therefore reduce our ability to pay dividends on our common stock or have adverse effects on our liquidity, results of operations or financial condition. A change in our investment strategy may also increase our exposure to interest rate, foreign currency, real estate market or credit market fluctuations and expose us to new legal and regulatory risks. In addition, a change in our investment strategy may 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. Our failure to accurately assess the risks inherent in new asset categories or the financing risks associated with such assets could adversely affect our results of operations, liquidity and financial condition.

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 in good faith and will not be responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Our Manager, its members, managers, officers and employees will not be liable to us or any of our subsidiaries, to our board of directors, or our or any subsidiary's stockholders or partners for any acts or omissions by our Manager, its members, managers, officers or employees, except by reason of acts constituting bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under our Management Agreement. We shall, to the full extent lawful, reimburse, indemnify and hold our Manager, its members, managers, officers and employees and each other person, if any, controlling our Manager harmless of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including attorneys' fees) in respect of or arising from any acts or omissions of an indemnified party made in good faith in the performance of our Manager's duties under our Management Agreement and not constituting such indemnified party's bad faith, willful misconduct, gross negligence or reckless disregard of our Manager's duties under 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 timeframe 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.

The ownership by our executive officers and directors of shares of common stock, options, or other equity awards of OneMain, Nationstar, and other entities either owned by Fortress funds managed by affiliates of our Manager or managed by our Manager may create, or may create the appearance of, conflicts of interest.

Some of our directors, officers and other employees of our Manager hold positions with OneMain, Nationstar, and other entities either owned by Fortress funds managed by affiliates of our Manager or managed by our Manager and own such entities’ common stock, options to purchase such entities’ common stock or other equity awards. Such ownership may create, or may create the appearance of, conflicts of interest when these directors, officers and other employees are faced with decisions that could have different implications for such entities than they do for us.

Risks Related to the Financial Markets

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 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 imposes new regulations on us and how we conduct our business. As we describe in more detail below, it 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 issue many 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. Beginning December 2015, 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 has increased and will likely continue to 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 new 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 and the Public Private Investment Partnership Program. 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. 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.

The federal conservatorship of Fannie Mae and Freddie Mac and related efforts, along with any changes in laws and regulations affecting the relationship between these agencies and the U.S. government, may adversely affect our business.

The payments we receive on the Agency securities in which we invest depend upon a steady stream of payments by borrowers on the underlying mortgages and the fulfillment of guarantees by GSEs. Ginnie Mae is part of a U.S. Government agency and its guarantees are backed by the full faith and credit of the U.S. Fannie Mae and Freddie Mac are GSEs, but their guarantees are not backed by the full faith and credit of the U.S. Government.

In response to the deteriorating financial condition of Fannie Mae and Freddie Mac and the credit market disruption beginning in 2007, Congress and the U.S. Treasury undertook a series of actions to stabilize these GSEs and the financial markets, generally. The Housing and Economic Recovery Act of 2008 was signed into law on July 30, 2008, and established the FHFA, with enhanced regulatory authority over, among other things, the business activities of Fannie Mae and Freddie Mac and the size of their portfolio holdings. On September 7, 2008, FHFA placed Fannie Mae and Freddie Mac into federal conservatorship and, together with the U.S. Treasury, established a program designed to boost investor confidence in Fannie Mae’s and Freddie Mac’s debt and Agency securities.

As the conservator of Fannie Mae and Freddie Mac, the FHFA controls and directs the operations of Fannie Mae and Freddie Mac and may (1) take over the assets of and operate Fannie Mae and Freddie Mac with all the powers of the stockholders, the directors and the officers of Fannie Mae and Freddie Mac and conduct all business of Fannie Mae and Freddie Mac; (2) collect all obligations and money due to Fannie Mae and Freddie Mac; (3) perform all functions of Fannie Mae and Freddie Mac which are consistent with the conservator’s appointment; (4) preserve and conserve the assets and property of Fannie Mae and Freddie Mac; and (5) contract for assistance in fulfilling any function, activity, action or duty of the conservator.

Those efforts resulted in significant U.S. Government financial support and increased control of the GSEs.

The U.S. Federal Reserve (the “Fed”) announced in November 2008 a program of large-scale purchases of Agency securities in an attempt to lower longer-term interest rates and contribute to an overall easing of adverse financial conditions. Subject to specified investment guidelines, the portfolios of Agency securities purchased through the programs established by the U.S. Treasury and the Fed may be held to maturity and, based on mortgage market conditions, adjustments may be made to these portfolios. This flexibility may adversely affect the pricing and availability of Agency securities that we seek to acquire during the remaining term of these portfolios.

There can be no assurance that the U.S. Government's intervention in Fannie Mae and Freddie Mac will be adequate for the longer-term viability of these GSEs. These uncertainties lead to questions about the availability of and trading market for, Agency securities. Accordingly, if these government actions are inadequate and the GSEs defaulted on their guaranteed obligations, suffered losses or ceased to exist, the value of our Agency securities and our business, operations and financial condition could be materially and adversely affected.

Additionally, because of the financial problems faced by Fannie Mae and Freddie Mac that led to their federal conservatorships, many policymakers have been examining the value of a federal mortgage guarantee and the appropriate role for the U.S. government in providing liquidity for mortgage loans. In June 2013, legislation titled "Housing Finance Reform and Taxpayer Protection Act of 2013" was introduced in the U.S. Senate; in July 2013, legislation titled "Protecting American Taxpayers and Homeowners Act of 2013" was introduced in the U.S. House of Representatives. The bills differ in many respects, but both require the wind-down of the GSEs. Other bills have been introduced that change the GSEs' business charters and eliminate the entities. We cannot predict whether or when the introduced legislation, the amended legislation or any future legislation may be enacted. Such legislation could materially and adversely affect the availability of, and trading market for, Agency securities and could, therefore, materially and adversely affect the value of our Agency securities and our business, operations and financial condition.

Legislation that permits modifications to the terms of outstanding loans may negatively affect our business, financial condition, liquidity and results of operations.

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 flow (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 and Excess MSRs. As a result, such loan modifications are negatively affecting our business, results of operations, liquidity and financial condition. In addition, certain market participants propose reducing the amount of paperwork required by a borrower to modify a loan, which could increase the likelihood of fraudulent modifications and materially harm the U.S. mortgage market and investors that have exposure to this market. 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 Taxation as a REIT

Qualifying as a REIT involves highly technical and complex provisions of the Internal Revenue Code.

Qualification as a REIT involves the application of highly technical and complex Internal Revenue 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. Monitoring and managing our REIT compliance has become challenging due to the increased size and complexity of the assets in our portfolio, a meaningful portion of which are not qualifying REIT assets. There can be no assurance that our Manager's personnel responsible for doing so will be able to successfully monitor our compliance or maintain our REIT status.

Our failure to qualify as a REIT would result in higher taxes and reduced cash available for distribution to our stockholders.

We intend to operate in a manner intended to qualify us as a REIT for U.S. federal income tax purposes. 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. See "—Risks Related to our Business—The valuations of our assets are subject to uncertainty since most of our assets are not traded in an active market," and "—Risks Related to Our Business—Rapid changes in the values of our assets may make it more difficult for us to maintain our qualification as a REIT or our exclusion from the 1940 Act." 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 one or more of our investments (such as TBAs) may be uncertain in some circumstances, which could affect the application of the REIT qualification requirements. Accordingly, there can be no assurance that the U.S. Internal Revenue Service ("IRS") will not contend that our investments violate the REIT requirements.

If we were to fail to qualify as a REIT in any taxable year, we would be subject to U.S. 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. See also “—Our failure to qualify as a REIT would cause our stock to be delisted from the NYSE.”

Unless entitled to relief under certain provisions of the Internal Revenue 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. The rule against re-electing REIT status following a loss of such status would also apply to us if Newcastle failed to qualify as a REIT for its taxable years ending on or before December 31, 2014, and we are treated as a successor to Newcastle for U.S. federal income tax purposes. Although, Newcastle has (i) represented in the separation and distribution agreement that it entered into with us on April 26, 2013 (the “Separation and Distribution Agreement”) that it has no knowledge of any fact or circumstance that would cause us to fail to qualify as a REIT and (ii) covenanted in the Separation and Distribution Agreement to use its reasonable best efforts to maintain its REIT status for each of Newcastle’s taxable years ending on or before December 31, 2014 (unless Newcastle obtains an opinion from a nationally recognized tax counsel or a private letter ruling from the IRS to the effect that Newcastle’s failure to maintain its REIT status will not cause us to fail to qualify as a REIT under the successor REIT rule referred to above), no assurance can be given that such representation and covenant would prevent us from failing to qualify as a REIT. Although, in the event of a breach, we may be able to seek damages from Newcastle, there can be no assurance that such damages, if any, would appropriately compensate us. In addition, if Newcastle were to fail to qualify as a REIT despite its reasonable best efforts, we would have no claim against Newcastle.

Our failure to qualify as a REIT would cause our stock to be delisted from the NYSE.

The NYSE requires, as a condition to the listing of our shares, that we maintain our REIT status. Consequently, if we fail to maintain our REIT status, our shares 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 shares 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 shares could not trade on the NYSE.

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 enter into financing arrangements that are structured as sale and repurchase agreements pursuant to which 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 generally 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.

The failure of our Excess MSRs to qualify as real estate assets or the income from our Excess MSRs to qualify as mortgage interest could adversely affect our ability to qualify as a REIT.

We have received from the IRS a private letter ruling substantially to the effect that our Excess MSRs represent interests in mortgages on real property and thus are qualifying “real estate assets” for purposes of the REIT asset test, which generate income that qualifies as interest on obligations secured by mortgages on real property for purposes of the REIT income test. The ruling is based on, among other things, certain assumptions as well as on the accuracy of certain factual representations and statements that we and Newcastle have made to the IRS. If any of the representations or statements that we have made in connection with the private letter ruling, are, or become, inaccurate or incomplete in any material respect with respect to one or more Excess MSR investments, or if we acquire an Excess MSR investment with terms that are not consistent with the terms of the Excess MSR investments described in the private letter ruling, then we will not be able to rely on the private letter ruling. If we are unable to rely on the private letter ruling with respect to an Excess MSR investment, the IRS could assert that such Excess MSR investments do not qualify under the REIT asset and income tests, and if successful, we might fail to qualify as a REIT.

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

Dividends payable to domestic stockholders that are individuals, trusts, and estates are generally taxed at reduced tax rates. Dividends payable by REITs, however, generally are not eligible for the reduced rates. 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 non-REIT 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.

We generally must distribute annually at least 90% of our REIT taxable income, excluding any net capital gain, in order for corporate income tax not to apply to earnings that we distribute. We intend to make distributions to our stockholders to comply with the REIT requirements of the Internal Revenue 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 Internal Revenue Code. Certain of our assets, such as our investment in consumer loans, 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 or debt securities 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.

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

Based on IRS guidance concerning the classification of Excess MSR, we intend to treat our Excess MSR as ownership interests in the interest payments made on the underlying mortgage loans, akin to an “interest only” strip. Under this treatment, for purposes of determining the amount and timing of taxable income, each Excess MSR is treated as a bond that was issued with original issue discount on the date we acquired such Excess MSR. In general, we will be required to accrue original issue discount based on the constant yield to maturity of each Excess MSR, and to treat such original issue discount as taxable income in accordance with the applicable U.S. federal income tax rules. The constant yield of an Excess MSR will be determined, and we will be taxed, based on a prepayment assumption regarding future payments due on the mortgage loans underlying the Excess MSR. If the mortgage loans underlying an Excess MSR prepay at a rate different than that under the prepayment assumption, our recognition of original issue discount will be either increased or decreased depending on the circumstances. Thus, in a particular taxable year, we may be required to accrue an amount of income in respect of an Excess MSR that exceeds the amount of cash collected in respect of that Excess MSR. Furthermore, it is possible that, over the life of the investment in an Excess MSR, the total amount we pay for, and accrue with respect to, the Excess MSR may exceed the total amount we collect on such Excess MSR. No assurance can be given that we will be entitled to a deduction for such excess, meaning that we may be required to recognize “phantom income” over the life of an Excess MSR.

Other debt instruments that we may acquire, including consumer loans, may be issued with, or treated as issued with, original issue discount. Those instruments would be subject to the original issue discount accrual and income computations that are described above with regard to Excess MSR.

We may acquire debt instruments in the secondary market for less than their face amount. The discount at which such debt instruments are acquired may reflect doubts about their ultimate collectability rather than current market interest rates. The amount of such discount will nevertheless generally be treated as “market discount” for U.S. federal income tax purposes. Accrued market discount is reported as income when, and to the extent that, any payment of principal of the debt instrument is made. 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 instruments that are subsequently modified by agreement with the borrower. If the amendments to the outstanding instrument are “significant modifications” under the applicable U.S. Treasury regulations, the modified instrument will 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 instrument exceeds our adjusted tax basis in the unmodified instrument, even if the value of the instrument 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 U.S. federal tax purposes.

Finally, 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 instrument are not made when due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income as it accrues, despite doubt as to its ultimate collectability. Similarly, we may be required to accrue interest income with respect to debt instruments at the stated rate regardless of whether corresponding cash payments are received or are ultimately collectible. In each case, while we would in general ultimately have an offsetting loss deduction available to us when such interest was determined to be uncollectible, the utility of that deduction could depend on our having taxable income of an appropriate character in that later year or thereafter.

In any event, if our investments generate more taxable income than cash in any given year, we may have difficulty satisfying our annual REIT distribution requirement.

We may be unable to generate sufficient cash 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, subject to certain adjustments, although there can be no assurance that our operations will generate sufficient cash to make such distributions. Moreover, our ability to make distributions may be adversely affected by the risk factors described herein. See also “—Risks Related to our Common Stock—We have not established a minimum distribution payment level, and we cannot assure you of our ability to pay distributions in the future.”

The stock ownership limit imposed by the Internal Revenue Code for REITs and our certificate of incorporation 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 Internal Revenue Code, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) at any time during the last half of each taxable year after our first taxable year. Our certificate of incorporation, with certain exceptions, authorizes our board of directors to take the actions that are necessary and desirable to preserve our qualification as a REIT. Stockholders are generally restricted from owning more than 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of common stock, or 9.8% by value or number of shares, whichever is more restrictive, of our outstanding shares of capital 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 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 flow.

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. Moreover, if a REIT distributes less than 85% of its ordinary income, 95% of its capital gain net income plus any undistributed shortfall from the prior year (the “Required Distribution”) 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 on 4% of any shortfall between the Required Distribution 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 TRSs. Such subsidiaries will be subject to corporate level income tax at regular rates and the payment of such taxes would reduce our return on the applicable investment. Currently, we hold some of our investments in TRSs, including servicer advances, and we may contribute other non-qualifying investments, such as our investment in consumer loans, to a TRS in the future.

Complying with the REIT requirements may negatively impact our investment returns or cause us to forgo otherwise attractive opportunities, liquidate assets or contribute assets to a TRS.

To qualify as a REIT for U.S. 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, forgo 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. Our ability to acquire and hold Excess MSRs, interests in consumer loans, servicer advances and other investments is subject to the applicable REIT qualification tests, and we may have to hold these interests through TRSs, which would negatively impact our returns from these assets. In general, compliance with the REIT requirements may hinder our ability to make and retain certain attractive investments.

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

The existing REIT provisions of the Internal Revenue 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 TRSs. 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 U.S. 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. See also “—Risks Related to Our Business—Any hedging transactions that we enter into may limit our gains or result in losses.”

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 (“REMIC”), 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 “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.

We may enter into securitization or other financing transactions that result in the creation of taxable mortgage pools for U.S. 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 a 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 securitizations 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.

Uncertainty exists with respect to the treatment of TBAs for purposes of the REIT asset and income tests, and the failure of TBAs to be qualifying assets or of income/gains from TBAs to be qualifying income could adversely affect our ability to qualify as a REIT.

We purchase and sell Agency RMBS through TBAs 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 would 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 Agency RMBS, 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 Agency RMBS. 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 tax on prohibited transactions will limit our ability to engage in transactions that 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 Excess MSRs 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 Excess MSRs 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 Internal Revenue 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.

There can be no assurance that the market for our stock will provide you with adequate liquidity.

Our common stock began trading (on a when issued basis) on the NYSE on May 2, 2013. There can be no assurance that an active trading market for our common stock will be sustained in the future, and the market price of our common stock may fluctuate widely, depending upon many factors, some of which may be beyond our control. These factors include, without limitation:

- a shift in our investor base;
- our quarterly or annual earnings, or those of other comparable companies;
- actual or anticipated fluctuations in our operating results;
- changes in accounting standards, policies, guidance, interpretations or principles;
- announcements by us or our competitors of significant investments, acquisitions or dispositions;
- the failure of securities analysts to cover our common stock;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- market performance of affiliates and other counterparties with whom we conduct business;
- the operating and stock price performance of other comparable companies;
- overall market fluctuations; and
- general economic conditions.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of our common stock.

Sales or issuances of shares of our common stock could adversely affect the market price of our common stock.

Sales of substantial amounts of shares of our common stock in the public market, or the perception that such sales might occur, could adversely affect the market price of our common stock. The issuance of our common stock in connection with property, portfolio or business acquisitions or the exercise of outstanding options or otherwise could also have an adverse effect on the market price of our common stock. We have an effective registration statement on file to sell common stock in public offerings.

Failure to maintain effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 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. We have made investments through joint ventures, such as our investment in consumer loans, and accounting for such investments can increase the complexity of maintaining effective internal control over financial reporting. 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 had previously believed 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 will not be able to certify as to the effectiveness of our internal control over financial reporting. 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.

Your percentage ownership in us may be diluted in the future.

Your percentage ownership in us may be diluted in the future because of equity awards that we expect will be granted to our Manager, to the directors, officers and employees of our Manager who perform services for us, and to our directors, officers and employees, as well as other equity instruments such as debt and equity financing. We have adopted a Nonqualified Stock Option and Incentive Award Plan, as amended (the “Plan”), which provides for the grant of equity-based awards, including restricted stock, options, stock appreciation rights (“SARs”), performance awards, tandem awards and other equity-based and non-equity based awards, in each case to our Manager, to the directors, officers, employees, service providers, consultants and advisor of our Manager who perform services for us, and to our directors, officers, employees, service providers, consultants and advisors. We reserved 15,000,000 shares of our common stock for issuance under the Plan. On the first day of each fiscal year beginning during

the ten-year term of the Plan and in and after calendar year 2014, that number will be increased by a number of shares of our common stock equal to 10% of the number of shares of our common stock newly issued by us during the immediately preceding fiscal year (and, in the case of fiscal year 2013, after the effective date of the Plan). In connection with any offering of our common stock, we will issue to our Manager options relating to shares of our common stock, representing 10% of the number of shares being offered. Our board of directors may also determine to issue options to the Manager that are not subject to the Plan, provided that the number of shares relating to 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.

We may incur or issue debt or issue equity, which may negatively affect the market price of our common stock.

We may in the future incur or issue debt or issue equity or equity-related securities. In the event of our liquidation, lenders and holders of our debt and holders of our preferred stock (if any) would receive a distribution of our available assets before common stockholders. Any future incurrence or issuance of debt would increase our interest cost and could adversely affect our results of operations and cash flows. We are not required to offer any additional equity securities to existing common stockholders on a preemptive basis. Therefore, additional issuances of common stock, directly or through convertible or exchangeable securities (including limited partnership interests in our operating partnership), warrants or options, will dilute the holdings of our existing common stockholders and such issuances, or the perception of such issuances, may reduce the market price of our common stock. Any preferred stock issued by us would likely have a preference on distribution payments, periodically or upon liquidation, which could eliminate or otherwise limit our ability to make distributions to common stockholders. Because our decision to incur or issue debt or issue equity or equity-related securities in the future will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, nature or success of our future capital raising efforts. Thus, common stockholders bear the risk that our future incurrence or issuance of debt or issuance of equity or equity-related securities will adversely affect the market price of our common stock.

We have not established a minimum distribution payment level, and we cannot assure you of our ability to pay distributions in the future.

We intend to make quarterly distributions of our REIT taxable income to holders of our common stock out of assets legally available therefor. We have not established a minimum distribution payment level and our ability to pay distributions may be adversely affected by a number of factors, including the risk factors described in this report. Any distributions will be authorized by our board of directors and declared by us based upon a number of factors, including actual results of operations, liquidity and financial condition, restrictions under Delaware law or applicable financing covenants, our taxable income, the annual distribution requirements under the REIT provisions of the Internal Revenue Code, our operating expenses and other factors our directors deem relevant. We cannot assure you that we will achieve investment results that will allow us to make a specified level of cash distributions or year-to-year increases in cash distributions in the future.

Furthermore, while we are required to make distributions in order to maintain our REIT status (as described above under “—Risks Related to our Taxation as a REIT—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 shares of common stock in lieu of cash, such action could negatively affect our business, results of operations, liquidity and financial condition as well as the price of our common stock. No assurance can be given that we will pay any dividends on shares of our common stock in the future.

We may in the future choose to pay dividends in our own 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. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend 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 in later years. 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.

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 flow and our ability to service our indebtedness and pay distributions.

Provisions in our certificate of incorporation and bylaws and of Delaware law may prevent or delay an acquisition of our company, which could decrease the trading price of our common stock.

Our certificate of incorporation, bylaws and Delaware law contain provisions that are intended to deter coercive takeover practices and inadequate takeover bids by making such practices or bids unacceptably expensive to the raider and to encourage prospective acquirers to negotiate with our board of directors rather than to attempt a hostile takeover. These provisions include, among others:

- a classified board of directors with staggered three-year terms;
- provisions regarding the election of directors, classes of directors, the term of office of directors, the filling of director vacancies and the resignation and removal of directors for cause only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;
- provisions regarding corporate opportunity only upon the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote thereon;
- removal of directors only for cause and only with the affirmative vote of at least 80% of the then issued and outstanding shares of our capital stock entitled to vote in the election of directors;
- our board of directors to determine the powers, preferences and rights of our preferred stock and to issue such preferred stock without stockholder approval;
- advance notice requirements applicable to stockholders for director nominations and actions to be taken at annual meetings;
- a prohibition, in our certificate of incorporation, stating that no holder of shares of our common stock will have cumulative voting rights in the election of directors, which means that the holders of a majority of the issued and outstanding shares of common stock can elect all the directors standing for election; and
- a requirement in our bylaws specifically denying the ability of our stockholders to consent in writing to take any action in lieu of taking such action at a duly called annual or special meeting of our stockholders.

Public stockholders who might desire to participate in these types of transactions may not have an opportunity to do so, even if the transaction is considered favorable to stockholders. These anti-takeover provisions could substantially impede the ability of public stockholders to benefit from a change in control or a change in our management and board of directors and, as a result, may adversely affect the market price of our common stock and your ability to realize any potential change of control premium.

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 Internal Revenue Code or any substantially similar federal, state or local law and, if so, whether an exemption from such prohibited transaction rules is available.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
2.1	Separation and Distribution Agreement dated April 26, 2013, between New Residential Investment Corp. and Newcastle Investment Corp. (incorporated by reference to Amendment No. 6 of New Residential Investment Corp.'s Registration Statement on Form 10, filed April 29, 2013)
2.2	Purchase Agreement, among the Sellers listed therein, HSBC Finance Corporation and SpringCastle Acquisition LLC, dated March 5, 2013 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed March 11, 2013)
2.3	Master Servicing Rights Purchase Agreement between Nationstar Mortgage LLC and Advance Purchaser LLC, dated as of December 17, 2013 (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on December 23, 2013)
2.4	Sale Supplement (Shuttle 1) between Nationstar Mortgage LLC and Advance Purchaser LLC, dated as of December 17, 2013 (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on December 23, 2013)
2.5	Sale Supplement (Shuttle 2) between Nationstar Mortgage LLC and Advance Purchaser LLC, dated as of December 17, 2013 (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on December 23, 2013)
2.6	Sale Supplement (First Tennessee) between Nationstar Mortgage LLC and Advance Purchaser LLC, dated as of December 17, 2013 (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on December 23, 2013)
2.7	Agreement and Plan of Merger, dated as of February 22, 2015, by and among New Residential Investment Corp., Hexagon Merger Sub, Ltd. and Home Loan Servicing Solutions, Ltd. (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on February 24, 2015)
2.8	Termination Agreement, dated as of April 6, 2015, by and among New Residential Investment Corp., Home Loan Servicing Solutions, Ltd. and Hexagon Merger Sub Ltd. (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on April 10, 2015)
2.9	Share and Asset Purchase Agreement, dated as of April 6, 2015, by and among New Residential Investment Corp., HLSS Advances Acquisition Corp., HLSS MSR-EBO Acquisition LLC and Home Loan Servicing Solutions, Ltd. (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on April 10, 2015)
2.10	Purchase Agreement, dated as of March 31, 2016, by and among SpringCastle Holdings, LLC, Springleaf Acquisition Corporation, Springleaf Finance, Inc., NRZ Consumer LLC, NRZ SC America LLC, NRZ SC Credit Limited, NRZ SC Finance I LLC, NRZ SC Finance II LLC, NRZ SC Finance III LLC, NRZ SC Finance IV LLC, NRZ SC Finance V LLC, BTO Willow Holdings II, L.P. and Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P., and solely with respect to Section 11(a) and Section 11(g), NRZ SC America Trust 2015-1, NRZ SC Credit Trust 2015-1, NRZ SC Finance Trust 2015-1, and BTO Willow Holdings, L.P.
3.1	Amended and Restated Certificate of Incorporation of New Residential Investment Corp. (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed May 3, 2013)
3.2	Amended and Restated Bylaws of New Residential Investment Corp. (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed May 3, 2013)
3.3	Amendment to Amended and Restated Certificate of Incorporation of New Residential Investment Corp. (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on October 17, 2014)
4.1	Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015)
4.2	Series 2015-T1 Indenture Supplement, dated as of August 28, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015)

Exhibit Number	Exhibit Description
4.3	Series 2015-T2 Indenture Supplement, dated as of August 28, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015)
4.4	Series 2015-VF1 Indenture Supplement, dated as of August 28, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015)
4.5	Amendment No. 1, dated as of November 24, 2015, to the Series 2015-VF1 Indenture Supplement, dated as of August 28, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to New Residential Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2015)
4.6	Amendment No. 2, dated as of March 22, 2016, to the Series 2015-VF1 Indenture Supplement, dated as of August 28, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed March 24, 2016)
4.7	Series 2015-T3 Indenture Supplement, dated as of November 24, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to New Residential Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2015)
4.8	Series 2015-T4 Indenture Supplement, dated as of November 24, 2015, to the Indenture, dated as of August 28, 2015, by and among NRZ Advance Receivables Trust 2015-ON1, Deutsche Bank National Trust Company, Ocwen Loan Servicing, LLC, HLSS Holdings, LLC, Credit Suisse AG, New York Branch and New Residential Investment Corp. (incorporated by reference to New Residential Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2015)
4.9	Series 2014-A Indenture dated as of October 3, 2014, by and among SpringCastle America Funding, LLC, SpringCastle Credit Funding, LLC, and SpringCastle Finance Funding, LLC, as co-issuers, Wilmington Trust, National Association, as loan trustee, Springleaf Finance, Inc., as servicer, Wells Fargo Bank, National Association, as paying agent and note registrar, and U.S. Bank National Association, as indenture trustee
10.1	Third Amended and Restated Management and Advisory Agreement between New Residential Investment Corp. and FIG LLC, dated May 7, 2015 (incorporated by reference to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015)
10.2	Form of Indemnification Agreement by and between New Residential Investment Corp. and its directors and officers (incorporated by reference to Amendment No. 3 of New Residential Investment Corp.'s Registration Statement on Form 10, filed March 27, 2013)
10.3	New Residential Investment Corp. Nonqualified Stock Option and Incentive Award Plan (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed May 3, 2013)
10.4	Amended and Restated New Residential Investment Corp. Nonqualified Stock Option and Incentive Plan, adopted as of November 4, 2014 (incorporated by reference to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2014)
10.5	Investment Guidelines (incorporated by reference to Amendment No. 4 of New Residential Investment Corp.'s Registration Statement on Form 10, filed April 9, 2013)
10.6	Excess Servicing Spread Sale and Assignment Agreement, by and between Nationstar Mortgage LLC and NIC MSR I LLC, dated December 8, 2011 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2011)
10.7	Excess Spread Refinanced Loan Replacement Agreement, by and between Nationstar Mortgage LLC and NIC MSR I LLC, dated December 8, 2011 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2011)

Exhibit Number	Exhibit Description
10.8	Future Spread Agreement for FHLMC Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR IV LLC, dated May 13, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed May 15, 2012)
10.9	Future Spread Agreement for FNMA Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR V LLC, dated May 13, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed May 15, 2012)
10.10	Future Spread Agreement for Non-Agency Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR VI LLC, dated May 13, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed May 15, 2012)
10.11	Future Spread Agreement for GNMA Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR VII, LLC, dated May 13, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed May 15, 2012)
10.12	Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR III LLC, dated May 31, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed June 6, 2012)
10.13	Future Spread Agreement for FHLMC Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR III LLC, dated May 31, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed June 6, 2012)
10.14	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FNMA Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR II LLC, dated June 7, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed June 7, 2012)
10.15	Amended and Restated Future Spread Agreement for FNMA Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR II LLC, dated June 7, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed June 7, 2012)
10.16	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR II LLC, dated June 7, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed June 7, 2012)
10.17	Amended and Restated Future Spread Agreement for FHLMC Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR II LLC, dated June 7, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed June 7, 2012)
10.18	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR II LLC, dated June 7, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed June 7, 2012)
10.19	Amended and Restated Future Spread Agreement for Non-Agency Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR II LLC, dated June 7, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed June 7, 2012)
10.20	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FNMA Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR V LLC, dated June 28, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed July 5, 2012)
10.21	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR IV LLC, dated June 28, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed July 5, 2012)
10.22	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR VI LLC, dated June 28, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed July 5, 2012)
10.23	Amended and Restated Current Excess Servicing Spread Acquisition Agreement for GNMA Mortgage Loans, between Nationstar Mortgage LLC and NIC MSR VII LLC, dated June 28, 2012 (incorporated by reference to Newcastle Investment Corp.'s Current Report on Form 8-K, filed July 5, 2012)
10.24	Current Excess Servicing Spread Acquisition Agreement for GNMA Mortgage Loans, between Nationstar Mortgage LLC and MSR VIII LLC, dated December 31, 2012 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2012)

Exhibit Number	Exhibit Description
10.25	Future Spread Agreement for GNMA Mortgage Loans, between Nationstar Mortgage LLC and MSR VIII LLC, dated December 31, 2012 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2012)
10.26	Current Excess Servicing Spread Acquisition Agreement for FHLMC Mortgage Loans, between Nationstar Mortgage LLC and MSR IX LLC, dated January 6, 2013 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2012)
10.27	Future Spread Agreement for FHLMC Mortgage Loans, between Nationstar Mortgage LLC and MSR IX LLC, dated January 6, 2013 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2012)
10.28	Current Excess Servicing Spread Acquisition Agreement for FNMA Mortgage Loans, between Nationstar Mortgage LLC and MSR X LLC, dated January 6, 2013 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2012)
10.29	Future Spread Agreement for FNMA Mortgage Loans, between Nationstar Mortgage LLC and MSR X LLC, dated January 6, 2013 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2012)
10.30	Current Excess Servicing Spread Acquisition Agreement for GNMA Mortgage Loans, between Nationstar Mortgage LLC and MSR XI LLC, dated January 6, 2013 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2012)
10.31	Future Spread Agreement for GNMA Mortgage Loans, between Nationstar Mortgage LLC and MSR XI LLC, dated January 6, 2013 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2012)
10.32	Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, between Nationstar Mortgage LLC and MSR XII LLC, dated January 6, 2013, (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2012)
10.33	Future Spread Agreement for Non-Agency Mortgage Loans, between Nationstar Mortgage LLC and MSR XII LLC, dated January 6, 2013 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2012)
10.34	Current Excess Servicing Spread Acquisition Agreement for Non-Agency Mortgage Loans, between Nationstar Mortgage LLC and MSR XIII LLC, dated January 6, 2013, (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2012)
10.35	Future Spread Agreement for Non-Agency Mortgage Loans, between Nationstar Mortgage LLC and MSR XIII LLC, dated January 6, 2013 (incorporated by reference to Newcastle Investment Corp.'s Annual Report on Form 10-K, for the annual period ended December 31, 2012)
10.36	Interim Servicing Agreement, among the Interim Servicers listed therein, HSBC Finance Corporation, as Interim Servicer Representative, HSBC Bank USA, National Association, SpringCastle America, LLC, SpringCastle Credit, LLC, SpringCastle Finance, LLC, Wilmington Trust, National Association, as Loan Trustee, and SpringCastle Finance LLC, as Owner Representative (incorporated by reference to Amendment No. 4 to New Residential Investment Corp.'s Registration Statement on Form 10, filed April 9, 2013)
10.37	Second Amended and Restated Limited Liability Company Agreement of SpringCastle Acquisition LLC, dated March 31, 2016
10.38	Registration Rights Agreement, dated as of April 6, 2015, by and between New Residential Investment Corp and Home Loan Servicing Solutions, Ltd. (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on April 10, 2015)
10.39	Services Agreement, dated as of April 6, 2015, by and between HLSS Advances Acquisition Corp. and Home Loan Servicing Solutions, Ltd. (incorporated by reference to New Residential Investment Corp.'s Current Report on Form 8-K, filed on April 10, 2015)
10.40	Receivables Sale Agreement, dated as of August 28, 2015, by and among Ocwen Loan Servicing, LLC, HLSS Holdings, LLC and NRZ Advance Facility Transferor 2015-ON1 LLC (incorporated by reference to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015)
10.41	Receivables Pooling Agreement, dated as of August 28, 2015, by and between NRZ Advance Facility Transferor 2015-ON1 LLC and NRZ Advance Receivables Trust 2015-ON1 (incorporated by reference to New Residential Investment Corp.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2015)

Exhibit Number	Exhibit Description
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 *

* Furnished electronically herewith.

The following second amended and restated limited liability company agreements of the Consumer Loan Companies are substantially identical in all material respects, except as to the parties thereto and the initial capital contributions required under each agreement, to the Second Amended and Restated Limited Liability Company Agreement of SpringCastle Acquisition LLC that is filed as Exhibit 10.37 hereto and are being omitted in reliance on Instruction 2 to Item 601 of Regulation S-K:

- Second Amended and Restated Limited Liability Company Agreement of SpringCastle America, LLC, dated as of March 31, 2016.
- Second Amended and Restated Limited Liability Company Agreement of SpringCastle Credit, LLC, dated as of March 31, 2016.
- Second Amended and Restated Limited Liability Company Agreement of SpringCastle Finance, LLC, dated as of March 31, 2016.

SIGNATURES

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

NEW RESIDENTIAL INVESTMENT CORP.

By: /s/ Michael Nierenberg
Michael Nierenberg
Chief Executive Officer and President
(Principal Executive Officer)

May 4, 2016

By: /s/ Nicola Santoro, Jr.
Nicola Santoro, Jr.
Chief Financial Officer and Treasurer
(Principal Financial Officer)

May 4, 2016

By: /s/ Jonathan R. Brown
Jonathan R. Brown
Chief Accounting Officer
(Principal Accounting Officer)

May 4, 2016

PURCHASE AGREEMENT

This PURCHASE AGREEMENT (this “Agreement”), dated as of March 31, 2016, is entered into by and between SpringCastle Holdings, LLC, a Delaware limited liability company (“SpringCastle Holdings”), Springleaf Acquisition Corporation, a Delaware corporation (“Springleaf Acquisition,” and together with SpringCastle Holdings, each a “Seller” and together “Sellers”), Springleaf Finance, Inc. (“SFI”), each party set forth on the signature pages hereto as a Buyer (each a “Buyer” and together “Buyers”) and each party set forth on the signature pages hereto as an Other Member (each an “Other Member” and together “Other Members”). Each of the Other Members is a party hereto solely for the purposes of Section 11(a) and Section 11(g). Each of Buyers, Sellers, SFI and, solely with respect to Section 11(a) and Section 11(g), the Other Members is referred to herein as a “Party” and collectively as the “Parties”. BTO Willow Holdings II, L.P. and Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P. are referred to herein as the “Blackstone Buyers,” and NRZ Consumer LLC, NRZ SC America LLC, NRZ SC Credit Limited, NRZ SC Finance I LLC, NRZ SC Finance II LLC, NRZ SC Finance III LLC, NRZ SC Finance IV LLC, NRZ SC Finance V LLC are referred to herein as the “NRZ Buyers”.

RECITALS

WHEREAS, SpringCastle Holdings is the Managing Member of (i) SpringCastle America, LLC, a Delaware limited liability company (“SpringCastle America”), pursuant to that certain Amended and Restated Limited Liability Company Agreement of SpringCastle America dated April 1, 2013 (as amended, the “SpringCastle America LLC Agreement”), (ii) SpringCastle Credit, LLC, a Delaware limited liability company (“SpringCastle Credit”), pursuant to that certain Amended and Restated Limited Liability Company Agreement of SpringCastle Credit dated April 1, 2013 (as amended, the “SpringCastle Credit LLC Agreement”), and (iii) SpringCastle Finance, LLC, a Delaware limited liability company (“SpringCastle Finance”), pursuant to that certain Amended and Restated Limited Liability Company Agreement of SpringCastle Finance dated April 1, 2013 (as amended, the “SpringCastle Finance LLC Agreement”);

WHEREAS, Springleaf Acquisition is the Managing Member of SpringCastle Acquisition LLC, a Delaware limited liability company (“SpringCastle Acquisition”) and together with SpringCastle America, SpringCastle Credit and SpringCastle Finance, the “SpringCastle Companies”), pursuant to that certain Amended and Restated Limited Liability Company Agreement of SpringCastle Acquisition dated April 1, 2013 (the “SpringCastle Acquisition LLC Agreement,” and together with the SpringCastle America LLC Agreement, the SpringCastle Credit LLC Agreement and the SpringCastle Finance LLC Agreement, the “LLC Agreements”); and

WHEREAS, each Seller desires to transfer and assign to Buyers all of its right, title and interest in and to the SpringCastle Companies, as more specifically set forth in Section 2(a) below.

NOW, THEREFORE, in consideration of the foregoing and the agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

Section 1. Capitalized Terms. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the applicable LLC Agreement as in effect immediately prior to the Closing Date.

Section 2. Sale and Purchase.

(a) On the terms and subject to the conditions of this Agreement, each Seller shall sell, assign and transfer to Buyers, and each Buyer agrees to purchase from each Seller, all of such Seller's right, title and interest in the Interests of the SpringCastle Companies (the "Transferred Interests"), free and clear of any Encumbrance (as defined in Section 6(a) below), including all of such Seller's right, title and interest in, to and under the LLC Agreements including all sums of money distributable thereunder after the Closing Date in respect of the Transferred Interests (except as provided in Section 11(g) below), for the aggregate purchase price of \$111,625,000 (the "Aggregate Purchase Price"), in each case as more specifically set forth below:

<u>SpringCastle Acquisition</u>	<u>Buyer</u>	<u>Purchase Price</u>	<u>Escrow Amount</u>
23.5% Membership Percentage	NRZ Consumer LLC	-	-
23.4312625% Membership Percentage	BTO Willow Holdings II, L.P.	-	-
0.0687375% Membership Percentage	Blackstone Family Tactical - Opportunities Investment Partnership - NQ - ESC L.P.	-	-

<u>SpringCastle America</u>	<u>Buyer</u>	<u>Purchase Price</u>	<u>Escrow Amount</u>
23.5% Membership Percentage	NRZ America LLC	\$57,729.46	\$5,772.95
23.4312625% Membership Percentage	BTO Willow Holdings II, L.P.	\$57,560.60	\$5,756.06
0.0687375% Membership Percentage	Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P.	\$168.86	\$16.89

<u>SpringCastle Credit</u>	<u>Buyer</u>	<u>Purchase Price</u>	<u>Escrow Amount</u>
23.5% Membership Percentage	NRZ SC Credit Limited	\$22,122,283.09	\$2,212,228.31
23.4312625% Membership Percentage	BTO Willow Holdings II, L.P.	\$22,057,575.41	\$2,205,757.54

0.0687375% Membership Percentage	Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P.	\$64,707.68	\$6,470.77
<u>SpringCastle Finance</u>	<u>Buyer</u>	<u>Purchase Price</u>	<u>Escrow Amount</u>
4.7% Membership Percentage	NRZ SC Finance I LLC	\$6,726,497.49	\$672,649.75
4.7% Membership Percentage	NRZ SC Finance II LLC	\$6,726,497.49	\$672,649.75
4.7% Membership Percentage	NRZ SC Finance III LLC	\$6,726,497.49	\$672,649.75
4.7% Membership Percentage	NRZ SC Finance IV LLC	\$6,726,497.49	\$672,649.75
4.7% Membership Percentage	NRZ SC Finance V LLC	\$6,726,497.49	\$672,649.75
23.4312625% Membership Percentage	BTO Willow Holdings II, L.P.	\$33,534,112.42	\$3,353,411.24
0.0687375% Membership Percentage	Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P.	\$98,375.03	\$9,837.50

(b) Each Buyer hereby acknowledges that except as expressly set forth in Section 2(a), Section 5 and Section 6 below, the sale, transfer and assignment made pursuant to Section 2(a) is made “AS IS, WHERE IS, WITH ALL FAULTS (IF ANY),” and without any representation or warranty, express, implied or statutory by, and without any recourse against, Sellers.

Section 3. Closing. The closing of the sale and purchase of the Transferred Interests (the “Closing”) shall take place on the date hereof, at which time each of the closing conditions set forth in Section 4 shall have been satisfied (the “Closing Date”). At the Closing, (a) each Seller shall execute and deliver the applicable membership interest power in the form attached hereto as Exhibit A in order to effect the assignment and assumption of the Transferred Interests of such Seller to the applicable Buyer with respect to each SpringCastle Company, and (b) each Buyer shall deliver by wire transfer of immediately available funds an amount equal to the difference between (i) the applicable Purchase Price set forth opposite such Buyer’s name in Section 2(a) and (ii) the applicable Escrow Amount set forth opposite such Buyer’s name in Section 2(a) to the account(s) designated in Schedule A hereto. Not later than 120 days following the Closing Date (the “Escrow Deadline Date”), each Buyer shall deliver the full Escrow Amount set forth opposite such Buyer’s name in Section 2(a), by wire transfer of immediately available funds to the account designated by the Escrow Agent (as defined below). Following the Closing Date and no later than the Escrow Deadline Date, the Parties will execute and deliver the Escrow Agreement substantially in the form attached hereto as Exhibit B (the “Escrow Agreement”) among Sellers,

Buyers and U.S. Bank National Association, as escrow agent (the “Escrow Agent”), subject to Escrow Agent’s mutual agreement on the terms of the Escrow Agreement.

Section 4. Closing Conditions. The obligations of Sellers and Buyers to sell and to purchase the Transferred Interests are subject to each of the following: (a) the execution and delivery of the Consent Agreement by the Sellers, SFI, Buyers and the Other Members (the “Consent Agreement”); (b) the execution and delivery of the side letter by SFI, the NRZ Buyers, the Sellers and the SpringCastle Companies (the “Side Letter”); and (c) the execution and delivery of the Servicing Agreement in the form attached hereto as Exhibit C (the “2016 Servicing Agreement”) by the parties thereto. The Consent Agreement, the Side Letter and the Purchase Agreement are referred to herein as the “Transaction Documents.” The Escrow Amounts, together with income earned thereon as provided in the Escrow Agreement (net of any applicable fees and taxes thereon as provided in the Escrow Agreement) (the “Escrowed Funds”) shall be held by the Escrow Agent pursuant to the Escrow Agreement as a non-exclusive source of funds for amounts owing to Buyer Indemnified Parties pursuant to Section 10, in the sole discretion of Buyer Indemnified Parties; provided, that the Escrowed Funds shall be subject to reduction and release to Sellers under Section 10(d).

Section 5. Representations and Warranties of Each Party. As a material inducement to the Parties’ execution and delivery of this Agreement, each Party represents and warrants to the other Party that, as of the Closing Date:

(a) It is a limited liability company, partnership, corporation or other entity duly formed, validly existing and in good standing under the laws of the jurisdiction of its formation.

(b) Its execution and delivery of this Agreement, the performance by it of its obligations under this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate, partnership, limited liability company or other action on its part. This Agreement has been duly executed and delivered by such Party and is legal, valid, binding and enforceable upon and against such Party.

(c) Its execution and delivery of, and its performance and compliance with the terms and provisions of, this Agreement do not violate any of the terms, conditions or provisions of (i) its certificate of formation, certificate of limited partnership, limited partnership agreement, limited liability company agreement or other applicable organizational agreements or governing instruments, (ii) any judgment, order, injunction, decree, regulation or ruling of any government or any arbitrator, tribunal or court of competent jurisdiction, administrative agency or commission or other governmental authority or instrumentality (in each case whether Federal, state, local, foreign, international or multinational) (“Governmental Entity”) to which it is subject or by which any of its assets are bound, or (iii) any agreement or contract to which such Party is a party or to which it or its property is subject.

(d) No authorization, consent, order, approval or license from, filing with, or other act by any Governmental Entity or other Person is or will be necessary to permit the valid execution and delivery by it of this Agreement or the performance by it of the obligations to be performed by it under this Agreement, or if any such authorizations, consents, orders, approvals or

licenses are required, they have been obtained as of the Closing Date. Buyers acknowledge that Sellers have relied on the representation of each Buyer in the Side Letter in connection with its representation under this Section 5(d).

Section 6. Representations and Warranties of Sellers. As a material inducement to each Buyer's execution and delivery of this Agreement, each Seller represents and warrants to Buyers that, as of the Closing Date:

(a) SpringCastle Holdings is the sole record and beneficial owner of the Transferred Interests with respect to SpringCastle America, SpringCastle Credit and SpringCastle Finance, and has good and valid title to such Transferred Interests, free and clear of any charge, limitation, condition, mortgage, lien, security interest, adverse claim, encumbrance or restriction of any kind (collectively, "Encumbrances"), except any Encumbrance provided for in (i) the applicable LLC Agreement and (ii) the 2015 Consent (as defined in the Consent Agreement).

(b) Springleaf Acquisition is the sole record and beneficial owner of the Transferred Interests with respect to SpringCastle Acquisition, and has good and valid title to such Transferred Interests, free and clear of any Encumbrances, except any Encumbrance provided for in the SpringCastle Acquisition LLC Agreement.

(c) As of the Closing Date, such Seller has neither delivered nor received notice of any call for the contribution of additional capital to any SpringCastle Company by such Seller or any other Member that is outstanding. As of the Closing Date, (i) such Seller is not in default under or in breach of any provision of any LLC Agreement in any material respect, (ii) neither such Seller nor SFI is in default under or in breach of any other agreement to which it is a party in any material respect, (iii) no Affiliate of such Seller is in default under or in breach of any agreement to which it is a party to the extent such default or breach could reasonably be expected to adversely impact the SpringCastle Companies in any material respect; (iv) to the knowledge of such Seller, no SpringCastle Company is in default under or in breach of any provision of any agreement to which it is a party in any material respect and (v) such Seller has not received notice of any default or breach contemplated by clauses (i) through (iv). "Affiliate" means, with respect to any Person, a Person that directly, or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, such Person; provided, that for purposes of this Agreement, New Residential Investment Corp. and its subsidiaries shall not be deemed to be Affiliates of Seller or SFI. "Control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of capital stock, by contract or otherwise.

(d) Other than as disclosed in Schedule 6(d), (i) there is no pending Proceeding or Buy-Back Request or, to the knowledge of Sellers, threatened Proceeding or Buy-Back Request, against (A) any SpringCastle Company, Seller or SFI or (B) any Affiliate of any Seller to the extent such Proceeding or Buy-Back Request could reasonably be expected to adversely impact the SpringCastle Companies in any material respect, and (ii) no order, judgment or decree of any Governmental Entity has been issued in any Proceeding to which any Seller or any SpringCastle Company is or was a party or to which any of its assets are subject that enjoins or requires any Seller or any SpringCastle Company to take action of any kind with respect to its businesses, assets or

properties. “Proceeding” means any suit, action or proceeding (in each case, whether civil or criminal) commenced, brought, conducted or heard by or before any Governmental Entity. “Buy-Back Request” means any notice by the Indenture Trustee or any Company SPV of a breach of representation or warranty of a SpringCastle Company delivered pursuant to Section 6.01 of any Loan Purchase Agreement.

(e) Since December 31, 2015, there has not been any event, change, occurrence or circumstance that has had a material adverse effect on the condition, assets or operations of any SpringCastle Company. As of the date hereof, there is no event, change, or occurrence currently pending of which Sellers are aware, nor any current circumstance or state of facts of which Sellers are aware, that would reasonably be expected to have a material adverse effect on the condition, assets or operations of any SpringCastle Company. For purposes of the preceding sentence, “material adverse effect” shall not include effects to the extent they result from (i) changes in national or international financial, securities or currency markets, changes in generally prevailing interest rates or exchange rates, changes in general economic or political conditions, changes in the consumer loan industry in which the Companies operate, changes in commodity prices, or effects of weather or acts of God, (ii) changes in law or in any interpretation of any law, or changes in regulatory conditions in the jurisdictions in which any SpringCastle Company operates, or (iii) changes in generally accepted accounting principles or any interpretation thereof, in each case to the extent such matters do not disproportionately impact the Companies as compared to other companies operating in the same industry.

(f) Schedule B sets forth the aggregate percentage interest of each Member in each SpringCastle Company immediately prior to and immediately after giving effect to the transfer of the Transferred Interests in accordance with Section 2(a) at the Closing.

(g) Sellers have furnished to Buyers complete and accurate copies of the documents listed in Schedule C hereto. Schedule C sets forth a description of (i) all material agreements to which the SpringCastle Companies are a party and (ii) such Seller is not aware of any other agreement or arrangement between or among any Members of the SpringCastle Companies (or any Affiliates of the Members) concerning the rights or obligations of such Members under the applicable LLC Agreement.

(h) Such Seller has evaluated the merits and risks of selling the Transferred Interests on the terms set forth in this Agreement, and has such knowledge and experience in financial and business matters that such Seller is capable of evaluating the merits and risks of such sale, is aware of and has considered the financial risks and financial hazards of selling the Transferred Interests on the terms set forth in this Agreement and is willing to forgo through such sale the potential for future economic gain that might be realized from the Transferred Interests. Such Seller has had access to such information regarding the business and finances of the SpringCastle Companies and such other matters with respect to the SpringCastle Companies as a reasonable person would consider in evaluating the transactions contemplated hereby, including, in particular, all information necessary to determine the fair market value of the Transferred Interests.

(i) No Buyer shall be liable to any broker, finder or investment banker entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of such Seller or its Affiliates.

Section 7. Representations and Warranties of Buyers. As a material inducement to Sellers' execution and delivery of this Agreement, each Buyer represents and warrants, covenants and agrees to Sellers that, as of the Closing Date:

(a) Such Buyer has reviewed the representations and warranties set forth in Section 3.8 of each LLC Agreement and all such representations and warranties, as they relate to such Buyer in connection herewith, are true and correct in all respects.

(b) Such Buyer has conducted its own independent evaluation, without reliance on Sellers, but in reliance on certain documentation provided by Sellers and listed in Schedule C, of an investment in the SpringCastle Companies and evaluated the merits and risks of purchasing the Transferred Interests on the terms set forth in this Agreement, and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of such purchase, is aware of and has considered the financial risks and financial hazards of purchasing the Transferred Interests on the terms set forth in this Agreement and is able to bear the economic risks of purchasing the Transferred Interests, including the possibility of complete loss with respect thereto. Such Buyer has had access to such information regarding the business and finances of the SpringCastle Companies and such other matters with respect to the SpringCastle Companies that a reasonable person would consider in evaluating the transactions contemplated hereby, including, in particular, all information necessary to determine the fair market value of the Transferred Interests. Other than as set forth in this Agreement (including the exhibits and schedules hereto), such Buyer is not relying on statements of Sellers in making this purchase.

(c) Such Buyer acknowledges receipt from Sellers of the documents listed in Schedule C.

(d) No Seller shall be liable to any broker, finder or investment banker entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of such Buyer or its Affiliates.

Section 8. Indemnification by Sellers. Each Seller shall, and hereby does, indemnify, defend and hold harmless each Buyer and, if applicable, its respective members, partners, shareholders, officers, directors, employees and representatives (the "Buyer Indemnified Parties") for any Losses (as defined below) imposed upon or incurred by the Buyer Indemnified Parties (whether directly or indirectly) that results from or arises out of a breach by such Seller of any of its obligations, representations or warranties set forth in the Transaction Documents (including any exhibits thereto). "Loss" or "Losses" means any and all actual losses, liabilities, damages, taxes, claims, interest, awards, judgments, penalties, costs and expenses (including reasonable attorneys' fees) suffered or incurred (but excluding (i) any consequential, remote or speculative damages which are not the reasonably foreseeable result of the applicable breach or inaccuracy giving rise to such damages, (ii) any punitive or exemplary damages, and (iii) any damages for lost profits; provided, that the foregoing exclusions shall not include damages payable to a third party). No Seller shall

be required to indemnify any Buyer Indemnified Party, and shall not have any liability under this Section 8, in excess of the Purchase Price payable to such Seller.

Section 9. Indemnification by Buyer. Each Buyer shall, and hereby does, indemnify, defend and hold harmless each Seller and, if applicable, its respective members, partners, shareholders, officers, directors, employees and representatives (the “Seller Indemnified Parties”) for any Losses imposed upon or incurred by the Seller Indemnified Parties (whether directly or indirectly) that results from or arises out of a breach by such Buyer of any of its obligations, representations or warranties set forth in the Transaction Documents (including the exhibits thereto).

Section 10. Indemnification Procedures; Escrow Funds and Escrow Release Amounts.

(a) Third Party Claims. If a third party commences any action or makes any demand against a Seller Indemnified Party, a Buyer Indemnified Party, or a SFI Indemnified Party (as defined below in Section 11(a)) for which such party (“Indemnified Party”) is entitled to indemnification under this Agreement, such Indemnified Party will promptly notify the other party (“Indemnifying Party”) in writing of such action or demand; provided, however, that if the Indemnified Party assumes the defense of the action and fails to provide prompt notice to the Indemnifying Party, such failure shall not limit in any way the Indemnifying Party’s obligation to indemnify the Indemnified Party except to the extent that such failure materially prejudices the Indemnifying Party’s ability to defend the action. The Indemnifying Party may, at its own expense and without limiting its obligation to indemnify the Indemnified Party, participate in the defense of such action with counsel reasonably satisfactory to the Indemnified Party, or the Indemnifying Party may, at its own expense and without limiting its obligation to indemnify the Indemnified Party, assume the defense of such action with counsel reasonably acceptable to the Indemnified Party. In any event, the Party that has assumed the defense of such action shall provide the other Party with copies of all notices, pleadings, and other papers filed or served in such action. Neither Party shall make any settlement or adjustment without the other Party’s prior written consent, which consent (i) in the case of the Indemnifying Party will not be unreasonably withheld in the event the settlement or adjustment involves only the payment of money damages by the Indemnifying Party and (ii) in the case of the Indemnified Party will not be unreasonably withheld; provided that such consent may be withheld if the settlement or adjustment involves performance or admission by the Indemnified Party.

(b) Other Claims. In the event any Indemnified Party has a claim against any Indemnifying Party under Section 8, Section 9 or Section 11 that does not involve a third party claim, the Indemnified Party shall deliver notice of such claim to the Indemnifying Party (setting forth in reasonable detail the facts giving rise to such claim (to the extent known by the Indemnified Party) and the amount or estimated amount (to the extent reasonably estimable) of Losses arising out of, involving or otherwise in respect of such claim) with reasonable promptness after becoming aware of such claim; provided, however, that failure to give such notification shall not affect the indemnification provided hereunder except to the extent the Indemnifying Party shall have been actually and materially prejudiced as a result of such failure. If the Indemnifying Party does not notify the Indemnified Party within 14 days following its receipt of such notice that the Indemnifying

Party disputes its liability to the Indemnified Party under Section 8 or Section 9, such claim specified by the Indemnified Party in such notice shall be conclusively deemed a liability of the Indemnifying Party and the Indemnifying Party shall pay the amount of such liability to the Indemnified Party on demand or, in the case of any notice in which the amount of the claim (or any portion thereof) is estimated, on such later date when the amount of such claim (or such portion thereof) becomes finally determined.

(c) Survival. The representations and warranties contained in the Transaction Documents shall survive the Closing for a period of two (2) years or, in the case of the Fundamental Representations, twenty (20) years, after which time such representations and warranties shall terminate and the parties shall have no rights or remedies thereafter with respect to the any breach of such representations or warranties. “Fundamental Representations” means the representations and warranties set forth in Section 5(a)-(d), Section 6(a), Section 6(b), Section 6(i) and Section 7(d). Each indemnity in this Agreement is a continuing obligation, separate and independent from the other obligations of the parties and survives termination of this Agreement, and it is not necessary for an Indemnified Party to incur expense or make payment before enforcing a right of indemnity conferred by this Agreement.

(d) Escrow Funds and Escrow Release Amounts.

(i) Buyers shall have the right to notify the Escrow Agent of any claim for indemnification made by any Buyer Indemnified Party pursuant to this Section 10. Promptly following the final determination in accordance with this Section 10 of any claim for indemnification made by any Buyer Indemnified Party pursuant to this Section 10, upon request by Buyers, each Seller shall execute and deliver a certificate requesting the Escrow Agent to deliver by wire transfer to an account designated by Buyers immediately available funds from the Escrow Funds in the amount of such claim as finally determined (not to exceed the Escrowed Funds). The right to receive such distributions from the Escrowed Funds shall not be the sole, first or exclusive source for indemnification of the Buyer Indemnified Parties under this Section 10 and shall be in addition to any other remedies available hereunder or under applicable law, and Buyer Indemnified Parties shall not be required to make claims for indemnification against any Escrowed Funds.

(ii) On the date that is fifteen (15) days following the end of the period commencing on the Closing Date and ending on the five year anniversary of the Closing Date (the “Applicable Period”) (or, if such date is not a business day, the first business day following such date) (the “Escrow Release Date”), Buyers and Sellers shall execute and deliver a certificate requesting the Escrow Agent to deliver the Escrow Release Amount (as defined in Section 10(f) below) payable to Sellers and/or Buyers, as applicable, from the Escrowed Funds then held by the Escrow Agent by wire transfer to one or more accounts designated by Sellers and/or Buyers, as applicable; provided, however, that if prior to the Escrow Release Date, Buyers notify Sellers and the Escrow Agent in writing that all or a portion of the Escrowed Funds is subject to claims for indemnification under this Agreement that have not

been finally determined (the “Outstanding Claims”), the amount delivered to Sellers upon the Escrow Release Date shall be equal to an amount, not less than zero nor greater than the Escrowed Funds, equal to (A) the Escrow Release Amount payable to Sellers minus (B) the sum of all amounts subject to the Outstanding Claims at such time. If at any time after any Escrow Release Date (x) the amount of the Escrowed Funds then held by the Escrow Agent exceeds the sum of all amounts subject to the Outstanding Claims at such time (the “Excess Amount”), then Sellers and Buyers shall execute and deliver a certificate requesting the Escrow Agent to deliver the Excess Amount at such time to Sellers by wire transfer to one or more accounts designated by Sellers.

(iii) On the date that no Outstanding Claims remain, but not prior to the Escrow Release Date, after giving effect to all payments required to be made pursuant to Section 10(d)(ii) above, if any Escrowed Funds remain, then Sellers and Buyers shall execute and deliver a certificate requesting the Escrow Agent to deliver the Escrowed Funds by wire transfer to one or more accounts designated by Buyers.

(e) Aggregate Gross Cash Flow Calculation. Promptly following the end of the Applicable Period but in any event no later than the Escrow Release Date, Buyers shall deliver a copy of their calculation of the Aggregate Gross Cash Flow (as defined in Section 10(f) below) and supporting documentation to Sellers. If Sellers dispute the calculation of the Aggregate Gross Cash Flow, Buyers shall make available to Sellers and their representatives, upon reasonable advance notice and during normal business hours, all books, records, financial statements, work papers and schedules related to the SpringCastle Companies and Company Related Entities as may be necessary to verify the calculations. Any dispute regarding the calculation of the Aggregate Gross Cash Flow shall be resolved in the following manner:

- (i) Sellers, within 21 days after receipt of the calculation of the Aggregate Gross Cash Flow, shall notify Buyers in writing of any such dispute, which notice shall specify in reasonable detail the nature of the dispute;
- (ii) During the 10-day period following Buyers’ receipt of such notice, Sellers and Buyers shall attempt to resolve such dispute and to determine the appropriate calculation of the Aggregate Gross Cash Flow, as applicable; and
- (iii) If at the end of the 10-day period specified in clause (ii) above, Sellers and Buyers shall have failed to reach a written agreement with respect to such dispute or Sellers have not withdrawn their objection, the matter shall be referred to KPMG LLP (the “Independent Accounting Firm”); provided that, if such firm is unable or unwilling to act, the Independent Accounting Firm shall be any other independent public accounting firm as is designated in writing by Sellers and Buyers. The Independent Accounting Firm shall act as an expert, not as an arbitrator, and shall be directed by Sellers and Buyers to resolve such dispute (based solely on the presentations by Sellers and Buyers) as promptly as reasonably practicable and to deliver a written report to each Seller and each Buyer setting forth its resolution of such dispute. The

calculations of the Aggregate Gross Cash Flow as agreed to by Buyers and Sellers or determined by the Independent Accounting Firm, shall be final and binding on Buyers and Sellers. Each of the parties to any dispute shall bear its costs and expenses incurred in connection with such dispute, except that the fees and expenses of the Independent Accounting Firm shall be borne either by Buyers, on the one hand, or by Sellers, on the other hand, based on which Party's estimate of the Aggregate Gross Cash Flow was farthest from that determined by the Independent Accounting Firm. Within five (5) days after the final determination of the Aggregate Gross Cash Flow, if an Escrow Release Amount is to be distributed to Buyers and/or Sellers, Buyers and Sellers shall direct Escrow Agent to release such Escrow Funds, in the manner specified in Section 10(d)(ii).

(f) Definitions.

- (i) "Aggregate Escrow Amount" means \$11,162,500.
- (ii) "Aggregate Gross Cash Flow" means with respect to the Applicable Period and the loans held by each SpringCastle Company and its Company Related Entities as of the date hereof, (A) the sum of all principal payments (including recoveries but net of draws on revolving loans) made on such loans, plus (B) the sum of all interest payments made on such loans. Aggregate Gross Cash Flow shall include the proceeds from any Permitted Loan Sale.
- (iii) "Escrow Release Amount" means:
 - (A) if the Aggregate Gross Cash Flow is less than \$1,995,800,000, then (I) the Escrow Release Amount to Sellers shall be zero dollars (\$0) and (II) the Escrow Release Amount to Buyers shall be the Aggregate Escrow Amount plus all accrued interest thereon (or, if the Escrowed Funds at such time shall be less than such sum, then the amount of Escrowed Funds at such time);
 - (B) if the Aggregate Gross Cash Flow is at least \$1,995,800,000 but is less than \$2,069,100,000, then (I) the Escrow Release Amount to Sellers shall be the product of (x) the Aggregate Escrow Amount plus all accrued interest thereon (or, if the Escrowed Funds at such time shall be less than such sum, then the amount of Escrowed Funds at such time) multiplied by (y) the Proration Percentage, and (II) the Escrow Release Amount to Buyers shall be the difference between (x) Aggregate Escrow Amount plus all accrued interest thereon (or, if the Escrowed Funds at such time shall be less than such sum, then the amount of Escrowed Funds at such time) minus (y) the result in the preceding clause (I); and

- (C) if the Aggregate Gross Cash Flow is at least \$2,069,100,000, then (I) the Escrow Release Amount to Sellers shall be the Aggregate Escrow Amount plus all accrued interest thereon (or, if the Escrowed Funds at such time shall be less than such sum, then the amount of Escrowed Funds at such time) and (II) the Escrow Release Amount to Buyers shall be zero dollar (\$0).
- (iv) “Permitted Loan Sale” means the sale on an arms’ length basis by any SpringCastle Company or Company Related Entity of Loans (as defined in the 2016 Servicing Agreement) in a transaction or series of related transactions with a third party that is not an Affiliate of any member that holds a 10% or greater beneficial ownership interest in the applicable SpringCastle Company.
- (v) “Proration Percentage” means, for the Applicable Period, the fraction, expressed as a percentage, the numerator of which is the Aggregate Gross Cash Flow in excess of \$1,995,800,000, and the denominator of which is \$73,300,000.

(g) Tax Treatment of Escrow Release Amount. For U.S. federal income tax purposes, Buyers and Sellers agree that the Escrow Funds shall be treated as owned by Sellers (such that any income earned on the Escrow Funds between the Closing Date and the Escrow Release Date shall be recognized by Sellers), subject to forfeiture by Sellers based upon a final determination of the Escrow Release Amount.

(h) Tax Treatment for Indemnification. For U.S. federal income tax purposes, Buyers and Sellers agree to treat any indemnification payments made under this Agreement as an adjustment to the applicable Purchase Price paid from the applicable Buyer to the applicable Seller.

Section 11. Additional Covenants.

(a) SFI Sponsor Support. Buyers and the Other Members acknowledge that certain Affiliates of Sellers currently provide certain indemnification and other payments in connection with the Debt Financing and Debt Refinancing entered into by the SpringCastle Companies and their subsidiaries. To the extent that (i) SFI is required, on behalf of a SpringCastle Company or any of its subsidiaries, to repurchase a Loan in connection with a breach of any representation or warranty made in the Loan Purchase Agreement, (ii) SFI advances any amounts to fund revolving draws pursuant to the Servicing Agreement, (iii) SFI is required to make any payment to the Indenture Trustee or otherwise perform any obligation on behalf of any Purchaser Entity under the Performance Support Agreement, or (iv) SFI is required to make any payment to WTNA under the separate letter indemnity agreement between SFI and WTNA (the “WTNA Agreement”) in connection with WTNA acting as loan trustee to each SpringCastle Company (each of such clauses (i) to (iv), a “SFI Sponsor Support”), (A) each of the NRZ Parties shall, and hereby does (and shall cause each SpringCastle Company to), on a joint and several basis, indemnify, defend and hold harmless SFI and, if applicable, its respective members, partners, shareholders, officers, directors, employees and representatives (the “SFI Indemnified Parties”) for 50% of any Losses

imposed upon or incurred by the SFI Indemnified Parties (whether directly or indirectly, but without duplication) that results from or arises out of any SFI Sponsor Support that occurs after the Closing Date and (B) each of the Blackstone Parties shall, and hereby does (and shall cause each SpringCastle Company to), on a several, not joint basis, based on the portion of the Aggregate Purchase Price paid by such Buyer, indemnify, defend and hold harmless the SFI Indemnified Parties for any Losses imposed upon or incurred by the SFI Indemnified Parties (whether directly or indirectly, but without duplication) that results from or arises out of any SFI Sponsor Support that occurs after the Closing Date. “NRZ Parties” means the NRZ Buyers and each Other Member that is an Affiliate of the NRZ Buyers. “Blackstone Parties” means the Blackstone Buyers and each Other Member that is an Affiliate of the Blackstone Buyers.

(b) Amendments to SFI Sponsor Support. So long as any obligation of SFI to provide SFI Sponsor Support shall remain outstanding, (i) Buyers shall not consent to, and shall cause each SpringCastle Company not to consent to, any amendment to the Indenture, the Note Purchase Agreement, any Loan Purchase Agreement, any Loan Trust Agreement, the Performance Support Agreement, the limited liability company agreement of any Purchaser SPV or the Administration Agreement among the Purchaser Entities and SFI (the “Administration Agreement”) without the prior written consent of SFI, which consent may be withheld in SFI’s sole and absolute discretion, if such amendment could reasonably be expected to (x) have a material adverse effect on SFI or its SFI Sponsor Support obligations (provided that, for the avoidance of doubt, removal of SFI as servicer in accordance with the terms of Servicing Agreement and the other Transaction Documents shall not be deemed to constitute a material adverse effect on SFI or its SFI Sponsor Support obligations) or (y) increase the costs or duties or responsibilities of SFI in any material respect, and (ii) Buyers shall not enter into any refinancing of the Indebtedness of any SpringCastle Company or Company Related Entity without causing each SFI Sponsor Support or the Administrative Agreement to be terminated in connection with such refinancing.

(c) Adjustments to Escrow Release Amounts. In the event of any change in the servicing standard under the Servicing Agreement or the 2016 Servicing Agreement in effect on the Closing Date as required or consented to by the SpringCastle Companies that causes a material negative impact on the amount of the Aggregate Gross Cash Flow, then Buyers and Sellers will in good faith make an equitable adjustment to the terms of the Escrow Release Amount and the Aggregate Gross Cash Flow in order to take into account such changes; provided, that no such equitable adjustment shall result in any acceleration of the Escrow Release Date. If Sellers and Buyers shall have failed to reach a written agreement with respect to any dispute regarding such adjustment, the matter shall be referred to the Independent Accounting Firm. The Independent Accounting Firm shall act as an expert, not as an arbitrator, and shall be directed by Sellers and Buyers to resolve such dispute (based solely on the presentations by Sellers and Buyers) as promptly as reasonably practicable and to deliver a written report to each Seller and Buyers setting forth its resolution of such dispute. The adjustment as determined by the Independent Accounting Firm, shall be final and binding on Buyers and Sellers. Each of the parties to any dispute shall bear its costs and expenses incurred in connection with such dispute, except that the fees and expenses of the Independent Accounting Firm shall be borne either by Buyers or by Sellers, based on which Party’s adjustment was farthest from that determined by the Independent Accounting Firm.

(d) Post-Closing Cooperation. Sellers and Buyers shall cooperate with each other, and shall cause their Affiliates and their respective officers, employees and agents to cooperate with each other, for a period of 90 days after the Closing Date to ensure the orderly transition of each SpringCastle Company from Sellers to Buyers and to minimize any disruption to the SpringCastle Companies and the other respective businesses of Sellers and Buyers that might result from the transactions contemplated by this Agreement. Upon request and at the direction of the NRZ Buyers, on behalf of each SpringCastle Company, for a period of 90 days after the Closing Date, each Seller shall provide to the SpringCastle Companies administrative services in type, nature and scope consistent with the administrative services provided by such Seller (in its capacity as managing member of any SpringCastle Company) to the SpringCastle Companies prior to the date hereof; provided, that NRZ Buyers, in their respective capacities as the applicable managing members of each SpringCastle Company at and following the Closing, shall make all decisions and exercise management control of each SpringCastle Company, and no assistance provided by Sellers or its Affiliates pursuant to this Section 11(d) shall constitute any control by such Seller or its Affiliates. After the Closing Date, upon reasonable written notice, each Seller and Buyer shall furnish or cause to be furnished to each other and their Affiliates and their respective officers, employees and agents access, during normal business hours, to such information and assistance relating to the SpringCastle Companies (to the extent within the control of such Party) as is reasonably necessary for financial reporting and accounting purposes. Buyers shall reimburse Sellers for reasonable and documented out-of-pocket costs and expenses incurred in connection with Sellers' provision of administrative services to the SpringCastle Companies pursuant to this Section 11(d) to the same extent that the SpringCastle Companies were obligated, pursuant to their applicable LLC Agreement, to reimburse Sellers (in their respective capacities as managing members of the applicable SpringCastle Companies prior to the date hereof) for expenses incurred in connection with the provision of such administrative services prior to the date hereof. Sellers shall reimburse Buyers for reasonable and documented out-of-pocket costs and expenses incurred in assisting Sellers pursuant to this Section 11(d). No Party shall be required by this Section 11(d) to take any action that would unreasonably interfere with the conduct of the business of such Party or its Affiliates or unreasonably disrupt the normal operations of such Party or its Affiliates. For the avoidance of doubt, any information relating to any SpringCastle Company received by any Seller pursuant to this Section 11(d) shall be subject to Section 3.9 (Confidentiality) of each LLC Agreement as if such Seller remained a party to such LLC Agreement.

(e) SSAE-16. SFI, as the Servicer, will provide to the NRZ Buyers a SSAE – 16 SOC 1 Type II attestation performed by an independent audit firm covering the controls surrounding all systems sourced and associated data provided to the NRZ Buyers for financial reporting as determined by SFI and NRZ Buyers by the commencement of the attestation by the independent audit firm with coverage of a minimum of nine months and a bridge letter from SFI for each year starting the year ended December 31, 2016 for so long as SFI shall be the Servicer. Such attestation shall be provided within a reasonable time after such attestation is completed each year, with reasonable time to be no later than thirty days after year end.

(f) Non-Solicitation Obligations. So long as SFI or any of its subsidiaries is the Servicer or otherwise performing services pursuant to the Servicing Agreement and for a period of two (2) years thereafter, no Buyer or any of its Affiliates that receives or otherwise obtains any

Confidential Information, or any director, officer, manager or employee of any of the foregoing in their capacity as such (collectively, the “Restricted Parties”) shall (i) directly or indirectly solicit the employment or engagement of services of any person or (ii) employ, hire, contract with or otherwise engage any person, who in case of clauses (i) and (ii), is or was employed as an employee, consultant or contractor of SFI, Subservicer (as such term is defined in the Side Letter) or any of their respective subsidiaries during the term of the Servicing Agreement (the “Non-Solicitation Obligations”); provided, however, that this Section 11(f) shall not be deemed to (A) prohibit a general solicitation of employment not directed solely at an employee, consultant or contractor of SFI (including through the means of non-directed solicitations from a recruiting service), (B) prohibit a Restricted Party from hiring as an employee, contracting with or retaining as a consultant a person who has not been employed by or contracted with SFI or any Subservicer or any of their respective subsidiaries at any time during the 12 months prior to the date such Member or Affiliate hires, contracts with or retains as a consultant such person or (C) prohibit the Restricted Parties from hiring any person who responds to a general solicitation permitted hereunder or who contacts a Restricted Party on his or her own initiative without any encouragement from a Restricted Party. The obligations of the Restricted Parties under this Section 11(f) shall be binding upon any assignee of any Buyer. Each Buyer shall comply with, and shall cause its Affiliates and Restricted Parties to comply with, the Non-Solicitation Obligations.

(g) Managing Member Expenses. The Parties agree that each Seller, as Managing Member of the applicable SpringCastle Companies, shall be entitled to be reimbursed for 53% of any fees and expenses incurred in the ordinary course of business consistent with past practice for the month ended on the Closing Date, including for any third party fees or expenses payable by the Managing Member or its Affiliates to its independent contractors providing services to the applicable SpringCastle Company, in each case to the same extent that the Managing Members of the SpringCastle Companies were entitled to reimbursement for such fees and expenses pursuant to the LLC Agreements immediately prior to the consummation of the transactions contemplated hereby. Such reimbursed expenses shall be allocated among the Other Members based on its respective percentage ownership interest in the applicable SpringCastle Company during the applicable period. Within 30 days following the date hereof, each Seller shall prepare and deliver to the NRZ Buyers on behalf of the SpringCastle Companies an invoice documenting in reasonable detail the fees and expenses for which such Seller as Managing Member requests reimbursement. Buyers shall cause the applicable SpringCastle Company to reimburse 53% of the fees and expenses incurred by the applicable Seller and reimbursable in accordance with this Section 11(g) within 30 days following delivery of the invoice by such Seller.

(h) SFI as Administrator. SFI, as administrator under the Administration Agreement, shall be subject to oversight and direction by the SpringCastle Companies and will follow the instructions of SpringCastle Companies except to the extent contrary to law or its obligations under the Administration Agreement. Buyers and the Other Members shall cause the SpringCastle Companies to indemnify and hold harmless SFI as administrator from and against any and all Losses suffered or incurred by SFI by reason of complying with any such direction; provided that the SpringCastle Companies shall not be obligated to indemnify SFI for any Losses that arise from the gross negligence or willful misconduct of SFI or its affiliates, directors, officers, employees, partners, members, managers or agents.

Section 12. Appointment of Designated Subservicer.

(a) Appointment of Designated Servicer. Within three (3) business days following knowledge of the occurrence of a Trigger Event, SFI shall give written notice thereof to the SpringCastle Companies. Upon the occurrence of a Trigger Event (as defined below in Section 12(e)), the SpringCastle Companies shall have the option, exercisable within 120 days following receipt of written notice of the occurrence of such Trigger Event, to direct SFI to use reasonable best efforts to assign all (and not less than all) of its obligations and duties as Servicer under the Servicing Agreement in accordance with Section 4.05(b) of the Servicing Agreement, as expeditiously as possible, to a new servicer as selected by the SpringCastle Companies that the SpringCastle Companies reasonably believe meets the requirements for a successor servicer under the Servicing Agreement (the “Designated Servicer”). The SpringCastle Companies and its counsel shall be given the opportunity to review and comment on applicable material documents and be given a reasonable opportunity to participate in all material communications in connection with the assignment to the Designated Servicer. In connection with the appointment of the Designated Servicer, (i) the SpringCastle Companies shall be responsible for and reimburse all fees and expenses (including consent fees) incurred by SFI, the Noteholders, the Rating Agencies, the Loan Trustees, the Paying Agent, the Indenture Trustee and the Co-Issuers (such capitalized terms not defined herein shall have the meanings specified in the Servicing Agreement), including any fees and expenses of counsel for the foregoing parties, except that SFI shall be responsible for its internal costs and fees and expenses of counsel to SFI.

(b) Replacement Subservicer. At or following the exercise of the SpringCastle Companies’ right to appoint the Designated Servicer, the SpringCastle Companies may require SFI, acting in good faith and with all deliberate speed and with the consent of the SpringCastle Companies, to appoint an servicer as the initial subservicer (the “Replacement Subservicer”) to provide all (and not less than all) servicing functions under the Servicing Agreement, giving preference and priority of consideration to subservicer candidates as proposed by the SpringCastle Companies. SFI may, acting in good faith and upon reasonable prior notice to and consultation with the SpringCastle Companies, terminate the Replacement Subservicer for reasonable cause (and no less than five business days prior to such termination, SFI will provide the SpringCastle Companies with information regarding the particular action(s) or inaction(s) giving rise to reasonable cause termination). Upon a termination of any Replacement Subservicer, SFI may appoint a substitute Replacement Subservicer, giving preference and priority of consideration to subservicer candidates as proposed by the SpringCastle Companies, subject to the SpringCastle Companies’ consent, not to be unreasonably withheld.

(c) Cooperation on Transfer of Servicing. From the date of notice of any exercise of the right to appoint a Designated Servicer, SFI will work cooperatively with the SpringCastle Companies and the Designated Servicer and the Replacement Subservicer, as applicable, on the transition of services provided under the Servicing Agreement in order to enable the proper and uninterrupted continuation of service of the loan portfolio by the Designated Servicer and the Replacement Subservicer, as applicable. Without limitation, SFI will promptly assemble and make available to the Designated Servicer and the Replacement Subservicer such information and access to such SFI personnel as is customary for the transfer of the servicing of a loan portfolio to a successor

servicer, so long as disclosure of such information is not prohibited by law and such access to personnel shall not unreasonably interfere with SFI's ordinary course of business. The subservicing agreement with the Replacement Subservicer shall include a requirement of cooperation on the transition of services from the Replacement Subservicer that is substantially similar to the immediately preceding two sentences.

(d) Compensation of Replacement Subservicer. SFI will be responsible for any subservicing fees payable to the Replacement Subservicer up to but not exceeding the Servicing Fee (as defined in the Servicing Agreement), or any portion thereof, actually received by SFI. To the extent that the subservicing fee of the Replacement Subservicer is less than the Servicing Fee, the SpringCastle Companies shall be entitled to such difference. The SpringCastle Companies (i) will be responsible for any subservicing fees payable to the Replacement Subservicer in excess of the Servicing Fee, and SFI will not be required to pay any such excess amount to the Replacement Subservicer, and (ii) will be responsible for any expense or advance reimbursement payable to the Replacement Subservicer, and SFI will not be responsible for any such reimbursement payable to the Replacement Subservicer. For each month after the appointment of the Replacement Subservicer, SFI shall be entitled to receive from the SpringCastle Companies a monthly fee (payable at the same time as the Servicing Fee) equal to (x) the product of 25 basis points per annum and the aggregate Loan Principal Balance of all Loans as of the first date of the related Collection Period or (y) if reasonable market compensation for subservicing services (and the fee payable to Replacement Subservicer) is greater than the Servicing Fee, the product of 12.5 basis points per annum and the aggregate Loan Principal Balance of all Loans as of the first date of the related Collection Period (such capitalized terms not defined herein shall have the meanings specified in the Indenture).

(e) Definitions.

- (i) "Actual Trigger Result" means the fraction (expressed as a percentage), the numerator of which is the aggregate sum of the absolute value of the Charged Off Loans (as defined in the Indenture) as reflected on all remittance reports for the SpringCastle Funding Asset-Backed Notes 2014-A securitization from and after the April 25, 2016, Payment Date and the denominator of which is \$1,986,162,408.77. For reference, the amount of Charged Off Loans as reflected in the remittance report delivered March 25, 2016 is \$(9,963,026.41).
- (ii) "Trigger Event" means, as of any Payment Date (as defined in the Indenture), beginning on the first Payment Date after the Closing Date, that the Actual Trigger Result as of such Payment Date shall have exceeded the Threshold Level applicable to such Payment Date as set forth in Schedule 12(e) hereto.

Section 13. Further Assurances. Each Party hereby agrees to do, execute, acknowledge and deliver, or to cause to be done, executed, acknowledged and delivered, all such further acts, deeds, assignments, transfers, conveyances, powers of attorney and other documents or instruments that may be reasonably requested by the other Party in order to effect or confirm the assignment, acceptance and assumption provided for above.

Section 14. Expenses. Each Party shall bear its own expenses incurred in connection with this Agreement and the transactions contemplated hereby.

Section 15. Notices. All notices or other communications required or permitted hereunder shall be in writing and shall be effective (a) when personally delivered on a business day during normal business hours, (b) on the business day following the date of dispatch when sent by Federal Express, DHL or other similar reputable private courier or (c) when sent by telecopier (with a copy also sent by first class mail, postage prepaid) or by electronic mail (with an acknowledgement of receipt thereof; provided that no Party shall withhold acknowledgment thereof once received) to the Party for which it is intended at the following address or telecopier number:

If to Sellers or SFI: c/o OneMain Holdings, Inc.
601 N.W. Second Street
Evansville, Indiana 47708
Facsimile: (812) 468-5396
Attention: Corporate Secretary

With a copy (which shall not constitute notice)

Sidley Austin LLP
787 Seventh Avenue
New York, NY 10019
Facsimile: (212) 839-5599
Attention: Christopher Restad

If to NRZ Buyers: c/o New Residential Investment Corp.
1345 Avenue of the Americas
45th Floor
New York, New York 10105
Attn: General Counsel
Facsimile: 212-798-6060
Email: jgrebinar@fortress.com
Email: amiller@fortress.com

If to NRZ Other Members: NRZ SC America Trust 2015-1
U.S. Bank Trust National Association,
as Owner Trustee
60 Livingston Avenue
EP-MN-WS3D
St. Paul, Minnesota 55107
Attn: Global Structure Finance

NRZ SC Credit Trust 2015-1
U.S. Bank Trust National Association,
as Owner Trustee

60 Livingston Avenue
EP-MN-WS3D
St. Paul, Minnesota 55107
Attn: Global Structure Finance

NRZ SC Finance Trust 2015-1
U.S. Bank Trust National Association,
as Owner Trustee
60 Livingston Avenue
EP-MN-WS3D
St. Paul, Minnesota 55107
Attn: Global Structure Finance

If to Blackstone Parties: BTO Willow Holdings II, L.P.
c/o The Blackstone Group
345 Park Avenue
New York, NY 10154
Attention: Jasvinder Khaira
E-mail: Khaira@blackstone.com

Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P.
c/o The Blackstone Group
345 Park Avenue
New York, NY 10154
Attention: Jasvinder Khaira
E-mail: Khaira@blackstone.com

BTO Willow Holdings, L.P.
c/o The Blackstone Group
345 Park Avenue
New York, NY 10154
Attention: Jasvinder Khaira
E-mail: Khaira@blackstone.com

With copies to:

Christopher James
Managing Director
The Blackstone Group
345 Park Avenue
New York, NY 10154
E-mail: jamesc@blackstone.com

Kevin Kelly
Senior Vice President

The Blackstone Group
345 Park Avenue
New York, NY 10154
E-mail: Kevin.Kelly@Blackstone.com

And

David S. Katz
Willkie Farr & Gallagher LLP
1875 K Street, NW
Washington, DC 20006
E-mail: dkatz@willkie.com

or at such other address, facsimile number, or electronic mail address as any Party may designate by 10 days advance written notice to the other parties hereto.

Section 16. Miscellaneous.

(a) *GOVERNING LAW; WAIVER OF JURY TRIAL; CONSENT TO JURISDICTION.* THIS AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE, WITHOUT REGARD TO INTERNAL CONFLICTS OF LAW, AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS. THE PARTIES HERETO EXPRESSLY WAIVE ANY RIGHT TO TRIAL BY JURY OR RIGHT TO DEMAND TRIAL BY JURY IN ANY ACTION BROUGHT TO ENFORCE THIS AGREEMENT, OR ANY PROVISION HEREOF, OR FOR DAMAGES DUE AS A RESULT OF AN ALLEGED BREACH OF THIS AGREEMENT. Each Party irrevocably submits to the exclusive jurisdiction of the (i) the Supreme Court of the State of New York, New York County, and (ii) the United States District Court for the Southern District of New York (and the appropriate appellate courts), for the purposes of any Proceeding arising out of this Agreement. Notwithstanding the foregoing, any Party hereto may commence a Proceeding with any Governmental Entity anywhere in the world for the sole purpose of seeking recognition and enforcement of a judgment of any court referred to in the preceding sentence. Each of the parties further agrees that service of any process, summons, notice or document by U.S. registered mail to such Party's respective address set forth above shall be effective service of process for Proceeding in New York with respect to any matters to which it has submitted to jurisdiction as set forth above in this Section 16(a). Each Party irrevocably and unconditionally waives any objection to the laying of venue of any Proceeding arising out of this Agreement in (i) the Supreme Court of the State of New York, New York County, and (ii) the United States District Court for the Southern District of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such Proceeding brought in any such court has been brought in an inconvenient forum.

(b) *Headings.* Section headings used in this Agreement are for convenience of reference only and shall not be used in interpreting, construing or affecting the meaning or construction of this Agreement.

(c) *Counterparts*. This Agreement may be executed by the parties hereto in any number of counterparts, each of which shall be deemed to be an original but all of which together shall constitute but one and the same instrument. Delivery of an executed counterpart signature page by facsimile or.pdf is as effective as executing and delivering this Agreement in the presence of the other parties to this Agreement.

(d) *Amendments*. This Agreement shall not be amended, modified or supplemented except by a written instrument signed by an authorized representative of each of the parties hereto.

(e) *Partial Invalidity*. Wherever possible, each provision hereof shall be interpreted in such manner as to be effective and valid under applicable law, but in case any one or more of the provisions contained herein shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such provision shall be ineffective to the extent, but only to the extent, of such invalidity, illegality or unenforceability without invalidating the remainder of such invalid, illegal or unenforceable provision or provisions or any other provisions hereof, unless such a construction would be unreasonable.

(f) *Waivers*. Any term or provision of this Agreement may be waived, or the time for its performance may be extended, by the Party entitled to the benefit thereof. Any such waiver shall be validly and sufficiently authorized for the purposes of this Agreement if it is authorized in writing by an authorized representative of such Party. The failure of a Party to enforce at any time any provision of this Agreement shall not be construed to be a waiver of such provision, nor in any way to affect the validity of this Agreement or any part hereof or the right of any Party thereafter to enforce each and every such provision. No waiver of any breach of this Agreement shall be held to constitute a waiver of any other or subsequent breach.

(g) *Successors and Assigns*. The respective rights and obligations set forth in this Agreement shall be binding on and inure to the benefit of the parties hereto and their respective successors and assigns. This Agreement may not be assigned by operation of law or otherwise without the express written consent of the Parties, and any such assignment or attempted assignment without such consent shall be void; provided, that either Buyers or Sellers may assign this Agreement or any of its rights and obligations hereunder to one or more Affiliates of such Party, or in the case of any Buyer, any Person that subsequently acquires the Transferred Interests from such Buyer, without the consent of the other Party; provided, further, that no such assignment shall relieve such Party of any of its obligations hereunder unless the assignee has a creditworthiness substantially similar to, or greater than, the creditworthiness of the assigning Party; provided, further, that no Buyer shall be permitted to assign its obligation to fund the Escrow Amount.

(h) *Public Announcements*. The Parties shall consult with each other before issuing any press release or any other public announcement concerning the transactions contemplated by this Agreement. Neither Buyers nor Sellers shall, without the prior approval of the other Party (which shall not be unreasonably withheld), use the name of the Party in any press release or any other public announcement concerning the transactions contemplated by this Agreement, except as and to the extent that any such disclosing Party shall be so obligated by law, in which case the other Party hereto shall be advised, and the disclosing Party shall use its

commercially reasonable efforts to give the other Party advance opportunity to review and comment on such release or announcement.

(i) *Entire Agreement; Third Party Beneficiaries.* This Agreement and the other Transaction Documents (including the exhibits hereto and thereto) and documents reference in Section 4 supersede all prior agreements among the Parties with respect to the subject matter hereof and contain the entire agreement among the Parties with respect to such subject matter. It is understood and agreed among the parties that this Agreement and the covenants made herein are made expressly and solely for the benefit of the parties hereto, and that no other Person (other than the Buyer Indemnified Parties, the Seller Indemnified Parties and the SFI Indemnified Parties, who shall be third party beneficiaries solely for the purposes of Sections 8, 9, 10 and 11(a)-(b)), shall be entitled or be deemed to be entitled to any benefits or rights hereunder or be authorized or entitled to enforce any rights, claims or remedies hereunder or by reason hereof.

Section 17. Guaranty. SFI hereby guarantees to each Buyer and each Buyer Indemnified Party the due, punctual and full payment of each and every payment obligation of Sellers hereunder in each case from and after the Closing Date, including the indemnification obligations of Sellers pursuant to this Agreement. No failure on the part of any Party to exercise or delay in exercising any right hereunder shall operate as a waiver of, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise of, any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 18. No Recourse. It is expressly understood and agreed by the parties hereto that (a) this Agreement is executed and delivered on behalf of NRZ SC America Trust, NRZ SC Credit Trust and NRZ SC Finance Trust (each, a "Trust") by U.S. Bank Trust National Association, not individually or personally but solely as Owner Trustee of such Trust, in the exercise of the powers and authority conferred and vested in it, (b) each of the representations, undertakings and agreements herein made on the part of each Trust is made and intended not as personal representations, undertakings and agreements by U.S. Bank Trust National Association but is made and intended for the purpose of binding only such Trust, (c) nothing herein contained shall be construed as creating any liability on U.S. Bank Trust National Association, individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties hereto and by any Person claiming by, through or under the parties hereto, (d) notwithstanding anything herein to the contrary, U.S. Bank Trust National Association has conducted no investigation into the accuracy or completeness of any representations or warranties made by each Trust hereunder or in the Agreement and (e) under no circumstances shall U.S. Bank Trust National Association be personally liable for the payment of any indebtedness or expenses of any Trust or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaken by any Trust under this Agreement or any other related documents.

[SIGNATURE PAGES FOLLOW]

above. IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first written

SPRINGCASTLE HOLDINGS, LLC

By: /s/ Macrina Kgil
Name: Macrina Kgil
Title: Chief Financial Officer

SPRINGLEAF ACQUISITION CORPORATION

By: /s/ Macrina Kgil
Name: Macrina Kgil
Title: Chief Financial Officer,
President

SPRINGLEAF FINANCE, INC.

By: /s/ Macrina Kgil
Name: Macrina Kgil
Title: Chief Financial Officer,
Executive Vice President

BLACKSTONE BUYERS:

BTO WILLOW HOLDINGS II, L.P.
BTO Holdings Manager – NQ L.L.C., the General Partner

By: /s/ Christopher J. James
Name: Christopher J. James
Title: Authorized Person

BLACKSTONE FAMILY TACTICAL OPPORTUNITIES INVESTMENT
PARTNERSHIP - NQ - ESC L.P.
BTO – NQ Side-by-Side GP L.L.C., the General Partner

By: /s/ Christopher J. James
Name: Christopher J. James
Title: Authorized Person

BLACKSTONE OTHER MEMBERS

BTO WILLOW HOLDINGS, L.P., a Delaware limited partnership

By: BTO Holdco Manager, L.L.C., a Delaware limited liability company, as its
General Partner

By: /s/ Christopher J. James
Name: Christopher J. James
Title: Authorized Person

NRZ CONSUMER LLC

By: /s/ Nicola Santoro, Jr.
Name: Nicola Santoro, Jr.
Title: Chief Financial Officer

NRZ SC AMERICA LLC

By: /s/ Nicola Santoro, Jr.
Name: Nicola Santoro, Jr.
Title: Chief Financial Officer

NRZ SC CREDIT LIMITED

By: /s/ Nicola Santoro, Jr.
Name: Nicola Santoro, Jr.
Title: Director

NRZ SC FINANCE I LLC

By: /s/ Nicola Santoro, Jr.
Name: Nicola Santoro, Jr.
Title: Chief Financial Officer

NRZ SC FINANCE II LLC

By: /s/ Nicola Santoro, Jr.
Name: Nicola Santoro, Jr.
Title: Chief Financial Officer

NRZ SC FINANCE III LLC

By: /s/ Nicola Santoro, Jr.
Name: Nicola Santoro, Jr.
Title: Chief Financial Officer

NRZ SC FINANCE IV LLC

By: /s/ Nicola Santoro, Jr.
Name: Nicola Santoro, Jr.
Title: Chief Financial Officer

NRZ SC FINANCE V LLC

By: /s/ Nicola Santoro, Jr.
Name: Nicola Santoro, Jr.
Title: Chief Financial Officer

NRZ OTHER MEMBERS:

NRZ SC AMERICA TRUST 2015-1

By: U.S. Bank Trust National Association, not in its individual capacity but solely as
Owner Trustee

By: /s/ Michelle Moeller
Name: Michelle Moeller
Title: Vice President

NRZ SC CREDIT TRUST 2015-1

By: U.S. Bank Trust National Association, not in its individual capacity but solely as
Owner Trustee

By: /s/ Michelle Moeller
Name: Michelle Moeller
Title: Vice President

NRZ SC FINANCE TRUST 2015-1

By: U.S. Bank Trust National Association, not in its individual capacity but solely as
Owner Trustee

By: /s/ Michelle Moeller
Name: Michelle Moeller
Title: Vice President

SCHEDULE A

SELLER WIRE TRANSFER INSTRUCTIONS

Bank: Fifth Third Bank

ABA Routing Number" 042000314

City State: Cincinnati, OH

Account Name: SpringLeaf Acquisition Corporation

Account Number: 7692537645

SCHEDULE B – Membership Percentage

SpringCastle America, LLC

<u>Member</u>	<u>Membership Percentage (Pre-Closing)</u>	<u>Membership Percentage (Post- Closing)</u>
NRZ SC America LLC/ NRZ SC America Trust 2015-1	30.00000000%	30.00000000%
SpringCastle Holdings, LLC	47.00000000%	
BTO Willow Holdings, L.P	23.00000000%	23.00000000%
NRZ SC America LLC		23.50000000%
BTO Willow Holdings II, L.P.		23.4312625%
Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P.		0.0687375%

SpringCastle Credit, LLC

<u>Member</u>	<u>Membership Percentage (Pre-Closing)</u>	<u>Membership Percentage (Post- Closing)</u>
NRZ SC Credit Limited/ NRZ SC Credit Trust 2015-1	30.00000000%	30.00000000%
SpringCastle Holdings, LLC	47.00000000%	
BTO Willow Holdings, L.P	23.00000000%	23.00000000%
NRZ SC Credit Limited		23.50000000%
BTO Willow Holdings II, L.P.		23.4312625%
Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P.		0.0687375%

SpringCastle Finance, LLC

<u>Member</u>	<u>Membership Percentage (Pre-Closing).</u>	<u>Membership Percentage (Post- Closing).</u>
NRZ SC Finance I LLC*	6.0000000%	6.0000000%
NRZ SC Finance II LLC*	6.0000000%	6.0000000%
NRZ SC Finance III LLC*	6.0000000%	6.0000000%
NRZ SC Finance IV LLC*	6.0000000%	6.0000000%
NRZ SC Finance V LLC*	6.0000000%	6.0000000%
SpringCastle Holdings, LLC	47.0000000%	
BTO Willow Holdings, L.P	23.0000000%	23.0000000%
NRZ SC Finance I LLC		4.7000000%
NRZ SC Finance II LLC		4.7000000%
NRZ SC Finance III LLC		4.7000000%
NRZ SC Finance IV LLC		4.7000000%
NRZ SC Finance V LLC		4.7000000%
BTO Willow Holdings II, L.P.		23.4312625%
Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P.		0.0687375%

SpringCastle Acquisition LLC

<u>Member</u>	<u>Membership Percentage (Pre-Closing).</u>	<u>Membership Percentage (Post- Closing).</u>
NRZ Consumer LLC	30.0000000%	30.0000000%
Springleaf Acquisition Corporation	47.0000000%	
BTO Willow Holdings, L.P	23.0000000%	23.0000000%
NRZ Consumer LLC		23.5000000%
BTO Willow Holdings II, L.P.		23.4312625%
Blackstone Family Tactical Opportunities Investment Partnership - NQ - ESC L.P.		0.0687375%

SCHEDULE C

List of SpringCastle Company Agreements

1. Omnibus Assignment and Assumption Agreement, dated April 1, 2013 by and among SpringCastle Acquisition LLC (“Acquisition”), SpringCastle America, LLC (“America”), SpringCastle Credit, LLC (“Credit”), SpringCastle Finance, LLC (“Finance”) and Wilmington Trust, National Association, as trustee to each of America, Credit and Finance (“Seller Loan Trustee”)
2. Omnibus Consent and Assignment of Rights under Insurance Policies, dated March 29, 2013, by and among the Sellers listed on Schedule 1.01(a) to the Purchase Agreement (“Sellers”), Household Life Insurance Company (“HLIC”), HSBC Insurance Company of Delaware (“HIDE”), First Central National Life Insurance Company of New York (“FCNL”), Household Life Insurance Company of Delaware, America, Credit, Finance and Seller Loan Trustee
3. Omnibus Consent and Assignment of Rights under Insurance Policies, dated April 1, 2013, by and among the Sellers, Renaissance Life & Health Insurance Company of America, America, Credit, Finance and Seller Loan Trustee
4. Assignment of Insurance Benefits among HSBC (on behalf of itself and Sellers), America, Credit, Finance, Seller Loan Trustee, American Bankers Insurance Company of Florida, American Bankers Life Assurance Company of Florida, and Union Security Life Insurance Company of New York
5. Omnibus Consent and Assignment of Rights under Insurance Policies, dated April 1, 2013, by and among the Sellers, Southern County Mutual Insurance Company, America, Credit, Finance and Seller Loan Trustee
6. Bill of Sale and Assignment and Assumption Agreement, dated April 1, 2013 by and among Sellers, Acquisition, America, Credit, Finance and Seller Loan Trustee, pursuant to the Purchase Agreement
7. Limited Power of Attorney to Bank and Interim Servicers, dated April 1, 2013, by and among America, Credit, Finance, SpringCastle America Funding, LLC (“America Funding”), SpringCastle Credit Funding, LLC (“Credit Funding”), SpringCastle Finance Funding, LLC (“Finance Funding”), Seller Loan Trustee, Wilmington Trust, National Association, as Loan Trustee to each of America Funding, Credit Funding and Finance Funding (the “Loan Trustee”), and Finance, as Owner Representative
8. Interim Servicing Agreement, dated April 1, 2013, by and among the Interim Servicers listed on Schedule 1.01(a) thereto (the “Interim Servicers”), HSBC as Interim Servicer Representative, HSBC Bank USA, National Association, America, Credit, Finance, Seller Loan Trustee and Finance, as Owner Representative

9. Letter agreement, dated as of September 1, 2013, regarding post-servicing transfer matters and final determination of the purchase price adjustment, among America, Credit, Finance, Sellers, Interim Servicers, HSBC Bank USA, National Association and HSBC
10. Insurance Services Agreement, dated as of September 1, 2013, by and among Sellers, America, Credit, Finance, Seller Loan Trustee, and HSBC, solely in its capacity as Seller Representative
11. Escrow Agreement dated as of April 1, 2013 among Acquisition, Merrill Lynch, Pierce, Fenner & Smith Incorporated (“Merrill Initial Purchaser”), Credit Suisse Securities (USA) LLC (“CS Initial Purchaser”, together with Merrill Initial Purchaser, the “Initial Purchasers”), America Funding, Credit Funding, Finance Funding, Loan Trustee, America, Credit, Finance, Seller Loan Trustee, Springleaf Finance, Inc. (“SLFI”), Blackstone Tactical Opportunities Fund L.P. (“Blackstone”), New Residential Investment Corp. (“New Residential”), Springleaf Finance Corporation (“Springleaf”) and U.S. Bank National Association (“U.S. Bank”), as escrow agent.
12. Loan Purchase Agreement dated April 1, 2013 among America, America Funding, the Seller Loan Trustee and the Loan Trustee, as amended by Amendment No. 1 dated as of October 3, 2014
13. Loan Purchase Agreement dated April 1, 2013 among Credit, Credit Funding, the Seller Loan Trustee and the Loan Trustee, as amended by Amendment No. 1 dated as of October 3, 2014
14. Loan Purchase Agreement dated April 1, 2013 among Finance, Finance Funding, the Seller Loan Trustee and the Loan Trustee, as amended by Amendment No. 1 dated as of October 3, 2014
15. Co-Borrower Agreement dated as of April 1, 2013 among America Funding, Credit Funding, Finance Funding, America, Credit, Finance, and SLFI, as allocation agent
16. Loan Trust Agreement dated as of April 1, 2013 between America and Seller Loan Trustee, as amended by Amendment No. 1 dated as of October 3, 2014
17. Loan Trust Agreement dated as of April 1, 2013 between Credit and Seller Loan Trustee, as amended by Amendment No. 1 dated as of October 3, 2014
18. Loan Trust Agreement dated as of April 1, 2013 between Finance and Seller Loan Trustee, as amended by Amendment No. 1 dated as of October 3, 2014
19. Limited Liability Company Agreement among America Funding, as the Company, America, as the Member, and Thomas M. Strauss, as the Springing Member and Independent Manager, as amended by Amendment No. 1 thereto dated as of October 3, 2014

20. Limited Liability Company Agreement among Credit Funding, as the Company, Credit, as the Member, and Thomas M. Strauss, as the Springing Member and Independent Manager, as amended by Amendment No. 1 thereto dated as of October 3, 2014
21. Limited Liability Company Agreement among Finance Funding, as the Company, Finance, as the Member, and Thomas M. Strauss, as the Springing Member and Independent Manager, as amended by Amendment No. 1 thereto dated as of October 3, 2014
22. Clawback Letter Agreement, dated April 1, 2013, by and among Blackstone Family Tactical Opportunities Investment Partnership SMD L.P., Blackstone Family Tactical Opportunities Investment Partnership – NQ – ESC L.P., Blackstone Tactical Opportunities Fund – C – NQ L.P., Blackstone Tactical Opportunities Fund – A (PE) – NQ L.P., Blackstone Tactical Opportunities Fund – NQ L.P., Blackstone Tactical Opportunities Fund – G – NQ L.P., Blackstone Tactical Opportunities Fund – AD – NQ L.P., Blackstone Tactical Opportunities Fund – T – NQ L.P. and Blackstone Tactical Opportunities Fund (WLL Co-Invest) L.P., addressed to Acquisition, America, Credit and Finance
23. Letter agreements regarding PTP matters, dated April 1, 2013, by Blackstone addressed to SpringCastle Holdings, LLC, as Managing Member, for each of (i) America, (ii) Credit and (iii) Finance
24. Amended and Restated Indemnification and Contribution Agreement dated April 15, 2013, among the America Funding, Credit Funding, Finance Funding, SLFI, the Initial Purchasers and the JV parties party thereto.
25. Master Services Agreement dated as of May 16, 2013 between SpringCastle Acquisition LLC and McGladrey LLP, including Statement of Work No. 1 thereto dated as of May 3, 2016
26. Engagement Letter dated August 7, 2015 from McGladrey LLP to SpringCastle Acquisition, SpringCastle America, SpringCastle Credit and SpringCastle Finance
27. Engagement Letter dated February 4, 2016 from PricewaterhouseCoopers LLP to SpringCastle Acquisition, SpringCastle America, SpringCastle Credit and SpringCastle Finance
28. Consent Agreement, dated as of January 8, 2014, by and among, the NRZ Members, the Springleaf Member, the Blackstone Member, Springleaf Finance, Inc. (“SFI”) and Credit Suisse Securities (USA) LLC
29. Note Purchase Agreement dated as of September 18, 2014 among America Funding, Credit Funding, Finance Funding, America, Credit, Finance, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse Securities (USA) LLC, Barclays Capital Inc. and Natixis Securities Americas LLC

30. Indemnification and Contribution Agreement dated as of September 18, 2014 among America Funding, Credit Funding, Finance Funding, SFI, New Residential Investment Corp., the Blackstone Member, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse Securities (USA) LLC, Barclays Capital Inc. and Natixis Securities Americas LLC
31. Indenture, dated as of October 3, 2014, among America Funding, Credit Funding, Finance Funding, Wilmington Trust, National Association, as Loan Trustee, U.S. Bank National Association, as Indenture Trustee, Wells Fargo Bank, National Association, as Paying Agent and Note Registrar, and SFI
32. Servicing Agreement, dated as of October 3, 2014, among America Funding, Credit Funding, Finance Funding, Wilmington Trust, National Association, as loan trustee for each of the Company SPV and the Purchaser SPVs and SFI
33. Co-Borrower Agreement dated as of October 3, 2014 among America Funding, Credit Funding, Finance Funding, America, Credit, Finance, and SLFI, as allocation agent
34. Letter Agreement dated as of October 3, 2014 among the Springleaf Member, America Funding, Credit Funding, Finance Funding, America, Credit, Finance, the NRZ Members, NRZ Consumer LLC and SFI, as Allocation Agent, regarding the allocation of funds from the sale of the SpringCastle Funding Asset-Backed Notes 2014-A
35. Consent Agreement dated as of April 2, 2015 among the NRZ Members, the Springleaf Member, the Blackstone Members, SFI and MLPFS, and the related joinder agreements referenced therein.

Financial Statements

1. Financial Statements and Supplementary Information for the Period Ended December 31, 2015 for the SpringCastle Companies
2. Financial Statements and Supplementary Information for the Period Ended February 29, 2016 for the SpringCastle Companies

Membership Interest Power

Escrow Agreement

Servicing Agreement

Litigation

1. City of Chicago v. SpringCastle, et al., (Delores Jackson, 9811 S. Aberdeen St.)
2. Rusher, Steven & Tracy vs. Springcastle
3. Lucas, Woodrow (Woody) and Kathleen vs. Beneficial West Virginia, Inc. & Springleaf Home Equity
4. Brent A. Fowler vs. Household Life Insurance Company; Pavonia Holdings, Inc.; Pavonia Life Insurance Company of Michigan; and Springleaf Consumer Loan, Inc.
5. John D. Burcianti vs. Springleaf Financial Services, Inc.
6. April Henn vs. Springleaf Financial Services Inc.
7. Janer A. Mercado vs. Springleaf Financial Services, Inc.

Schedule 12(e)

Payment Date	Threshold Level
3/31/2016	
4/25/2016	0.87%
5/25/2016	1.73%
6/25/2016	2.56%
7/25/2016	3.38%
8/25/2016	4.18%
9/25/2016	4.96%
10/25/2016	5.73%
11/25/2016	6.47%
12/25/2016	7.21%
1/25/2017	7.92%
2/25/2017	8.62%
3/25/2017	9.31%
4/25/2017	9.98%
5/25/2017	10.64%
6/25/2017	11.28%
7/25/2017	11.91%
8/25/2017	12.52%
9/25/2017	13.12%
10/25/2017	13.71%
11/25/2017	14.29%
12/25/2017	14.85%
1/25/2018	15.40%
2/25/2018	15.94%
3/25/2018	16.46%
4/25/2018	16.98%
5/25/2018	17.48%
6/25/2018	17.98%
7/25/2018	18.46%
8/25/2018	18.93%
9/25/2018	19.39%
10/25/2018	19.85%
11/25/2018	20.29%
12/25/2018	20.72%
1/25/2019	21.14%
2/25/2019	21.56%

Threshold Level

3/25/2019	21.96%
4/25/2019	22.36%
5/25/2019	22.75%
6/25/2019	23.12%
7/25/2019	23.50%
8/25/2019	23.86%
9/25/2019	24.21%
10/25/2019	24.56%
11/25/2019	24.90%
12/25/2019	25.23%
1/25/2020	25.56%
2/25/2020	25.87%
3/25/2020	26.19%
4/25/2020	26.49%
5/25/2020	26.79%
6/25/2020	27.08%
7/25/2020	27.36%
8/25/2020	27.64%
9/25/2020	27.92%
10/25/2020	28.18%
11/25/2020	28.44%
12/25/2020	28.70%
1/25/2021	28.95%
2/25/2021	29.19%
3/25/2021	29.43%
4/25/2021	29.67%
5/25/2021	29.89%
6/25/2021	30.12%
7/25/2021	30.34%
8/25/2021	30.55%
9/25/2021	30.76%
10/25/2021	30.97%
11/25/2021	31.17%
12/25/2021	31.36%
1/25/2022	31.56%
2/25/2022	31.74%
3/25/2022	31.93%
4/25/2022	32.11%
5/25/2022	32.28%
6/25/2022	32.45%
7/25/2022	32.62%
8/25/2022	32.79%

Threshold Level

9/25/2022	32.95%
10/25/2022	33.11%
11/25/2022	33.26%
12/25/2022	33.41%
1/25/2023	33.56%
2/25/2023	33.70%
3/25/2023	33.84%
4/25/2023	33.98%
5/25/2023	34.12%
6/25/2023	34.25%
7/25/2023	34.38%
8/25/2023	34.50%
9/25/2023	34.63%
10/25/2023	34.75%
11/25/2023	34.87%
12/25/2023	34.98%
1/25/2024	35.10%
2/25/2024	35.21%
3/25/2024	35.32%
4/25/2024	35.42%
5/25/2024	35.53%
6/25/2024	35.63%
7/25/2024	35.73%
8/25/2024	35.82%
9/25/2024	35.92%
10/25/2024	36.01%
11/25/2024	36.10%
12/25/2024	36.19%
1/25/2025	36.28%
2/25/2025	36.36%
3/25/2025	36.45%
4/25/2025	36.53%
5/25/2025	36.61%
6/25/2025	36.69%
7/25/2025	36.76%
8/25/2025	36.84%
9/25/2025	36.91%
10/25/2025	36.98%
11/25/2025	37.05%
12/25/2025	37.12%
1/25/2026	37.19%
2/25/2026	37.25%

	Threshold Level
3/25/2026	37.32%

INDENTURE

Dated as of October 3, 2014

**SPRINGCASTLE AMERICA FUNDING, LLC
SPRINGCASTLE CREDIT FUNDING, LLC
SPRINGCASTLE FINANCE FUNDING, LLC
CO-ISSUERS**

SpringCastle Funding Asset Backed Notes 2014-A

among

**SPRINGCASTLE AMERICA FUNDING, LLC, SPRINGCASTLE CREDIT FUNDING, LLC and SPRINGCASTLE
FINANCE FUNDING, LLC,**
as Co-Issuers,

WILMINGTON TRUST, NATIONAL ASSOCIATION,
as Loan Trustee for each of the SpringCastle America Funding Trust, the SpringCastle Credit Funding Trust and the SpringCastle
Finance Funding Trust,

SPRINGLEAF FINANCE, INC.,
as Servicer,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Paying Agent and Note Registrar

and

U.S. BANK NATIONAL ASSOCIATION,
as Indenture Trustee

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EXHIBITS & SCHEDULES

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Exhibit B	Forms of Transfer Certificates
Exhibit C	Form of Monthly Servicer Report
Exhibit D	Rule 15Ga-1 Information
Schedule I	Part A - Definitions Schedule Part B – Rules of Construction
Schedule II	Perfection Representations, Warranties and Covenants

This INDENTURE, dated as of October 3, 2014 (herein, as amended, modified or supplemented from time to time as permitted hereby, called this “Indenture”), among SPRINGCASTLE AMERICA FUNDING, LLC, a limited liability company formed under the laws of the State of Delaware, as a co-issuer (a “Co-Issuer”), SPRINGCASTLE CREDIT FUNDING, LLC, a limited liability company formed under the laws of the State of Delaware, as a Co-Issuer, SPRINGCASTLE FINANCE FUNDING, LLC, a limited liability company formed under the laws of the State of Delaware, as a Co-Issuer, WILMINGTON TRUST, NATIONAL ASSOCIATION, a national banking association, as trustee for the benefit of the respective Co-Issuer under the SpringCastle America Funding Trust, SpringCastle Credit Funding Trust, and the SpringCastle Finance Funding Trust (in each such capacity, a “Loan Trustee”), SPRINGLEAF FINANCE, INC., an Indiana corporation, as Servicer, (in such capacity, the “Servicer”), WELLS FARGO BANK, NATIONAL ASSOCIATION, as paying agent (the “Paying Agent”) and as note registrar (the “Note Registrar”) and U.S. BANK NATIONAL ASSOCIATION, a national banking association, as indenture trustee (in such capacity, the “Indenture Trustee” or the “2014-A Indenture Trustee”). Each of the Co-Issuers is a co-issuer of the Notes (as defined below) issued under this Indenture and as such shall be jointly and severally liable for the Notes and all obligations as an issuer under this Indenture. Each of the Loan Trustees is an owner and pledgor of legal title to the Loans (as defined below) pledged under this Indenture.

PRELIMINARY STATEMENT

The Co-Issuers have duly authorized the execution and delivery of this Indenture to provide for asset backed notes (the “Notes”) as provided in this Indenture.

The Co-Issuers and the Loan Trustees, through this Indenture, wish to provide security for such obligations to the extent and as provided herein. All covenants and agreements made by the Co-Issuers and the Loan Trustees herein are for the benefit and security of the Indenture Trustee and the Noteholders.

The Co-Issuers and the Loan Trustees are entering into this Indenture, and the Indenture Trustee is accepting the trusts created hereby, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. All things necessary have been done to make the Notes, when executed by the Co-Issuers and authenticated and delivered by the Note Registrar hereunder and duly issued by the Co-Issuers, the valid obligations of the Co-Issuers, and to make this Indenture a valid agreement of the Co-Issuers, in accordance with their and its terms.

Each of the Co-Issuers entered into a Loan Purchase Agreement pursuant to which each of the Sellers and its related Seller Loan Trustee conveyed to the related Co-Issuer and its related Loan Trustee all of its right, title and beneficial interest in, to and under the Loans conveyed pursuant to the applicable Loan Purchase Agreement.

The Servicer entered into a Servicing Agreement pursuant to which the Servicer will continue to service the Loans and make collections thereon in accordance with the terms thereof.

GRANTING CLAUSES

To secure the Co-Issuers' joint and several obligations under the Notes, (a) each of the Co-Issuers hereby Grants to the Indenture Trustee, for the benefit of the Indenture Trustee and the Noteholders, all of such Co-Issuer's right, title and interest, and (b) each of the Loan Trustees hereby Grants to the Indenture Trustee, for the benefit of the Indenture Trustee and the Noteholders, all of such Loan Trustee's right, title and interest, in each case, whether now owned or hereafter acquired, in, to and under the following:

- (i) the Loans, whether now existing or hereafter acquired, and all rights to payment and amounts due or to become due with respect to all of the foregoing and the related Purchased Assets;
- (ii) all money, instruments, investment property and other property (together with all earnings, dividends, distributions, income, issues, and profits relating thereto) distributed or distributable in respect of the Loans;
- (iii) the Note Accounts and all Eligible Investments and all money, investment property, instruments and other property from time to time on deposit in or credited to the Note Accounts, together with all earnings, dividends, distributions, income, issues and profits relating thereto;
- (iv) all rights, remedies, powers, privileges and claims of the Co-Issuer under or with respect to the Loan Purchase Agreement and each other Transaction Document (whether arising pursuant to the terms of the related Loan Purchase Agreement or any other Transaction Document or otherwise available to the Co-Issuer at law or in equity), including, without limitation, the rights of the Co-Issuer to enforce the related Loan Purchase Agreement or any other Transaction Document, and to give or withhold any and all consents, requests, notices, directions, approvals, extensions or waivers under or with respect to the related Loan Purchase Agreement or any other Transaction Document to the same extent as the Co-Issuer could but for the assignment and security interest granted hereunder;
- (v) all proceeds of any credit insurance policies or collateral protection insurance policies relating to any Loans, to the extent of the applicable Seller's interest therein;
- (vi) all accounts, chattel paper, deposit accounts, documents, general intangibles, payment intangibles, goods, instruments, investment property, letter-of-credit rights, letters of credit and money, consisting of, arising from, purporting to secure, or relating to, any of the foregoing;
- (vii) all present and future claims, demands, causes and choses in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds, products, rents, receipts or profits of the conversion, voluntary or involuntary, into cash or other property, all cash and non-cash

proceeds, and other property consisting of, arising from or relating to all or any part of any of the foregoing or any proceeds thereof; and

(viii) all proceeds of the foregoing.

The property described in the preceding sentence shall constitute the “Trust Estate”; provided, however, that the Trust Estate shall not include, and the lien of this Indenture shall not extend to, any assets or amounts released from the Lien of this Indenture in accordance with the express terms hereof.

Such Grants are made in trust to secure the Notes equally and ratably without prejudice, priority or distinction between any Note and any other Notes of the same Class.

The Indenture Trustee, as Indenture Trustee on behalf of the Noteholders, acknowledges such Grants and accepts the trusts hereunder in accordance with the provisions hereof.

LIMITED RECOURSE

The obligation of the Co-Issuers to make payments of principal of and interest on the Notes are limited recourse obligations of the Co-Issuers that are secured solely by and are payable solely from the related Trust Estate and only to the extent proceeds and distributions on such Trust Estate are allocated for their benefit under the terms of this Indenture. The holders of the Notes shall have no recourse to any other assets of the Co-Issuers. In the event the Trust Estate has been exhausted and any of the Notes have not been paid in full, then any and all amounts that are still due on such Notes shall be extinguished and shall not revive, and such Notes shall be cancelled.

Article I ***Definitions***

SECTION 1.01 ***Definitions.***

ARTICLE II ***The Notes***

SECTION 2.01 ***Form Generally.***

The Notes shall be designated as the “SpringCastle Funding Asset-Backed Notes 2014-A”. The Notes shall be in substantially the form attached as Exhibit A hereto. Except as otherwise expressly provided herein, the Notes will be issued in fully registered form only and shall be numbered serially for identification. The terms of the Notes set forth in Exhibit A to this Indenture are part of the terms of this Indenture. The Notes shall be typewritten, word processed, printed, lithographed or engraved or produced by any combination of these methods, all as determined by the Authorized Officers executing such Notes, as evidenced by their execution of such Notes.

SECTION 2.02 ***Denominations.***

The Class A, Class B, and Class C Notes shall be issued in fully registered form in minimum amounts of \$100,000 and in integral multiples of \$1,000 in excess thereof. The Class D Notes shall be issued in fully registered form in minimum amounts of \$5,000,000 and in integral multiples of \$1,000 in excess thereof. The Class E Notes shall be issued in fully registered form in minimum amounts of \$10,000,000 and in integral multiples of \$1,000 in excess thereof.

SECTION 2.03 Execution, Authentication and Delivery.

Each Note shall be executed by manual or facsimile signature on behalf of the Co-Issuers by an Authorized Officer of the Co-Issuers.

Notes bearing the manual or facsimile signature of an individual who was, at the time when such signature was affixed, authorized to sign on behalf of the Co-Issuers shall not be rendered invalid, notwithstanding the fact that such individual ceased to be so authorized prior to the authentication and delivery of such Notes or does not hold such office at the date of issuance of such Notes.

On the Closing Date, the Note Registrar shall authenticate and deliver Class A Notes for original issue in an aggregate principal amount of \$1,601,280,000, Class B Notes for original issue in an aggregate principal amount of \$427,000,000, Class C Notes for original issue in an aggregate principal amount of \$331,200,000, Class D Notes for original issue in an aggregate principal amount of \$199,810,000 and Class E Notes for original issue in an aggregate principal amount of \$61,580,000. At any time and from time to time after the execution and delivery of this Indenture, the Co-Issuers may deliver Notes executed by all of the Co-Issuers to the Note Registrar for authentication and delivery, and the Note Registrar, upon an Issuer Order executed by the Co-Issuers, shall authenticate and deliver such Notes as provided in this Indenture and not otherwise.

No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the form provided for herein executed by or on behalf of the Note Registrar by the manual signature of a duly authorized signatory, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

SECTION 2.04 Book-Entry Notes.

(a) the provisions of this Section 2.04 shall be in full force and effect;

(b) the Co-Issuers, the Note Registrar, the Paying Agent and the Indenture Trustee shall be entitled to communicate directly with the Clearing Agency and the Clearing Agency Participants for all purposes of this Indenture (including distributions) as the authorized representatives of the Beneficial Owners of the Notes;

(c) to the extent that the provisions of this Section 2.04 conflict with any other provisions of this Indenture, the provisions of this Section 2.04 shall control;

(d) the rights of Beneficial Owners shall be exercised only through the Clearing Agency and the applicable Clearing Agency Participants and shall be limited to those established by law and agreements between such owners and the Clearing Agency and/or the Clearing Agency Participants. Unless and until Definitive Notes of such Class are issued pursuant to Section 2.10, the initial Clearing Agency shall make book-entry transfers among the Clearing Agency Participants and receive and transmit distributions of principal and interest on the related Notes to such Clearing Agency Participants and, without limiting the Co-Issuers', the Note Registrar's, the Paying Agent's or the Indenture Trustee's duties and obligations set forth elsewhere herein, none of the Co-Issuers, the Note Registrar, the Paying Agent nor the Indenture Trustee shall have any responsibility therefor; and

(e) whenever this Indenture requires or permits actions to be taken based upon instructions or directions of Holders of Notes evidencing a specified percentage of the Aggregate Note Principal Balance, the Class A Note Balance, the Class B Note Balance, the Class C Note Balance or the Class D Note Balance, as applicable, the Clearing Agency shall be deemed to represent such percentage with respect to the Notes only to the extent that it has received instructions to such effect from Beneficial Owners and/or Clearing Agency Participants owning or representing, respectively, such required percentage of the beneficial interest in such Notes and has delivered such instructions to the Indenture Trustee. For the avoidance of doubt, irrespective of whether such Clearing Agency has received such instructions, the determination as to whether such Clearing Agency has received such instructions, the determination as to whether any Note is "Outstanding" shall be made in accordance with the definition thereof.

None of the Co-Issuers, the Indenture Trustee, the Paying Agent or the Note Registrar shall have any liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Book-Entry Notes or for maintaining, supervising or reviewing any records relating to beneficial ownership interests or transfers thereof.

Except as provided in the next succeeding paragraph of this Section 2.04, the rights of Beneficial Owners with respect to the Book-Entry Notes shall be limited to those established by law and agreements between such Beneficial Owners and the Clearing Agency and Clearing Agency Participants. Except as provided in Section 2.10 hereof, Beneficial Owners shall not be entitled to Definitive Notes in exchange for the Book-Entry Notes as to which they are the Beneficial Owners. Requests and directions from, and votes of, the Clearing Agency as Holder of the Notes shall not be deemed inconsistent if they are made with respect to different Beneficial Owners. The Indenture Trustee may establish a reasonable record date in connection with solicitations of consents from or voting by Noteholders and give notice to the Clearing Agency of such record date. Other than pursuant to Section 2.10, without the consent of the Co-Issuers, the Note Registrar, the Paying Agent and the Indenture Trustee, no Book-Entry Note may be transferred by the Clearing Agency except to a successor Clearing Agency that agrees to hold such Note for the account of the Beneficial Owners.

The Depository Trust Company shall be the initial Clearing Agency. In the event that The Depository Trust Company resigns or is removed as Clearing Agency, the Indenture Trustee may designate a successor Clearing Agency. If no successor Clearing Agency has been designated

within thirty (30) days of the effective date of the Clearing Agency's resignation or removal, each Beneficial Owner shall be entitled to Definitive Notes representing the Notes it beneficially owns in the manner prescribed in Section 2.10.

SECTION 2.05 Registration of and Limitations on Transfer and Exchange of Notes; Appointment of Note Registrar.

(a) Wells Fargo Bank, National Association is hereby appointed as the note registrar (in such capacity, the "Note Registrar") to provide for the registration of Notes, and transfers and exchanges of Notes as herein provided, and Wells Fargo Bank, National Association hereby accepts such appointment. The Note Registrar shall keep a register (the "Note Register") in which, subject to such reasonable regulations as it may prescribe, the registration of Notes and the registration of transfers of Notes shall be provided. The Note Registrar shall act solely for the purpose of maintaining the Note Register as an agent of the Co-Issuers. Any transfer of an interest in a Definitive Note shall be reflected in the Note Register and entries in the Note Register shall be presumed correct. The Co-Issuers hereby have the right to examine the Note Register at any time upon reasonable notice to the Note Registrar. Any reference in this Indenture to the Note Registrar shall include any co-note registrar unless the context requires otherwise. The Co-Issuers may revoke such power and remove the Note Registrar if the Co-Issuers determine in their sole discretion that the Note Registrar shall have failed to perform its obligations under this Indenture in any material respect. The Note Registrar may resign at any time upon sixty (60) days' prior written notice to the Co-Issuers and the Servicer. In the event that any Note Registrar shall resign, the Co-Issuers shall appoint a successor to act as Note Registrar, which successor shall be reasonably satisfactory to the Servicer; provided, however, that such resignation shall not be effective and the Note Registrar shall continue to perform its duties as Note Registrar until the Co-Issuers have appointed a successor Note Registrar (which may be the Indenture Trustee).

(b) No transfer, sale, pledge or other disposition of any Note or interest therein shall be made unless that transfer, sale, pledge or other disposition is exempt from the registration and/or qualification requirements of the Securities Act and any applicable state securities laws, or is otherwise made in accordance with the Securities Act and such state securities laws. None of the Co-Issuers, the Indenture Trustee or the Note Registrar is obligated to register or qualify any Notes under the Securities Act or any other securities law or to take any action not otherwise required under this Indenture to permit the transfer of any Note or interest therein without registration or qualification. Any Noteholder desiring to effect a transfer of Notes or interests therein shall, and does hereby agree to, indemnify the Co-Issuers, the Indenture Trustee and the Note Registrar against any liability that may result if the transfer is not so exempt or is not made in accordance with such federal and state laws. Any attempted transfer, sale, pledge or other disposition of any Note or interest therein in contravention of this Section 2.05 will be void *ab initio* and the purported transferor will continue to be treated as the owner of the Notes for all purposes.

(c) The Notes are being offered and sold by the Initial Purchasers only to QIBs in transactions meeting the requirements of Rule 144A or, in the case of the Class A, Class B and Class C Notes only, to persons (other than "U.S. persons" as defined in Regulation S) outside the United States pursuant to the requirements of Regulation S. Neither the Class D Notes nor the Class

E Notes may be sold outside the United States in reliance on Regulation S. If it is acquiring any Class A, Class B or Class C Notes or any interest or participation therein in an “offshore transaction” (as defined to Regulation S), the purchaser is deemed to acknowledge that those notes will initially be represented by a temporary global note with the applicable legends set forth in Exhibit A (the “Temporary Regulation S Global Note”) in fully-registered form without interest coupons and that transfers thereof or any interest or participation therein are restricted as set forth in this Section 2.05. The Class A, Class B and Class C Notes that are not sold in offshore transactions in reliance on Regulation S and the Class D Notes shall initially be issued in the form of one or more permanent global notes with the applicable legends set forth in Exhibit A (each, a “Rule 144A Global Note”) in fully-registered form without interest coupons. The principal amount of a Global Note may from time to time be increased or decreased by adjustments made on the records of the custodian for DTC, DTC’s nominee or any other authorized person, to reflect the transfers of interest described in this Section or other transactions under this Indenture. The Class D Notes and the Class E Notes will be offered and sold only to QIBs in reliance on Rule 144A and, in the case of the Class E Notes, issued only in the form of one or more fully-registered Definitive Notes without interest coupons.

Any ownership interest represented by a beneficial interest in a Rule 144A Global Note may be transferred to another entity who wishes to hold Notes in the form of an interest in a Rule 144A Global Note; *provided*, that, the applicable transferor and transferee are deemed to have represented and warranted that such transfer is being made to a transferee that the transferor reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A.

Through and including the fortieth day after the later of the commencement of the offering of the Notes (which shall not include Class D Notes or Class E Notes) to persons other than distributors in reliance upon Regulation S and the Closing Date (that period through and including that fortieth day, the “Distribution Compliance Period”), any ownership interest represented by a beneficial interest in the Temporary Regulation S Global Note may be transferred to a person who wishes to hold Notes in the form of an interest in the Temporary Regulation S Global Note; *provided*, that, the applicable transferee is deemed to have represented and warranted that it is not a “U.S. person” (as defined in Regulation S) and such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S and all other applicable securities laws.

All distributions in respect of Notes represented by a Temporary Regulation S Global Note will be made only with respect to that portion of the Temporary Regulation S Global Note in respect of which Euroclear or Clearstream shall have delivered to the Indenture Trustee, the Note Registrar and the Paying Agent a certificate or certificates substantially in the form of Exhibit B-4. The delivery to the Indenture Trustee, the Note Registrar and the Paying Agent by Euroclear or Clearstream of a certificate or certificates referred to above may be relied upon by the Co-Issuers, the Note Registrar, the Paying Agent and the Indenture Trustee as conclusive evidence that the certificate or certificates referred to therein has or have been delivered to Euroclear or Clearstream pursuant to the terms of this Indenture and the Temporary Regulation S Global Note.

Transfers of an interest in a Regulation S Global Note for an interest in a Rule 144A Global Note, and vice versa (except that no interest in a Class D Note or a Class E Note may be

transferred for an interest in a Regulation S Global Note), may be made at any time; provided that the intended transferor and transferee are each able to represent and warrant that such transferee satisfies the conditions set forth above to hold a beneficial interest in the applicable Global Note and the transferor provides a transfer certificate in the form of Exhibit B-1, Exhibit B-2 or Exhibit B-3, as applicable. Any interest in the Notes represented by an interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, and vice versa, will, upon transfer, cease to be an interest in such original Rule 144A Global Note or Regulation S Global Note, as the case may be, and become an interest in a Regulation S Global Note or a Rule 144A Global Note, as applicable, and accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in the applicable form of Global Note.

Interests in a Temporary Regulation S Global Note as to which the Indenture Trustee, the Note Registrar and the Paying Agent have received from Euroclear or Clearstream, as the case may be, a certificate substantially in the form of Exhibit B-4 to the effect that Euroclear or Clearstream, as applicable, has received a certificate substantially in the form of Exhibit B-5 from the holder of a beneficial interest in such Note, will be exchanged on and after the last day of the Distribution Compliance Period for interests in a permanent global note with the applicable legends set forth in Exhibit A (a “Permanent Regulation S Global Note” and, together with the Temporary Regulation S Global Note, the “Regulation S Global Notes”) in fully-registered form without interest coupons. The delivery of the certificate or certificates referred to above to the Indenture Trustee, the Note Registrar and the Paying Agent by Euroclear or Clearstream may be relied upon by the Co-Issuers, the Note Registrar, the Paying Agent and the Indenture Trustee as conclusive evidence that the certificate or certificates referred to therein has or have been delivered to Euroclear or Clearstream pursuant to the terms of this Indenture and the Temporary Regulation S Global Note.

In the event that a Rule 144A Global Note is exchanged for one or more Definitive Notes (a “Rule 144A Definitive Note”) or a Regulation S Global Note is exchanged for one or more Definitive Notes (a “Regulation S Definitive Note”) pursuant to Section 2.10 of the Indenture, the related Beneficial Owner shall be required to deliver a representation letter with respect to the matters described in this Section 2.05. Such Rule 144A Definitive Notes and Regulation S Definitive Notes may be exchanged for one another only upon delivery of a representation letter with respect to the matters described in Section 2.05 and in accordance with such procedures as are substantially consistent with the provisions above (including certification requirements intended to insure that such transfers comply with Rule 144A or, other than in the case of Class D Notes and Class E Notes, are to Persons who are not “U.S. persons” (as defined in Regulation S), or otherwise comply with Regulation S, as the case may be) and as may be from time to time adopted by the Co-Issuers, the Note Registrar, the Paying Agent and the Indenture Trustee. The Note Registrar shall destroy the applicable Global Note upon its exchange in full for Definitive Notes.

Each purchaser of a Note that represents a beneficial interest in a Global Note will be deemed to have represented and agreed, and each purchaser of a Definitive Note will be required to certify to the Indenture Trustee, the Paying Agent and Note Registrar in writing that:

(i) (1) the purchaser is a QIB and is acquiring such Notes for its own account or as a fiduciary or agent for others (which others are also QIBs) for investment purposes and not for distribution in violation of the Securities Act, and it is able to bear the economic risk of an investment in the Notes and has such knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of purchasing the Notes, or (2) solely in the case of Class A, Class B and Class C Notes, the purchaser is a not a “U.S. person” (as defined in Regulation S) (and is not purchasing for the account or benefit of a “U.S. person” as defined in Regulation S), is outside the United States and is acquiring the Notes pursuant to an exemption from registration in accordance with Rule 903 or Rule 904 of Regulation S;

(ii) the purchaser understands that the Notes are being offered only in a transaction that does not require registration of the Notes under the Securities Act and, if such purchaser decides to resell, pledge or otherwise transfer such Notes, then it agrees that it will resell, pledge or transfer such Notes only (1) so long as such Notes are eligible for resale pursuant to Rule 144A, to a person who the seller reasonably believes is a QIB acquiring the Notes for its own account or as a fiduciary or agent for others (which others must also be QIBs) to whom notice is given that the resale or other transfer is being made in reliance on Rule 144A, or, if applicable and solely in the case of Class A, Class B and Class C Notes, (2) to a purchaser who is not a “U.S. person” (as defined in Regulation S) (and is not purchasing for the account or benefit of a “U.S. person” as defined in Regulation S), is outside the United States and is acquiring the Notes pursuant to an exemption from registration under the Securities Act in accordance with Rule 903 or Rule 904 of Regulation S and, in each case, in accordance with any applicable United States state securities or “Blue Sky” laws or any securities laws of any other jurisdiction;

(iii) unless the applicable legend set forth in Exhibit A has been removed, the purchaser shall notify each transferee of the Notes that (1) the Notes have not been registered under the Securities Act, (2) the holder of Notes is subject to the restrictions on the resale or other transfer thereof described in paragraph (ii) above, and (3) such transferee shall be deemed to have represented (x) as to its status as a QIB purchasing the Notes in reliance on Rule 144A or, solely in the case of the Class A, Class B and Class C Notes, as not a “U.S. person” (as defined in Regulation S) (and is not purchasing for the account or benefit of a “U.S. person” as defined in Regulation S) and as outside the United States, acquiring the Notes pursuant to an exemption from registration under the Securities Act in accordance with Rule 903 or Rule 904 of Regulation S, as the case may be, (y) if such transferee is a QIB, that such transferee is acquiring the Notes for its own account or as a fiduciary or agent for others (which others also must be QIBs), and (z) that such transferee shall be deemed to have agreed to notify its subsequent transferees as to the foregoing;

(iv) in the case of the Class D Notes and the Class E Notes, (A) either (I) the purchaser is not and will not become for U.S. federal income tax purposes a partnership, Subchapter S corporation or grantor trust (or a disregarded entity the single owner of which is any of the foregoing) (each such entity a “flow-through entity.”) or (II) if the

purchaser is or becomes a flow-through entity, then (x) none of the direct or indirect beneficial owners of any of the interests in such flow-through entity has or ever will have more than 50% of the value of its interest in such flow-through entity attributable to the beneficial interest of such flow-through entity in the Notes, other interest (direct or indirect) in any Co-Issuer, or any interest created under this Indenture and (y) the purchaser is not and will not be a principal purpose of the arrangement involving the flow-through entity's beneficial interest in the Notes to permit any partnership to satisfy the 100 partner limitation of Section 1.7704-1(h)(1)(ii) of the Treasury Regulations necessary for such partnership not to be classified as a publicly traded partnership under the Internal Revenue Code, (B) the purchaser is not acquiring any Note or beneficial interest therein, the purchaser will not sell, transfer, assign, participate, pledge or otherwise dispose of any Note(s) or beneficial interest therein, and the purchaser will not cause any Note(s) or beneficial interests therein to be marketed, in each case on or through an "established securities market" within the meaning of Section 7704(b) of the Internal Revenue Code, including, without limitation, an interdealer quotation system that regularly disseminates firm buy or sell quotations, (C) the purchaser's beneficial interest in the Notes is not and will not be in an amount that is less than the minimum denomination for such Note set forth in this Indenture, and the purchaser does not and will not hold any interest on behalf of any person whose beneficial interest in a Note is in an amount that is less than the minimum denomination for the Notes set forth in this Indenture, (D) the purchaser will not sell, assign, transfer, pledge or otherwise dispose of any Note or beneficial interest therein, or enter into any financial instrument or contract the value of which is determined by reference in whole or in part to any Note or beneficial interest therein, in each case if the effect of doing so would be that the beneficial interest of any person in such Note would be in an amount that is less than the minimum denomination for the Notes set forth in this Indenture, (E) the purchaser will not use any Note as collateral for the issuance of any securities that could cause any Co-Issuer to be treated as an association or publicly traded partnership taxable as corporation for U.S. federal income tax purposes, (F) the purchaser will not transfer a Note or any beneficial interest therein (directly, through a participation, or otherwise) unless, prior to the transfer, the transferee shall have executed and delivered to the Indenture Trustee and the Note Registrar, or any of their respective successors and assigns, a transferee certification substantially in the form of Exhibit B-6 or Exhibit B-7 to this Indenture, as applicable, and (G) in the case of the Class E Notes, the purchaser is a "United States person" as defined in Section 7701(a)(30) of the Internal Revenue Code and will not transfer to, or cause such Class E Note or beneficial interest therein to be transferred to, any person other than a "United States person," as defined in Section 7701(a)(30) of the Internal Revenue Code; provided, however, that, notwithstanding the foregoing representations and warranties in clauses (A)-(G) herein, the purchaser (i) may engage in any repurchase transaction (repo) the subject matter of which is a Note or any beneficial interest therein if the terms of such repurchase transaction are generally consistent with prevailing market practice and (ii) may pledge a Note or any beneficial interest therein if doing so will not result in any person (other than the purchaser) being treated for U.S. federal income tax purposes as the owner of all or any portion of a Note or beneficial interest therein;

(v) the purchaser, and each person for which it is acting, understands that any sale or transfer to a person that does not comply with the requirements set forth herein will be null and void *ab initio*;

(vi) (1) the purchaser understands that each Rule 144A Global Note and any Rule 144A Definitive Note will bear the legends set forth in Exhibit A hereto and (2) the purchaser understands that each Regulation S Global Note and any Regulation S Definitive Note will bear the legends set forth in Exhibit A; and

(vii) either (a) it is not and is not acting on behalf or using the assets of (1) an “employee benefit plan,” as defined in Section 3(3) of ERISA, that is subject to Title I of ERISA, (2) a “plan,” as defined in Section 4975(e)(1) of the Internal Revenue Code, that is subject to Section 4975 of the Internal Revenue Code, (3) an entity whose underlying assets include “plan assets” by reason of such employee benefit plan’s or plan’s investment in the entity (within the meaning of Department of Labor Regulation 29 C.F.R. 2510.3-101, as modified by Section 3(42) of ERISA), or (4) any governmental, church, non-U.S. or other plan that is subject to any non-U.S., federal, state or local law that is substantially similar to Section 406 of ERISA or Section 4975 of the Internal Revenue Code (“Similar Law”) or an entity whose underlying assets include assets of any such plan; or (b) solely in the case of the Class A Notes, Class B and Class C Notes, the acquisition, continued holding and disposition of the Notes (or any interest therein) will not give rise to a non-exempt prohibited transaction under Section 406 of ERISA, Section 4975 of the Internal Revenue Code or result in a non-exempt prohibited transaction or violation of any Similar Law.

(d) At any time when the Co-Issuers are not subject to Section 13 or 15(d) of the Exchange Act and are not exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, upon the request of a Noteholder or Beneficial Owner, the Co-Issuers shall promptly furnish or cause to be furnished Rule 144A Information to such Noteholder or Beneficial Owner, to a prospective purchaser of such Note designated by such Noteholder or Beneficial Owner or to the Note Registrar for delivery to such Noteholder or Beneficial Owner or a prospective purchaser designated by such Noteholder or Beneficial Owner, as the case may be, in order to permit compliance by such Noteholder or Beneficial Owner with Rule 144A in connection with the resale of a Note by such Noteholder or Beneficial Owner.

(e) Notwithstanding anything to the contrary herein, no transfer of a Class D Note or beneficial interest therein shall be effective, and any such attempted transfer shall be void *ab initio*, unless, prior to and as a condition to each such transfer, the prospective transferee (including the initial beneficial owner as initial transferee) and any subsequent transferee represents and warrants, in writing, substantially in the form of the transferee certification set forth in Exhibit B-6 to this Indenture, to the Indenture Trustee and the Note Registrar, and any of their respective successors and assigns, that: (A) either (I) it is not and will not become for U.S. federal income tax purposes a partnership, Subchapter S corporation or grantor trust (or a disregarded entity the single owner of which is any of the foregoing) (each such entity a “flow-through entity”) or (II) if it is or becomes a flow-through entity, then (x) none of the direct or indirect beneficial owners of any of

the interests in such flow-through entity has or ever will have more than 50% of the value of its interest in such flow-through entity attributable to the beneficial interest of such flow-through entity in the Notes, other interest (direct or indirect) in any Co-Issuer, or any interest created under this Indenture and (y) it is not and will not be a principal purpose of the arrangement involving the flow-through entity's beneficial interest in any Class D Note to permit any partnership to satisfy the 100 partner limitation of Section 1.7704-1(h)(1)(ii) of the Treasury Regulations necessary for such partnership not to be classified as a publicly traded partnership under the Internal Revenue Code, (B) it is not acquiring any Class D Note or beneficial interest therein, it will not sell, transfer, assign, participate, pledge or otherwise dispose of any Class D Note(s) or beneficial interest therein, and it will not cause any Class D Note(s) or beneficial interests therein to be marketed, in each case on or through an "established securities market" within the meaning of Section 7704(b) of the Internal Revenue Code, including, without limitation, an interdealer quotation system that regularly disseminates firm buy or sell quotations, (C) its beneficial interest in the Class D Notes is not and will not be in an amount that is less than the minimum denomination for such Class D Note set forth in this Indenture, and it does not and will not hold any interest on behalf of any person whose beneficial interest in a Class D Note is in an amount that is less than the minimum denomination for the Class D Notes set forth in this Indenture, (D) it will not sell, assign, transfer, pledge or otherwise dispose of any Class D Note or beneficial interest therein, or enter into any financial instrument or contract the value of which is determined by reference in whole or in part to any Class D Note or beneficial interest therein, in each case if the effect of doing so would be that the beneficial interest of any person in the Class D Note would be in an amount that is less than the minimum denomination for the Class D Notes set forth in this Indenture, (E) it will not use any Class D Note as collateral for the issuance of any securities that could cause any Co-Issuer to be treated as an association or publicly traded partnership taxable as corporation for U.S. federal income tax and (F) it will not transfer a Class D Note or any beneficial interest therein (directly, through a participation, or otherwise) unless, prior to the transfer, the transferee shall have executed and delivered to the Indenture Trustee and the Note Registrar, and any of their respective successors and assigns, a transferee certification substantially in the form of Exhibit B-6 to this Indenture. Notwithstanding the foregoing, a transferee (i) may engage in any repurchase transaction (repo) the subject matter of which is a Class D Note or any beneficial interest therein if the terms of such repurchase transaction are generally consistent with prevailing market practice and (ii) may pledge a Class D Note or any beneficial interest therein if doing so will not result in any person (other than the transferee) being treated for U.S. federal income tax purposes as the owner of all or any portion of a Class D Note or beneficial interest therein.

(f) Notwithstanding anything to the contrary herein, no transfer of a Class E Note or beneficial interest therein shall be effective, and any such attempted transfer shall be void *ab initio*, unless, prior to and as a condition to each such transfer, the prospective transferee (including the initial beneficial owner as initial transferee) and any subsequent transferee represent and warrants, in writing, substantially in the form of the transferee certification set forth in Exhibit B-7 to this Indenture, to the Indenture Trustee and the Note Registrar, and any of their respective successors and assigns, that: (A) either (I) it is not and will not become for U.S. federal income tax purposes a partnership, Subchapter S corporation or grantor trust (or a disregarded entity the single owner of which is any of the foregoing) (each such entity a "flow-through entity") or (II) if it is or becomes a flow-through entity, then (x) none of the direct or indirect beneficial owners of any of

the interests in such flow-through entity has or ever will have more than 50% of the value of its interest in such flow-through entity attributable to the beneficial interest of such flow-through entity in the Notes, other interest (direct or indirect) in any Co-Issuer, or any interest created under this Indenture and (y) it is not and will not be a principal purpose of the arrangement involving the flow-through entity's beneficial interest in any Class E Note to permit any partnership to satisfy the 100 partner limitation of Section 1.7704-1(h)(1)(ii) of the Treasury Regulations necessary for such partnership not to be classified as a publicly traded partnership under the Internal Revenue Code, (B) it is not acquiring any Class E Note or any beneficial interest therein, it will not sell, transfer, assign, participate, pledge or otherwise dispose of any Class E Note(s) or beneficial interest therein, and it will not cause any Class E Note(s) or beneficial interest therein to be marketed, in each case on or through an "established securities market" within the meaning of Section 7704(b) of the Internal Revenue Code, including, without limitation, an interdealer quotation system that regularly disseminates firm buy or sell quotations, (C) its beneficial interest in the Class E Notes is not and will not be in an amount that is less than the minimum denomination for such Class E Note set forth in this Indenture, and it does not and will not hold any interest on behalf of any person whose beneficial interest in a Class E Note is in an amount that is less than the minimum denomination for the Class E Notes set forth in this Indenture, (D) it will not sell, assign, transfer, pledge or otherwise dispose of any Class E Note or beneficial interest therein, or enter into any financial instrument or contract the value of which is determined by reference in whole or in part to any Class E Note or beneficial interest therein, in each case if the effect of doing so would be that the beneficial interest of any person in the Class E Note would be in an amount that is less than the minimum denomination for the Class E Notes set forth in this Indenture, (E) it will not use any Class E Note as collateral for the issuance of any securities that could cause any Co-Issuer to be treated as an association or publicly traded partnership taxable as corporation for U.S. federal income tax purposes, (F) it will not transfer a Class E Note or any beneficial interest therein (directly, through a participation, or otherwise) unless, prior to the transfer, the transferee shall have executed and delivered to the Indenture Trustee and the Note Registrar, and any of their respective successors and assigns, a transferee certification substantially in the form of Exhibit B-7 to this Indenture, and (G) it is a "United States person" as defined in Section 7701(a)(30) of the Internal Revenue Code and will not transfer to, or cause such Class E Note or beneficial interest therein to be transferred to, any person other than a "United States person," as defined in Section 7701(a)(30) of the Internal Revenue Code. Notwithstanding the foregoing, a transferee (i) may engage in any repurchase transaction (repo) the subject matter of which is a Class E Note or any beneficial interest therein if the terms of such repurchase transaction are generally consistent with prevailing market practice and (ii) may pledge a Class E Note or any beneficial interest therein if doing so will not result in any person (other than the transferee) being treated for U.S. federal income tax purposes as the owner of all or any portion of a Class E Note or beneficial interest therein.

(g) In the case of a transfer of a Class D Note or Class E Note to the Sellers, the representations set forth in Section 2.05(e) or Section 2.05(f), as applicable, shall not be required and shall not serve as a condition to such transfer.

(h) With respect to any outstanding Notes retained by the Co-Issuers or conveyed to the Sellers, and later sold to an unrelated purchaser, the requirements set forth in Section 3.14(c)

must be met prior to any such later sale. In addition, to the extent any such Notes are Class D Notes or Class E Notes, the requirements of this Section 2.05 must be satisfied prior to such later sale.

(i) If a Person is acquiring any Note or interest therein as a fiduciary or agent for one or more accounts, such Person shall be required to deliver to the Note Registrar a certification (which in the case of the Book-Entry Notes, the prospective transferee will be deemed to have represented such certification) to the effect that it has (i) sole investment discretion with respect to each such account and (ii) full power to make the foregoing acknowledgments, representations, warranties, certifications and agreements with respect to each such account as set forth in this Section 2.05.

(j) Subject to the preceding provisions of this Section 2.05, upon surrender for registration of transfer of any Note at the offices or agency of the Note Registrar maintained for such purpose, the Co-Issuers shall execute and the Note Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of a like Denomination and of the same Class. As of the Closing Date, the offices of the Note Registrar maintained for such purpose are located at Sixth Street and Marquette Avenue, Minneapolis, Minnesota 55479, Attention: Corporate Trust Services—SpringCastle Funding Asset-Backed Notes.

(k) At the option of any Noteholder, its Notes may be exchanged for other Notes of authorized denominations of the same Class and of a like aggregate denomination, upon surrender of the Notes to be exchanged at the offices of the Note Registrar maintained for such purpose. Whenever any Notes are so surrendered for exchange, the Co-Issuers shall execute and the Note Registrar as authenticating agent shall authenticate and deliver the Notes which the Noteholder making the exchange is entitled to receive.

(l) Every Note presented or surrendered for transfer or exchange shall (if so required by the Note Registrar) be duly endorsed by, or be accompanied by a written instrument of transfer in the form satisfactory to the Note Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing.

(m) Every Note issued upon any registration of transfer or exchange of Notes shall be the valid obligations of the Co-Issuers, jointly and severally, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration or exchange.

(n) No service charge shall be imposed for any transfer or exchange of Notes, but the Note Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Notes.

(o) All Notes surrendered for transfer and exchange shall be physically canceled by the Note Registrar, and the Note Registrar shall dispose of such canceled Notes in accordance with its standard procedures.

(p) The Note Registrar shall provide to the Co-Issuers, upon reasonable written request, and at the expense of the requesting party, an updated copy of the Note Register. The Co-

Issuers shall have the right to inspect the Note Register or to obtain a copy thereof at all reasonable times, and to rely conclusively upon a certificate of the Note Registrar as to the information set forth in the Note Register.

SECTION 2.06 Mutilated, Destroyed, Lost or Stolen Notes.

If (a) any mutilated Note is surrendered to the Note Registrar, or the Note Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Note, and (b) in case of destruction, loss or theft there is delivered to the Note Registrar, as the case may be, such security or indemnity as may be required by it to hold the Co-Issuers, the Note Registrar harmless, then, in the absence of written notice to the Co-Issuers or the Note Registrar that such Note has been acquired by a “protected purchaser” (as contemplated by Article 8 of the UCC), the Co-Issuers shall execute, and upon Issuer Order executed by each of the Co-Issuers, the Note Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Note, a replacement Note of like tenor and aggregate principal amount, bearing a number not contemporaneously outstanding; provided, however, that if any such mutilated, destroyed, lost or stolen Note shall have become or within seven (7) days shall be due and payable, or shall have been selected or called for redemption, instead of issuing a replacement Note, the Co-Issuers may pay such Note without surrender thereof, except that any mutilated Note shall be surrendered. If, after the delivery of such replacement Note or payment of a destroyed, lost or stolen Note pursuant to the proviso to the preceding sentence, a “protected purchaser” (as contemplated by Article 8 of the UCC) of the original Note in lieu of which such replacement Note was issued presents for payment such original Note, the Co-Issuers and the Note Registrar Agent shall be entitled to recover such replacement Note (or such payment) from the Person to whom it was delivered or any Person taking such replacement Note from such Person to whom such replacement Note was delivered or any assignee of such Person, except a “protected purchaser” (as contemplated by Article 8 of the UCC), and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Co-Issuers or the Note Registrar in connection therewith.

In connection with the issuance of any replacement Note under this Section 2.06, the Co-Issuers or the Note Registrar may require the payment by the Holder of such Note of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other reasonable expenses (including the reasonable fees and expenses of the Note Registrar) connected therewith.

Any replacement Note issued pursuant to this Section in replacement of any mutilated, destroyed, lost or stolen Note shall constitute complete and indefeasible evidence of a debt of the Co-Issuers, as if originally issued, whether or not the destroyed, lost or stolen Note shall be found at any time, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.06 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Notes.

SECTION 2.07 Persons Deemed Owners.

The Indenture Trustee, the Note Registrar, the Paying Agent, the Co-Issuers and any agent of any of them may prior to due presentation of a Note for registration of transfer, treat the Person in whose name any Note is registered as the holder of such Note for the purpose of receiving distributions pursuant to the terms of this Indenture and for all other purposes whatsoever, and, in any such case, none of the Indenture Trustee, the Note Registrar, the Paying Agent, the Co-Issuers nor any agent of any of them shall be affected by any notice to the contrary. Upon any request or inquiry by a Noteholder, the Indenture Trustee, the Paying Agent or the Note Registrar shall be entitled to receive a certification in form reasonably satisfactory to the Indenture Trustee, the Paying Agent and the Note Registrar, to enable the Indenture Trustee, the Paying Agent and the Note Registrar to confirm the status of such entity as a Noteholder.

SECTION 2.08 Cancellation.

All Notes surrendered for payment, registration of transfer, exchange or redemption shall, if surrendered to any Person other than the Note Registrar, be delivered to the Note Registrar and shall be promptly cancelled by the Note Registrar and shall no longer be considered Outstanding for any purpose hereunder. The Co-Issuers may at any time deliver to the Note Registrar for cancellation any Notes previously authenticated and delivered hereunder which the Co-Issuers may have acquired in any lawful manner whatsoever. All Notes delivered by the Co-Issuers or any other Person for cancellation shall be promptly cancelled by the Note Registrar and such cancellation shall be recorded in the Note Register. No Notes shall be authenticated in lieu of or in exchange for any Notes cancelled as provided in this Section, except as expressly permitted by this Indenture. All cancelled Notes held by the Note Registrar shall be destroyed or retained in accordance with its standard document retention or disposal policy in effect at such time unless the Co-Issuers shall direct prior to destruction that they be returned to the Co-Issuers.

SECTION 2.09 Notices to Clearing Agency.

Whenever a notice or other communication is required to be given to the Noteholders of any Class with respect to which Book-Entry Notes have been issued, unless and until Definitive Notes shall have been issued to the related Beneficial Owners pursuant to Section 2.10 and there are no Book-Entry Notes outstanding, the Indenture Trustee shall give all such notices and communications to the Clearing Agency.

SECTION 2.10 Definitive Notes.

If Book-Entry Notes have been issued with respect to any Class and (i) (a) the Co-Issuers advises the Indenture Trustee and the Note Registrar that the Clearing Agency is no longer willing or able to discharge properly its responsibilities with respect to such Class and (b) the Co-Issuers is unable to locate and reach an agreement on satisfactory terms with a qualified successor, (ii) to the extent permitted by law, the Co-Issuers, at its option, advises the Indenture Trustee and the Note Registrar in writing that it elects to terminate the book-entry system through the Clearing Agency with respect to such Class or (iii) after the occurrence of a Servicer Default or an Event of Default, Beneficial Owners with respect to such Class representing not less than 50% of the principal amount of the Book-Entry Notes of such Class advise the Indenture Trustee, the Note Registrar and the applicable Clearing Agency in writing through the applicable Clearing Agency Participants that

the continuation of a book-entry system with respect to the Notes of such Class is no longer in the best interests of the Beneficial Owners with respect to such Class, then the Indenture Trustee shall notify all Beneficial Owners with respect to such Class, through the Clearing Agency of the occurrence of such event and of the availability of Definitive Notes to Beneficial Owners with respect to such Class. Upon surrender to the Note Registrar of such Notes by the Clearing Agency, accompanied by registration instructions from the applicable Clearing Agency for registration, the Co-Issuers shall execute and the Note Registrar shall authenticate Definitive Notes of such Class and shall recognize the registered holders of such Definitive Notes as Noteholders under this Indenture. None of the Co-Issuers, the Note Registrar or the Indenture Trustee shall be liable for any delay in delivery of such instructions, and the Co-Issuers, the Note Registrar and the Indenture Trustee may conclusively rely on, and shall be protected in relying on, such instructions. Upon the issuance of Definitive Notes of such Class, the Indenture Trustee, the Note Registrar and the Paying Agent shall recognize the registered Holders of such Definitive Notes of such Class as Noteholders of such Class hereunder. Definitive Notes will be transferable and exchangeable at the offices of the Note Registrar.

Pending the preparation of Definitive Notes, the Co-Issuers may execute, and upon receipt of an Issuers Order executed by each of the Co-Issuers, the Note Registrar shall authenticate and deliver, temporary Notes which are printed, lithographed, typewritten, mimeographed or otherwise produced, of the tenor of the Definitive Notes in lieu of which they are issued and with such variations not inconsistent with the terms of this Indenture as the officers executing such Notes may determine, as evidenced by their execution of such Notes.

If temporary Notes are issued, the Co-Issuers shall cause Definitive Notes to be prepared without unreasonable delay. After the preparation of Definitive Notes, the temporary Notes shall be exchangeable for Definitive Notes upon surrender of the temporary Notes at the office or agency of the Co-Issuers to be maintained as provided in Section 3.02, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Notes, the Co-Issuers shall execute and the Note Registrar, upon Issuer Order executed by all of the Co-Issuers, shall authenticate and deliver in exchange therefor a like principal amount of Definitive Notes of authorized denominations. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits under this Indenture as Definitive Notes.

SECTION 2.11 CUSIP Numbers.

The Co-Issuers in issuing the Notes may use “CUSIP” numbers (if then generally in use), and, if so, the Indenture Trustee shall use “CUSIP” numbers in notices of redemption as a convenience to Noteholders; provided, that any such notice may state that no representation is made as to the correctness of such numbers either as printed on the Notes or as contained in any notice of a redemption and that reliance may be placed only on the other identification numbers printed on the Notes, and any such redemption shall not be affected by any defect in or omission of such numbers. The Co-Issuers will promptly notify the Indenture Trustee in writing of any change in the “CUSIP” numbers.

SECTION 2.12 Appointment of Paying Agent.

(a) The Co-Issuers hereby appoint Wells Fargo Bank, National Association, as a paying agent (the “Paying Agent”) to make distributions to Noteholders from the Collection Account pursuant to the provisions of Article VIII hereof. The Paying Agent shall have the revocable power to withdraw funds from the Collection Account for the purpose of making the distributions referred to above. The Co-Issuers may revoke such power and remove the Paying Agent if the Co-Issuers determine in their sole discretion that the Paying Agent shall have failed to perform its obligations under this Indenture in any material respect. The Paying Agent may resign at any time upon sixty (60) days’ prior written notice to the Co-Issuers and the Servicer. In the event that any Paying Agent shall resign, the Co-Issuers shall appoint a successor to act as Paying Agent, which successor shall be reasonably satisfactory to the Servicer; provided, however, that such resignation shall not be effective and the Paying Agent shall continue to perform its duties as Paying Agent until the Co-Issuers have appointed a successor Paying Agent (which may be the Indenture Trustee). The Co-Issuers shall cause any successor Paying Agent to execute and deliver to the Co-Issuers and the Indenture Trustee a written instrument in which such Paying Agent shall agree with the Co-Issuers to do each of the actions described in clause (b) below.

(b) The Paying Agent agrees that it will:

(i) hold all sums held by it for the payment of amounts due with respect to the Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(ii) give the Indenture Trustee written notice of any default by the Co-Issuers (or any other obligor upon the Notes) in the making of any payment required to be made with respect to the Notes of which it has actual knowledge;

(iii) at any time after the acceleration of the maturity of the Notes after an Event of Default, upon the written request of the Indenture Trustee, forthwith pay to the Indenture Trustee all sums so held in trust by such Paying Agent;

(iv) immediately resign as a Paying Agent and forthwith pay to the Indenture Trustee (or to a successor Paying Agent appointed by the Co-Issuers) all sums held by it in trust for the payment of Notes if at any time it ceases to meet the standards required to be met by a Paying Agent at the time of its appointment; and

(v) comply with all requirements of the Internal Revenue Code with respect to the withholding from any payments made by it on any Notes of any applicable withholding taxes imposed thereon and with respect to any applicable reporting requirements in connection therewith.

ARTICLE III

Representations and Covenants of Co-Issuers and Loan Trustees

SECTION 3.01 **Payment of Principal and Interest.**

(a) The Co-Issuers will duly and punctually pay principal of and interest on the Notes, in each case in accordance with the terms of the Notes and as specified in this Indenture including without limitation Section 8.06 hereof.

(b) On each Payment Date, the Noteholders of each Class as of the related Record Date shall be entitled to the interest accrued at the applicable Interest Rate and principal payable on such Payment Date as specified in this Indenture including without limitation Section 8.06 hereof. All payment obligations under a Note are discharged to the extent such payments are made to the Noteholder of record as of such related Record Date.

SECTION 3.02 Maintenance of Office or Agency.

The Note Registrar will maintain its Corporate Trust Office at Wells Fargo Center, Sixth Street and Marquette Avenue, Minneapolis, Minnesota 55479, Attention: Corporate Trust Services—SpringCastle Funding Asset-Backed Notes, where Notes may be presented or surrendered for payment and where Notes may be surrendered for registration of transfer or exchange. The Note Registrar will give prompt written notice to the Co-Issuers, the Indenture Trustee and the Noteholders of any change in the location of any such office or agency.

SECTION 3.03 Money for Note Payments to Be Held in Trust.

As specified in Section 8.02, all payments of amounts due and payable on or with respect to the Notes, which are to be made from amounts withdrawn from the Collection Account, shall be made on behalf of the Co-Issuers by the Paying Agent, and no amounts so withdrawn from the Collection Account shall be paid over to the Co-Issuers except as provided in this Indenture.

Subject to Requirements of Law with respect to escheat of funds, and after such notice required with respect to Notes not surrendered for cancellation pursuant to Section 10.02(b) is given, any money held by the Paying Agent in trust for the payment of any amount due with respect to any Note remaining unclaimed for two years after such amount has become due and payable shall be discharged from such trust, and the Paying Agent shall give prompt notice of such occurrence to the Co-Issuers and shall release such money to the Co-Issuers on Issuer Order executed by each of the Co-Issuers; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Co-Issuers (and then only to the extent of the amounts so paid to the Co-Issuers) for payment thereof, and all liability of the Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Paying Agent, before being required to make any such repayment, shall at the direction of the Co-Issuers cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in The City of New York, notice that such money remains unclaimed and that, after a date specified therein, which date shall not be less than thirty (30) days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Co-Issuers. The cost of any such notice or publication shall be paid out of funds in the Collection Account. The Paying Agent shall also adopt and employ, at the expense of the Co-Issuers, to be paid out of funds in the Collection Account, any other reasonable means of notification of such repayment (including, but not limited to, mailing notice of such repayment to Holders whose Notes have been called but have not been surrendered for redemption or whose right to or interest in moneys due and payable

but not claimed is determinable from the records of the Paying Agent, at the last address of record for each such Holder).

SECTION 3.04 Existence.

(a) Subject to the following clause (b), (i) each of the Co-Issuers will keep in full effect its existence, rights and franchises as a limited liability company under the laws of the State of Delaware and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture, the Notes, the Trust Estate and each other related instrument or agreement included in the Trust Estate and (ii) none of the Co-Issuers shall consolidate or merge with or into any other Person and shall not (except as provided herein) convey or transfer its properties and assets substantially as an entirety to any Person. Each of the Loan Trustees will keep in full effect its existence, rights and franchises as a common law trust under the laws of the State of Delaware. None of the Loan Trustees shall consolidate or merge with or into any other Person and shall not (except as provided herein) convey or transfer its properties and assets substantially as an entirety to any Person.

(b) No Co-Issuer shall dissolve, liquidate, consolidate with or merge into any other corporation, limited liability company or other entity or convey, transfer or sell (other than conveyances hereunder) its properties and assets substantially as an entirety to any Person unless:

(i) the entity formed by such consolidation or into which such Co-Issuer is merged or the Person which acquires by conveyance, transfer or sale the properties and assets of such Co-Issuer substantially as an entirety shall be, if such Co-Issuer is not the surviving entity, organized and existing under the laws of the state of Delaware, and shall be a special purpose corporation or other special purpose entity whose powers and activities are limited and, if such Co-Issuer is not the surviving entity, such entity or Person shall expressly assume, by a written agreement supplemental hereto, executed and delivered to the Servicer, the Co-Issuers and the Indenture Trustee, in form reasonably satisfactory to the Servicer, the Co-Issuers and the Indenture Trustee, the performance of every covenant and obligation of such Co-Issuer hereunder;

(ii) such Co-Issuer or the surviving entity, as the case may be, has delivered to the Indenture Trustee (A) an Officer's Certificate of such Co-Issuer or such entity stating that such consolidation, merger, conveyance, transfer or sale and such supplemental agreement complies with this Section 3.04 and that all conditions precedent herein provided for relating to such transaction have been complied with and (B) an Officer's Certificate of such Co-Issuer or such entity and an Opinion of Counsel each stating that such supplemental agreement is a valid and binding obligation of such surviving entity enforceable against such surviving entity in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally from time to time in effect or general principles of equity; and

(iii) the Indenture Trustee and the Servicer shall have received an Officer's Certificate of such Co-Issuer or such entity, as applicable, to the effect that in the reasonable belief of such Co-Issuer or such entity, such consolidation, merger, conveyance, transfer or sale will not have an Adverse Effect.

SECTION 3.05 **Protection of Trust.**

The Co-Issuers will from time to time take all actions, including without limitation preparing, or causing to be prepared, authorizing, executing and delivering all such supplements and amendments hereto and all such financing statements, amendments to financing statements, continuation statements, if any, instruments of further assurance and other instruments, necessary or advisable to:

(a) grant more effectively all or any portion of the Trust Estate as security for the Notes;

(b) maintain or perfect or preserve the lien and security interest (and the priority thereof) of this Indenture or to carry out more effectively the purposes hereof;

(c) perfect, publish notice of, or protect the validity of any Grant made or to be made by this Indenture and the priority thereof; or

(d) preserve and defend title to the Trust Estate and the rights therein of the Indenture Trustee and the Noteholders secured thereby against the claims of all Persons and parties.

The Co-Issuers and the Loan Trustees hereby designate the Indenture Trustee its agent and attorney-in-fact to execute any instrument required pursuant to this Section 3.05; provided, however, such appointment shall in no way be deemed to be an assumption of any of the duties or obligations of the Co-Issuers under this Section 3.05. Financing statements filed pursuant to such appointment may describe the Trust Estate in the same manner as described herein or may describe the collateral subject thereto as "All of the Debtor's personal property and other assets, whether now owned or existing or hereafter acquired or arising, together with all products and proceeds thereof, substitutions and replacements therefor, and additions and accessions thereto."

The Co-Issuers shall pay or cause to be paid any taxes levied on all or any part of the Trust Estate from amounts available for such purpose pursuant to this Indenture.

SECTION 3.06 **Opinions as to Trust Estate.**

On or before March 31 of each calendar year, beginning in 2015, the Co-Issuers will furnish to the Indenture Trustee an Opinion of Counsel either stating that, (i) in the opinion of such counsel, such action has been taken with respect to the recording, filing, re-recording and refiling of this Indenture and any other requisite documents and with respect to the authorization, execution and filing of any financing statements and continuation statements as is necessary to maintain the lien and security interest created by this Indenture and reciting the details of such action or (ii) in the opinion of such counsel no such action is necessary to maintain such lien and security interest.

Such Opinion of Counsel will also describe the recording, filing, re-recording and refiling of this Indenture and any other requisite documents and the execution and filing of any financing statements and continuation statements that will, in the opinion of such counsel, be required to maintain the lien and security interest of this Indenture until March 31 of the following calendar year.

SECTION 3.07 **Performance of Obligations; Servicing of Loans.**

(a) The Co-Issuers shall not take any action and shall use their best efforts not to permit any action to be taken by others that would release any Person from any of such Person's material covenants or obligations under any instrument or agreement included in the Trust Estate or that would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, any such instrument or agreement, except as expressly provided in this Indenture, the applicable Loan Purchase Agreements or such other instrument or agreement.

(b) The Co-Issuers may contract with other Persons to assist it in performing their duties under this Indenture, and any performance of such duties by a Person identified to the Indenture Trustee, the Paying Agent and the Note Registrar in an Officer's Certificate of the Co-Issuers shall satisfy the obligations of the Co-Issuers with respect thereto and shall be deemed to be an action taken by the Co-Issuers.

(c) The Co-Issuers will punctually perform and observe all of its obligations and agreements contained in this Indenture, the other Transaction Documents and in the instruments and agreements relating to the Trust Estate, including but not limited to preparing, authorizing and filing or causing to be filed all UCC financing statements and amendments to financing statements required to be filed by the terms of this Indenture and the other Transaction Documents in accordance with and within the time periods provided for herein and therein.

(d) If the Co-Issuers shall have knowledge of the occurrence of a Servicer Default under the Servicing Agreement, the Co-Issuers shall promptly notify the Indenture Trustee and shall specify in such notice the action, if any, being taken with respect to such default. If a Servicer Default shall arise from the failure of the Servicer to perform any of its duties or obligations under the Servicing Agreement with respect to the Trust Estate, the Co-Issuers shall take all reasonable steps available to it or as may be directed by the Indenture Trustee (acting at the written direction of the Required Noteholders) to remedy such failure or to cause such failure to be remedied.

(e) Each of the Co-Issuers shall deliver the Loan Schedule received by it pursuant to the applicable Loan Purchase Agreement on the Closing Date to the Indenture Trustee.

(f) The Co-Issuers shall pay all Other Co-Issuer Obligations as and when the same shall become due and owing from funds available for such purpose pursuant to Section 8.06(a).

SECTION 3.08 **Negative Covenants.**

So long as any Notes are Outstanding, none of the Co-Issuers or any of the Loan Trustees shall:

- (a) sell, transfer, convey, exchange, pledge or otherwise dispose of any part of the Trust Estate except as expressly permitted by the Indenture;
- (b) claim any credit on, or make any deduction from, the principal and interest payable in respect of the Notes (other than amounts properly withheld from payments under Requirements of Law) or assert any claim against any present or former Noteholder by reason of the payment of any taxes levied or assessed upon any part of the Trust Estate;
- (c) (1) permit the validity or effectiveness of this Indenture to be impaired, or permit the lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to the Notes under this Indenture except as may be expressly permitted hereby, (2) permit any Lien, charge, excise, claim, security interest, mortgage or other encumbrance (other than the lien of this Indenture) to be created on or extend to or otherwise arise upon or burden the Trust Estate or any part thereof or any interest therein, except for Permitted Liens or (3) permit the lien of this Indenture not to constitute a valid first priority perfected security interest in the Trust Estate, subject only to Permitted Liens; or
- (d) voluntarily dissolve or liquidate in whole or in part.

SECTION 3.09 Statements as to Compliance.

The Co-Issuers will deliver to the Indenture Trustee, no later than April 30th of each year so long as any Note is Outstanding (commencing April 30, 2015), an Officer's Certificate stating, as to the Authorized Officer signing such Officer's Certificate, that:

- (a) a review of the activities of the Co-Issuers during the most recently ended fiscal year (or in the case of the fiscal year ending December 31, 2014, the period from the Closing Date to December 31, 2014) and of performance under this Indenture has been made under such Authorized Officer's supervision; and
- (b) to the best of such Authorized Officer's knowledge, based on such review, the Co-Issuers have materially complied with all conditions and covenants under this Indenture throughout such year, or, if there has been a default in its compliance with any such condition or covenant, specifying each such default known to such Authorized Officer and the nature and status thereof.

SECTION 3.10 Co-Issuers' Name, Location, etc.

- (a) The exact legal name of each Co-Issuer is, and at all times have been, the names that appears for it on the signature page hereto.
- (b) None of the Co-Issuers has used any trade or assumed names.

(c) Each of the Co-Issuers is, and at all time has been, a “registered organization” (within the meaning of Article 9 of the UCC), organized solely under the laws of the State of Delaware.

(d) None of the Co-Issuers will change its name, its type or jurisdiction of organization, or its organizational identification number unless it has given the Indenture Trustee at least thirty (30) days prior written notice of such change.

SECTION 3.11 **Amendments.**

Notwithstanding the foregoing, the Co-Issuers may amend, modify, waive, supplement or agree to any amendment, modification, supplement or waiver of the terms of this Indenture in accordance with Section 9.01 hereof without the consent of any Holders of Notes, but subject to any other conditions set forth in Section 9.01 hereof applicable thereto.

SECTION 3.12 **No Borrowing.**

The Co-Issuers shall not issue, incur, assume, guarantee or otherwise become liable, directly or indirectly, for any indebtedness except as expressly contemplated by the Transaction Documents and the Notes.

SECTION 3.13 **Guarantees, Loans, Advances and Other Liabilities.**

Except as expressly contemplated by the Loan Purchase Agreements or this Indenture and the other Transaction Documents, the Co-Issuers shall not make any loan or advance or credit to, or guarantee (directly or indirectly or by an instrument having the effect of assuring another’s payment or performance on any obligation or capability of so doing or otherwise), endorse or otherwise become contingently liable, directly or indirectly, in connection with the obligations, stocks or dividends of, or own, purchase, repurchase or acquire (or agree contingently to do so) any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other Person other than another Co-Issuer.

SECTION 3.14 **Tax Treatment.**

(a) The Co-Issuers have entered into this Indenture, and the Notes (to the extent and upon the date such Notes are issued for U.S. federal income tax purposes) will be issued, with the intention that, for federal, state and local income and franchise tax purposes, (i) the Notes qualify as indebtedness secured by the assets of the Co-Issuers and (ii) none of the Co-Issuers will be treated as an association, taxable mortgage pool or publicly traded partnership taxable as a corporation. The Co-Issuers, by entering into this Indenture, and each Noteholder, by the acceptance of any such Note (and each beneficial owner of a Note, by its acceptance of an interest in the applicable Note), agree to treat such Notes for federal, state and local income and franchise tax purposes as indebtedness, and to file all federal, state and local income tax and information returns and reports required to be filed with respect to any of the Notes, under any federal, state or local tax statute, rule or regulation, consistently with indebtedness characterization. Each Holder of such Note agrees that it will cause any owner of a security entitlement to such Note acquiring an interest in a Note

through it to comply with this Indenture as to treatment of indebtedness under applicable tax law, as described in this Section 3.14. The parties hereto agree that they shall not cause or permit the making, as applicable, of any election under Treasury Regulation Section 301.7701-3 whereby the Co-Issuers or any portion thereof would be treated as a corporation for federal income tax purposes. The provisions of this Indenture shall be construed in furtherance of the foregoing intended tax treatment.

(b) Notwithstanding the preceding paragraph, if (a) any taxing authority asserts that any of the Notes are not properly classifiable as indebtedness for income tax purposes (“Recharacterized Notes”) and (b) any such assertion is successful, the Co-Issuers and the Noteholders agree that (i) the Holders of the Recharacterized Notes shall be treated for all income tax purposes as members of a partnership from the inception of the Co-Issuers and agree to file all tax returns and reports consistent with such treatment, (ii) payments on the Recharacterized Notes (other than principal payments) shall be treated as “guaranteed payments” under Section 707 of the Internal Revenue Code and (iii) all items of taxable income, gain, loss, deduction, or credit of the partnership for such taxable year and any separately allocable items thereof shall be allocated to the Sellers. In the event it is determined that such payments on the Recharacterized Notes are not properly treated as “guaranteed payments” in accordance with clause (ii) of the preceding sentence, then, prior to the application of clause (iii) of the preceding sentence, items of gross income of the partnership for each taxable year of the partnership, in an amount corresponding to such aggregate distributions to the Holders of Recharacterized Notes made pursuant to the terms of the Indenture during such taxable year, shall be specially allocated to the Holders of the Recharacterized Notes pro rata in the proportion that the amount of such distributions received by each such Holder during such taxable year bears to the aggregate amount of such distributions received by all Holders of Recharacterized Notes pursuant to the terms of the Indenture during such taxable year, provided, that to the extent that such distributions to the Holders of Recharacterized Notes pursuant to the terms of the Indenture during any taxable year exceed the gross income of the partnership during such taxable year, the amount of such excess shall be specially allocated to such Holders in accordance with the preceding provisions of this Section 3.14(b) in any subsequent taxable year or years of the partnership to the extent of the gross income of the partnership in such subsequent taxable year or years. The foregoing provisions of this Section 3.14(b) are intended to comply with the requirements of Section 704 of the Internal Revenue Code and the Treasury Regulations promulgated thereunder, including, without limitation, the “qualified income offset” requirement of Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and the partner minimum gain chargeback provisions of Treasury Regulation Section 1.704-2, and shall be interpreted and applied in a manner consistent therewith.

(c) With respect to any outstanding Class A, Class B, Class C, Class D and Class E Notes retained by the Co-Issuers or conveyed to the Sellers and sold to an unrelated purchaser at a later time (a “Later-Sold Note”), such sale will not be effective unless (A) the Co-Issuers receive a Tax Opinion with respect to such sale and (B) either (i) such Later-Sold Note has a CUSIP number that is different than that of any other Notes outstanding immediately prior to such sale, or (ii) the Co-Issuers receive an Opinion of Counsel that, for U.S. federal income tax purposes, such Later-Sold Note (1) has the same issue price and issue date as any outstanding Notes that have the same CUSIP number as the Later-Sold Note and (2) are not subject to materially different tax treatment

than any outstanding Notes that have the same CUSIP number as the Later-Sold Note. In addition, with respect to the sale of a Later-Sold Note that is a Class A, Class B or Class C Note, such sale will not be effective unless the Co-Issuers receive an Opinion of Counsel that such Class A, Class B or Class C Note will be characterized as indebtedness for U.S. federal income tax purposes, and with respect to the sale of a Later-Sold Note that is a Class D Note, such sale will not be effective unless the Co-Issuers receive an Opinion of Counsel that such Class D Note should be characterized as indebtedness for U.S. federal income tax purposes. Finally, to the extent that the Later-Sold Note is a Class D Note or a Class E Note, such sale will not be effective unless the requirements of Section 2.05 are satisfied prior to such sale.

SECTION 3.15 Notice of Events of Default.

The Co-Issuers agree to give the Indenture Trustee, the Paying Agent and each Noteholder prompt written notice of each Event of Default and any breach in any material respect by any Seller or Seller Loan Trustee of its obligations under any Loan Purchase Agreement.

The Co-Issuers shall deliver to the Indenture Trustee and the Paying Agent written notice of any Insolvency Event with respect to any Co-Issuer, within five (5) days after the occurrence thereof.

SECTION 3.16 No Other Business.

None of the Co-Issuers shall engage in any business other than the transactions contemplated by the Transaction Documents and all activities incidental thereto, including, without limitation, payment of Other Co-Issuer Obligations.

SECTION 3.17 Further Instruments and Acts.

Upon written request of the Indenture Trustee, the Co-Issuers and each of the Loan Trustees will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Indenture.

SECTION 3.18 Maintenance of Separate Existence.

Each Co-Issuer shall comply with the covenants set forth in Section 9(j) of such Co-Issuer's Co-Issuer LLC Agreement.

SECTION 3.19 Perfection Representations, Warranties and Covenants.

The perfection representations and warranties attached hereto as Schedule II shall be deemed to be part of this Indenture for all purposes.

SECTION 3.20 Other Representations of the Co-Issuers and the Loan Trustees.

On the Closing Date, each of the Co-Issuers and each of the Loan Trustees make the following representations and warranties for the benefit of the Noteholders:

(a) Binding Obligation. The Transaction Documents to which any of the Co-Issuers or any of the Loan Trustees, as applicable, is a party or by which it is bound constitutes the legal, valid and binding obligation of the Co-Issuers or of the Loan Trustees, as applicable, enforceable against the Co-Issuers or the Loan Trustees, as applicable, in accordance with its respective terms, except as such enforceability may be limited by Debtor Relief Laws and general principals of equity (whether considered in a suit at law or in equity).

(b) No Violation. The consummation of the transactions contemplated by the Transaction Documents to which any of the Co-Issuers or any of the Loan Trustees, as applicable, is a party or by which it is bound and the fulfillments of the terms hereof and thereof will not (i) conflict with, result in any breach of any of the terms and provisions of, or constitute (with or without notice or lapse of time or both) a default under, the Certificate of Formation or LLC Agreement of any of the Co-Issuers, or any of the Loan Trustee Trust Agreements, as applicable, or any other agreement or document to which any of the Co-Issuers or any of the Loan Trustees is a party or by which it or any of its property is bound or is subject or (ii) violate any Requirements of Law applicable to any of the Co-Issuers or to or any of the Loan Trustees.

(c) No Proceedings. There is no litigation, proceeding or investigation pending before any Governmental Authority or, to the best knowledge of any of the Co-Issuers or any of the Loan Trustees, threatened against any of the Co-Issuers or any of the Loan Trustees, (i) asserting the invalidity of any Transaction Document to which any of the Co-Issuers or any of the Loan Trustees is a party or by which it is bound, (ii) seeking to prevent the consummation of any of the transactions contemplated by such Transaction Documents or (iii) seeking any determination or ruling that could reasonably be expected to have an Adverse Effect.

SECTION 3.21 **Compliance with Laws.**

The Co-Issuers shall comply with any Requirements of Law applicable to the Co-Issuers, the non-compliance with which would, individually or in the aggregate, materially adversely affect the ability of the Co-Issuers to perform its obligations under the Notes, this Indenture or the Loan Purchase Agreements.

ARTICLE IV ***Satisfaction and Discharge***

SECTION 4.01 **Satisfaction and Discharge of this Indenture.**

This Indenture shall cease to be of further effect except as to (a) rights of registration of transfer and exchange, (b) substitution of mutilated, destroyed, lost or stolen Notes, (c) the rights of Noteholders to receive payments of principal thereof and interest thereon, (d) Sections 3.03, 3.08 and 3.09, (e) the rights and immunities of the Indenture Trustee, the Note Registrar and the Paying Agent hereunder, including the rights under Section 6.07, and the obligations of the Paying Agent under Section 4.02, and (f) the rights of such Noteholders as beneficiaries hereof with respect to

the property so deposited with the Paying Agent and payable to all or any of them, and the Paying Agent, on demand of and at the expense of the Co-Issuers, to be paid out of funds in the Collection Account, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture when:

(i) either:

(A) all Notes theretofore authenticated and delivered (other than (1) any Notes which have been destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.05, and (2) any Notes for whose full payment money is held in trust by the Paying Agent and thereafter released to the Co-Issuers or discharged from such trust, as provided in Section 3.03) have been delivered to the Note Registrar for cancellation; or

(B) all Notes not theretofore delivered to the Note Registrar for cancellation:

(I) have become due and payable; or

(II) are to be called for redemption within one year under arrangements satisfactory to the Note Registrar for the giving of notice of redemption by the Indenture Trustee in the name, and at the expense, of the Co-Issuers, to be paid out of funds in the Collection Account;

and the Co-Issuers, in the case of (I) or (II) above, have irrevocably deposited or caused to be irrevocably deposited with the Paying Agent cash or direct obligations of or obligations guaranteed by the United States of America (which will mature prior to the date such amounts are payable), in trust for such purpose, in an amount sufficient to pay and discharge the entire indebtedness on such Notes (to the extent not theretofore delivered to the Note Registrar for cancellation) in accordance with Section 8.06 hereof when due and payable or on the applicable final Payment Date (if Notes shall have been called for redemption pursuant to Section 8.07), as the case may be;

(ii) the Co-Issuers have paid or caused to be paid all other sums payable hereunder by the Co-Issuers with respect to the Notes and with respect to the Indenture Trustee, the Paying Agent and the Note Registrar; and

(iii) the Co-Issuers have delivered to the Indenture Trustee, the Paying Agent and the Note Registrar an Officer's Certificate of the Co-Issuers and of the Administrator and an Opinion of Counsel, each meeting the applicable requirements of Section 11.01(a) and each stating that all conditions precedent herein relating to the satisfaction and discharge of this Indenture have been complied with.

SECTION 4.02 **Application of Trust Money.**

All monies deposited with the Paying Agent pursuant to Section 4.01 hereof shall be held in trust and applied by it, in accordance with the provisions of the Notes and this Indenture, to make payments to the Noteholders for the payment in respect of which such monies have been deposited with the Paying Agent, of all sums due and to become due thereon for principal and interest; but such monies need not be segregated from other funds except to the extent required herein or required by law.

ARTICLE V
Defaults and Remedies

SECTION 5.01 **Reserved.**

SECTION 5.02 **Events of Default.**

An “Event of Default” means any one of the following events:

(c) an Insolvency Event with respect to any of the Co-Issuers shall have occurred; or

(d) the Indenture Trustee shall cease to have a first-priority perfected security interest in all or material portion of the Trust Estate; or

(e) any of the Co-Issuers shall have become subject to regulation by the SEC as an “investment company” under the Investment Company Act; or

(f) any of the Co-Issuers shall become taxable as an association, a taxable mortgage pool or a publicly traded partnership taxable as a corporation under the Internal Revenue Code;

(g) a default in the payment of any interest on any Class A Note and such default shall continue for a period of five (5) Business Days; or

(h) a failure to pay the principal of all Outstanding Notes of any Class, together with all accrued and unpaid interest thereon, in full on the Stated Maturity Date for such Class; or

(i) either (x) a failure on the part of any of the Co-Issuers or on the part of any of the Loan Trustees duly to observe or perform any other covenants or agreements of the Co-Issuers or of the Loan Trustees, as applicable, set forth in this Indenture, or (y) a failure on the part of any of the Sellers duly to observe or perform any covenants or agreements of such Seller in respect of the repurchase of any Loan set forth in the related Loan Purchase Agreement, which failure has a material adverse effect on the interests of the Noteholders (as determined by the Required Noteholders) and which continues unremedied for a period of sixty (60) days after the earlier of (i) the date on which any of the Co-Issuers, Sellers or Indenture Trustee has actual knowledge of such failure and (ii) the date on which notice of such failure, requiring the same to be remedied, shall have been given by registered or certified mail to the Co-Issuers, the Loan Trustees or the Sellers, as applicable, by the Indenture Trustee, or to the Co-Issuers, the Loan Trustees or the Sellers, as applicable, and the Indenture Trustee by the Required Noteholders; or

(j) either (x) any representation, warranty or certification made by any of the Co-Issuers or by any of the Loan Trustees in this Indenture or in any certificate delivered pursuant to this Indenture shall prove to have been inaccurate when made or deemed made or (y) any representation, warranty or certification made by any of the Sellers with respect to any Loan in the related Loan Purchase Agreement or in any certificate delivered pursuant to such Loan Purchase Agreement shall prove to have been inaccurate when made or deemed made and, in either case, such inaccuracy has a material adverse effect on the Noteholders (as determined by the Required Noteholders) and which continues unremedied for a period of thirty (30) days after the earlier of (i) the date on which any of the Co-Issuers, Sellers or Indenture Trustee has actual knowledge of such incorrect representation or warranty and (ii) the date on which a notice specifying such incorrect representation or warranty and requiring the same to be remedied, shall have been given by registered or certified mail to the Co-Issuers, the Loan Trustees or the Sellers, as applicable, by the Indenture Trustee, or to the Co-Issuers, the Loan Trustees or the Sellers, as applicable, and the Indenture Trustee by the Required Noteholders; it being understood that any repurchase of a Loan by the applicable Seller and Seller Loan Trustee pursuant to a Loan Purchase Agreement shall be deemed to remedy any incorrect representation or warranty with respect to such Loan; or

(k) the Internal Revenue Service shall file notice of a lien pursuant to Section 430 or Section 6321 of the Internal Revenue Code with regard to any Co-Issuer and such lien shall not have been released within thirty (30) days;

provided, however, that a failure of performance under any of clauses (e), (f), (g) or (h) above for a period of fifteen (15) days (beyond any cure periods provided for therein) shall not constitute an Event of Default if such failure could not be prevented by the exercise of reasonable diligence by the Co-Issuers or the Indenture Trustee and such failure was caused by a Force Majeure Event. For the avoidance of doubt, an Event of Default shall occur in the event that such failure of performance has not been cured as of the expiration of such fifteen (15) day period.

SECTION 5.03 **Acceleration of Maturity; Rescission and Annulment.**

(e) If an Event of Default described in clauses (b) through (i) of Section 5.02 shall have occurred and be continuing, then in every such case the Indenture Trustee, at the written direction of the Required Noteholders, shall declare all the Notes to be immediately due and payable, by a notice in writing to the Co-Issuers, and upon any such declaration the unpaid principal amount of the Notes, together with accrued or accreted and unpaid interest thereon through the date of acceleration, shall become immediately due and payable.

(f) If an Event of Default described in clause (a) of Section 5.02 shall have occurred and be continuing, then the unpaid principal of all Notes, together with the accrued or accreted and unpaid interest thereon through the date of acceleration, shall automatically become, and shall be considered to be declared, due and payable.

(g) At any time after such declaration of acceleration of maturity has been made and before a judgment or decree for payment of the money due has been obtained by the Indenture Trustee as hereinafter in this Article V provided, the Required Noteholders, by written notice to the

Co-Issuers and the Indenture Trustee, may rescind and annul such declaration and its consequences if:

(i) the Co-Issuers have paid or deposited with the Paying Agent a sum sufficient to pay:

(A) all payments of principal of and interest on the Notes and all other amounts that would then be due hereunder or upon the Notes if the Event of Default giving rise to such acceleration had not occurred; and

(B) all sums paid or advanced by the Indenture Trustee, Paying Agent and Note Registrar hereunder and the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee, Paying Agent and Note Registrar and their agents and outside counsel; and

(ii) all Events of Default, other than the nonpayment of the principal of the Notes that has become due solely by such acceleration, have been cured or waived as provided in Section 5.13.

No such rescission shall affect any subsequent default or impair any right consequent to it.

SECTION 5.04 **Collection of Indebtedness and Suits for Enforcement by Indenture Trustee.**

(a) Each of the Co-Issuers covenants that if (i) default is made in the payment of any interest on any Note when the same becomes due and payable, and such default continues for a period of five (5) Business Days following the date on which it became due and payable or (ii) default is made in the payment of principal of any Note, if and to the extent not previously paid when the same becomes due and payable, the Co-Issuer will, upon demand of the Indenture Trustee, immediately pay to the Paying Agent for the benefit of the Noteholders the whole amount then due and payable on such Notes for principal and interest, with interest upon the overdue principal and, to the extent that payments of such interest shall be legally enforceable, upon overdue installments of interest at the applicable Interest Rate and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Indenture Trustee, the Paying Agent and the Note Registrar, their agents and outside counsel.

(b) If a Co-Issuer fails to pay such amounts forthwith upon such demand, the Indenture Trustee, in its own name and as trustee of an express trust, may institute a Proceeding for the collection of the sums so due and unpaid, and may prosecute such Proceeding to judgment or final decree, and may enforce the same against the Co-Issuers or other obligor upon such Notes and collect in the manner provided by law out of the Trust Estate or the property of another obligor on the Notes, wherever situated, the monies adjudged or decreed to be payable in the manner provided by law.

(c) If an Event of Default occurs and is continuing, the Indenture Trustee may, subject to the provisions of Section 5.03, Section 5.05, Section 5.12, Section 6.01 and Section 6.03, proceed to protect and enforce its rights and the rights of the Noteholders under this Indenture by such appropriate Proceedings as the Indenture Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement contained in this Indenture or in aid of the exercise of any power granted in this Indenture, or to enforce any other proper remedy or legal or equitable right vested in the Indenture Trustee by this Indenture or by law.

(d) In case there shall be pending, relative to any of the Co-Issuers or any other obligor upon the Notes or any Person having or claiming an ownership interest in the related Trust Estate, Proceedings under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or other similar law, now or hereafter in effect or in case a receiver, conservator, assignee, trustee in bankruptcy, liquidator, sequestrator, custodian or other similar official shall have been appointed for or taken possession of any of the Co-Issuers or its property or such other obligor or Person, or in case of any other comparable judicial Proceedings relative to any of the Co-Issuers or the creditors or property of any of the Co-Issuers or such other obligor or Person, the Indenture Trustee, regardless whether the principal of any Notes shall then be due and payable as therein expressed or by declaration or otherwise and regardless whether the Indenture Trustee shall have made any demand pursuant to the provisions of this Section 5.04, shall be entitled and empowered, by intervention in such Proceedings or otherwise:

(i) to file one or more claims for the whole amount of principal and interest owing and unpaid in respect of the Notes, and to file such other papers or documents and take such actions as may be necessary or advisable in order to have the claims of the Indenture Trustee (including any claim for reasonable compensation to the Indenture Trustee and each predecessor Indenture Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, and all advances made, by the Indenture Trustee and each predecessor Indenture Trustee pursuant to this Indenture, except as a result of negligence or bad faith) and of the Noteholders allowed;

(ii) unless prohibited by Requirements of Law, to vote on behalf of the Noteholders, in any election of a trustee or a standby trustee in bankruptcy or a Person performing similar functions; and

(iii) to collect and receive any monies or other property payable or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Noteholders and of the Indenture Trustee on their behalf;

and any trustee, receiver or liquidator, custodian or other similar official in any such Proceeding is hereby authorized by each of such Noteholders to make payments to the Indenture Trustee, and, in the event that the Indenture Trustee shall consent to the making of payments directly to such Noteholders, to pay to the Indenture Trustee such amounts as shall be sufficient to cover reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, and all other expenses and liabilities incurred, and all advances made,

by the Indenture Trustee and each predecessor Indenture Trustee pursuant to this Indenture except as a result of negligence or bad faith.

(e) Nothing herein contained shall be deemed to authorize the Indenture Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Noteholder, or to authorize the Indenture Trustee to vote in respect of the claim of any Noteholder in any such proceeding except, as provided in (d)(ii) above, to vote for the election of a trustee in bankruptcy or similar Person.

(f) All rights of action and of asserting claims under this Indenture, or under any of the Notes, may be enforced by the Indenture Trustee without the possession of any of the Notes or the production thereof in any trial or other Proceedings relative thereto, and any such action or Proceedings instituted by the Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment, subject to the payment of the expenses, disbursements and compensation of the Indenture Trustee, each predecessor Indenture Trustee and their respective agents and attorneys, shall be for the benefit of the Holders of the Notes as provided herein.

(g) In any Proceedings brought by the Indenture Trustee (except with respect to any Proceedings involving the interpretation of any provision of this Indenture to which the Indenture Trustee shall be a party), the Indenture Trustee shall be held to represent all the Noteholders, and it shall not be necessary to make any such Noteholder party to any such Proceedings.

SECTION 5.05 **Remedies; Priorities.**

(g) If an Event of Default shall have occurred and be continuing, and the Notes have been accelerated under Section 5.03, the Indenture Trustee shall, upon the written direction of the Required Noteholders (subject to Section 5.06), do one or more of the following:

(i) institute Proceedings in its own name and as trustee of an express trust for the collection of all amounts then payable on the Notes or under this Indenture with respect thereto, whether by declaration of acceleration or otherwise, enforce any judgment obtained, and collect from the Co-Issuers the Trust Estate and from any other obligor upon such Notes monies adjudged due;

(ii) sell, on a servicing released basis, Loans and the Purchased Assets related thereto, as shall constitute a part of the related Trust Estate (or rights or interest therein), at one or more public or private sales called and conducted in any manner permitted by law;

(iii) direct the Co-Issuers to exercise rights, remedies, powers, privileges or claims under the Loan Purchase Agreements and the Performance Support Agreement pursuant to Section 5.18 hereof; and

(iv) take any other appropriate action to protect and enforce the rights and remedies of the Indenture Trustee or the Noteholders hereunder;

provided, however, that the Indenture Trustee may not exercise the remedy in subparagraph (ii) above or otherwise sell or liquidate the Trust Estate substantially as a whole (in one or more sales), or institute Proceedings in furtherance thereof, unless (A) the Holders of 100% of the aggregate unpaid principal amount of the Outstanding Notes direct such remedy, (B) the Indenture Trustee determines that the anticipated proceeds of such sale distributable to the Noteholders are sufficient to discharge in full all amounts then due and unpaid upon the Notes for principal and interest (after giving effect to the payment of any amounts that are senior in priority to such principal and interest) or (C) the Indenture Trustee determines (based on the information provided to it by the Servicer) that the Trust Estate may not continue to provide sufficient funds for the payment of principal of and interest on the Notes as they would have become due if the Notes had not been declared due and payable, and the Indenture Trustee is directed to take such remedy by the Holders of not less than 66 2/3% of the aggregate unpaid principal amount of the Outstanding Notes. In determining such sufficiency or insufficiency with respect to clauses (B) and (C), the Indenture Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of such proposed action and as to the sufficiency of the Trust Estate for such purpose. The cost of such opinion shall be reimbursed to the Indenture Trustee from amounts held in the Collection Account in accordance with Section 8.06.

The remedies provided in this Section 5.05(a) are the exclusive remedies provided to the Noteholders with respect to the Trust Estate and each of the Noteholders (by their acceptance of their respective interests in the Notes) and the Indenture Trustee hereby expressly waive any other remedy that might have been available under the applicable UCC.

(h) If the Indenture Trustee collects any money or property pursuant to this Article V following the acceleration of the maturities of the Notes pursuant to Section 5.03 (so long as such declaration shall not have been rescinded or annulled), it shall pay out the money or property in accordance with Section 8.06 hereof or, in the case of an acceleration as a result of an Event of Default described in clause (a) of Section 5.02, as may otherwise be directed by a court of competent jurisdiction.

(i) Following the sale of the Trust Estate and the application of the proceeds of such sale and other amounts, if any, then held in the Collection Account in accordance with Section 8.06 hereof, any and all amounts remaining due on the Notes and all other Obligations shall be extinguished and shall not revive, the Notes shall be cancelled, and the Notes shall no longer be Outstanding.

(j) The Indenture Trustee may fix a record date and Payment Date for any payment to Noteholders pursuant to this Section. At least fifteen (15) days before such record date, the Indenture Trustee shall mail to each Noteholder and the Co-Issuers a notice that states the record date, the Payment Date and the amount to be paid.

SECTION 5.06 *Optional Preservation of the Trust Estate.*

Subject to Section 5.05(a), if the Notes have been declared to be due and payable under Section 5.03 following an Event of Default and such declaration and its consequences have not been rescinded and annulled, and the Indenture Trustee has not received directions from the

Noteholders to the contrary under Section 5.12, the Indenture Trustee may, but need not, elect to maintain possession of the Trust Estate. It is the desire of the parties hereto and the Noteholders that there be at all times sufficient funds for the payment of principal of and interest on the Notes, and the Indenture Trustee shall take such desire into account when determining whether or not to maintain possession of the Trust Estate. In determining whether to maintain possession of the Trust Estate, the Indenture Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking or accounting firm of national reputation as to the feasibility of any proposed action and as to the sufficiency of the Trust Estate for such purpose. The cost of such opinion shall be reimbursed to the Indenture Trustee from amounts held in the Collection Account pursuant to Section 8.06 hereof.

SECTION 5.07 *Limitation on Suits.*

No Noteholder shall have any right to institute any Proceedings, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(c) the Holders of not less than 10% of the aggregate unpaid principal amount of all Outstanding Notes have made written request to the Indenture Trustee to institute such Proceeding in its own name as Indenture Trustee under this Indenture;

(d) such Noteholder or Noteholders has previously given written notice to the Indenture Trustee of a continuing Event of Default;

(e) such Noteholder or Noteholders has offered to the Indenture Trustee indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;

(f) the Indenture Trustee for sixty (60) days after its receipt of such notice, request and offer of indemnity has failed to institute any such Proceeding; and

(g) no direction inconsistent with such written request has been given to the Indenture Trustee during such sixty-day period Holders of a majority of the aggregate unpaid principal amount of all Outstanding Notes;

it being understood and intended that no one or more Noteholders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Noteholders or to obtain or to seek to obtain priority or preference over any other Noteholders or to enforce any right under this Indenture, except in the manner herein provided.

In the event the Indenture Trustee shall receive conflicting or inconsistent requests and indemnity from two (2) or more groups of Noteholders, each representing less than a majority of the aggregate unpaid principal amount of all Outstanding Notes of the Notes, the Indenture Trustee shall act at the direction of the group representing a greater percentage of the aggregate unpaid principal amount of all Outstanding Notes, or if both groups are equal, the Indenture Trustee

in its sole discretion may determine what action, if any, shall be taken, notwithstanding any other provisions of this Indenture.

SECTION 5.08 Unconditional Rights of Noteholders to Receive Principal and Interest.

Notwithstanding any other provisions in this Indenture, the Holder of any Note will have the right, which is absolute and unconditional, to receive payment of the principal of and interest on such Note on the Stated Maturity Date (and such principal shall be due and payable on such Stated Maturity Date) expressed in such Note and to institute suit for the enforcement of any such payment, and such right will not be impaired without the consent of such Holder; provided, however, that notwithstanding any other provision of this Indenture to the contrary, the obligation to pay principal of or interest on the Notes or any other amount payable to any Noteholder will be without recourse to the Co-Issuers (except to the Trust Estate), the Indenture Trustee, the Servicer or any Affiliate, officer, employee or director of any of them, and the obligation of the Co-Issuers to pay principal of or interest on the Notes or any other amount payable to any Noteholder will be subject to Article VIII.

SECTION 5.09 Restoration of Rights and Remedies.

If the Indenture Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned, or has been determined adversely to the Indenture Trustee or such Noteholder, then and in every such case the Co-Issuers, the Indenture Trustee or such Noteholder shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Indenture Trustee and the Noteholders shall continue as though no such Proceeding had been instituted.

SECTION 5.10 Rights and Remedies Cumulative.

Except as provided in Section 5.05, no right, remedy, power or privilege herein conferred upon or reserved to the Indenture Trustee or the Noteholders is intended to be exclusive of any other right, remedy, power or privilege, and every right, remedy, power or privilege shall, to the extent permitted by law, be cumulative. The assertion or exercise of any right or remedy shall not preclude any other further assertion or the exercise of any other appropriate right or remedy.

SECTION 5.11 Delay or Omission Not Waiver.

No failure to exercise and no delay in exercising, on the part of the Indenture Trustee or of any Noteholder or other Person, any right or remedy occurring hereunder upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article V may be exercised from time to time, and as often as may be deemed expedient, by the Indenture Trustee or by the Noteholders, as the case may be.

SECTION 5.12 Control by Noteholders.

The Holders of a majority of the aggregate unpaid principal amount of all Outstanding Notes, if an Event of Default has occurred and is continuing, shall have the right to direct the time, method and place of conducting any Proceeding for any right or remedy available to the Indenture Trustee with respect to the Notes or exercising any trust or power conferred on the Indenture Trustee with respect to the Notes; provided, however, that, subject to Section 6.01 and Section 6.03(d):

(d) the Indenture Trustee shall have the right to decline any such direction if the Indenture Trustee, after being advised by counsel, determines that the action so directed is in conflict with any applicable Requirements of Law or with this Indenture; and

(e) the Indenture Trustee shall have the right to decline any such direction with respect to such Proceeding if the Indenture Trustee in good faith shall determine that the Proceedings so directed would be illegal or involve the Indenture Trustee in liability for which it has not been indemnified in accordance with Article VI or be unjustly prejudicial to the Noteholders not parties to such direction.

SECTION 5.13 **Waiver of Past Defaults.**

The Required Noteholders may, on behalf of all Noteholders, waive in writing any past default with respect to the Notes and its consequences (including an Event of Default), except that:

(a) a default in the payment of the principal or interest in respect of any Note cannot be waived without the consent of each Noteholder of each Outstanding Note affected thereby;

(b) a default as a result of an Insolvency Event with respect to any of the Co-Issuers or the Sellers cannot be waived without the consent of each Noteholder;

(c) a default in respect of a covenant or provision hereof that under Section 9.02 hereof cannot be modified or amended without the consent of the Noteholder of each Outstanding Note or each Noteholder of each Outstanding Note affected thereby cannot be waived without the consent of each such Noteholder.

Upon any such written waiver, such default, and any Event of Default arising therefrom, shall cease to exist and shall be deemed to have been cured for every purpose of this Indenture; provided, that no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent thereon.

SECTION 5.14 **Undertaking for Costs.**

All parties to this Indenture agree, and each Noteholder by its acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Indenture Trustee for any action taken, suffered or omitted by it as Indenture Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit,

having due regard to the merits and good faith of the claims or defenses made by such party litigant; provided, that the provisions of this Section shall not apply to (a) any suit instituted by the Indenture Trustee, (b) any suit instituted by any Noteholder, or group of Noteholders (in compliance with Section 5.07), in each case holding in the aggregate more than 10% of the aggregate unpaid principal amount of all Outstanding Notes, or (c) any suit instituted by any Noteholder for the enforcement of the payment of the principal of or interest on any Note on or after the date on which any of such amounts was due pursuant to the terms of such Note (or, in the case of redemption, on or after the applicable Redemption Date).

SECTION 5.15 **Waiver of Stay or Extension Laws.**

Each of the Co-Issuers covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may adversely affect the covenants or the performance of this Indenture; and each Co-Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Indenture Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 5.16 **Action on Notes.**

The Indenture Trustee's right to seek and recover judgment on the Notes or under the Indenture shall not be affected by the seeking or obtaining of or application for any other relief under or with respect to the Indenture. Neither the lien of the Indenture nor any rights or remedies of the Indenture Trustee or the Noteholders shall be impaired by the recovery of any judgment by the Indenture Trustee against the Co-Issuers or by the levy of any execution under such judgment upon any portion of the Trust Estate or upon any of the assets of the Co-Issuers. Any money or property collected by the Indenture Trustee shall be applied as specified in Section 5.03.

SECTION 5.17 **Sale of Loans.**

(a) If all or a portion of the Loans and the Purchased Assets related thereto are to be sold under the terms of Section 5.05(a)(ii), the Indenture Trustee, or its agents, shall, unless another method of sale is directed in writing by the Required Noteholders, use its commercially reasonable efforts to sell, dispose or otherwise liquidate all or a portion of the Loans and such related Purchased Assets by the solicitation of competitive bids. The Indenture Trustee may from time to time postpone any sale by public announcement made at the time and place of such sale. The Indenture Trustee hereby expressly waives its right to any amount fixed by law as compensation for any sale.

(b) The Indenture Trustee is hereby irrevocably appointed the agent and attorney-in-fact of the Co-Issuers in connection with any sale of Loans and the Purchased Assets related thereto pursuant to Section 5.05(a)(ii). No purchaser or transferee at any such sale shall be bound to ascertain the Indenture Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any monies.

(c) If all or a portion of the Loans and the Purchased Assets related thereto are to be sold under the terms of Section 5.05(a)(ii), the Indenture Trustee shall solicit bids for such Loans from Permitted Assignees (identified in writing by the Servicer). The Indenture Trustee shall sell such Loans and such related Purchased Assets to the bidder with the highest cash purchase offer. The proceeds of any such sale shall be applied in accordance with Section 5.05(b). In connection with any such sale of Loans and the Purchased Assets related thereto, the Indenture Trustee may contract with agents to assist in such sales, the cost of which and the other costs of such sale shall be paid from the proceeds of any such sale.

(d) At any sale of all or a portion of the Loans and the Purchased Assets related thereto under Section 5.05(a)(ii), the Indenture Trustee or the Noteholders may bid for and purchase the property offered for sale and, upon compliance with the terms of sale, may hold, retain and dispose of such property without further accountability therefor.

(e) Upon completion of any sale under Section 5.05(a)(ii), the Co-Issuers will deliver or cause to be delivered all of the property sold to the purchaser or purchasers at such sale on the date of sale, or within a reasonable time thereafter if it shall be impractical to make immediate delivery, but in any event full title and right of possession to such property shall pass to such purchaser or purchasers forthwith upon the completion of such sale. If so requested by the Indenture Trustee or by any purchaser, the Co-Issuers shall confirm any such sale or transfer by executing and delivering to such purchaser all proper instruments of conveyance and transfer and release as may be designated in any such request.

SECTION 5.18 *Performance and Enforcement of Certain Obligations. If an Event of Default has occurred and is continuing, the Indenture Trustee shall, at the written direction of the Required Noteholders, direct the Co-Issuers to exercise all rights, remedies, powers, privileges and claims the Co-Issuers may have against the Sellers, the Seller Loan Trustees, the Performance Support Provider and the Servicer under or in connection with the Loan Purchase Agreements, the Servicing Agreement and the Performance Support Agreement, as applicable, including the right or power to take any action to compel or secure performance or observance by the Servicer, the Performance Support Provider, the Sellers or the Seller Loan Trustees of their respective obligations thereunder.*

SECTION 5.19 *Duties of the Indenture Trustee.*

(a) If an Event of Default or Servicer Default has occurred and is continuing and a Responsible Officer shall have actual knowledge or written notice of such Event of Default or Servicer Default, the Indenture Trustee shall, prior to the receipt of directions, if any, from the Required Noteholders, exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) At all times (except during the continuation of an Event of Default or Servicer Default): (i) the Indenture Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied duties or covenants by the Indenture Trustee

shall be read into this Indenture; and (ii) in the absence of bad faith or negligence on its part, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of this Indenture; provided, however, that the Indenture Trustee, upon receipt of any resolutions, certificates, statements, opinions, reports, documents, orders or other instruments furnished to the Indenture Trustee which are specifically required to be furnished pursuant to any provision of this Indenture, shall examine them to determine whether they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein). If any such instrument is found not to conform in any material respect to the requirements of this Indenture, the Indenture Trustee shall notify the Noteholders in the event that the Indenture Trustee, after so requesting, does not receive a satisfactorily corrected instrument.

(c) No provision of this Indenture shall be construed to relieve the Indenture Trustee from liability for its own negligent action, its own negligent failure to act, or its own fraud, bad faith or willful misconduct; provided, however, that:

(i) this paragraph (c) shall not be construed to limit the effect of paragraphs (a) or (b) of this Section 6.01;

(ii) the Indenture Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proven in a court of competent jurisdiction that the Indenture Trustee was negligent in ascertaining the pertinent facts;

(iii) the Indenture Trustee shall not be liable with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with this Indenture and/or the direction of the Required Noteholders as to the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee or for exercising any trust or power conferred upon the Indenture Trustee under this Indenture;

(iv) the Indenture Trustee shall not be deemed to have notice or knowledge of any Event of Default or any other default unless a Responsible Officer of the Indenture Trustee has actual knowledge or shall have received written notice thereof. In the absence of such actual knowledge or receipt of such notice, the Indenture Trustee may conclusively assume that none of such events have occurred and the Indenture Trustee shall not have any obligation or duty to determine whether any Event of Default or any other default has occurred; and

(v) the Indenture Trustee shall not have any duty (A) to see to any recording, filing or depositing of this Indenture or any agreement referred to herein or any financing statement or amendments to a financing statement evidencing a security interest, or to see to the maintenance of any such recording or filing or depositing or to any rerecording, refiling or redepositing of any thereof, (B) to see to any insurance or (C) to see to the payment or discharge of any tax, assessment,

or other governmental charge or any lien or encumbrance of any kind owing with respect to, assessed or levied against, any part of the Trust Estate other than from funds available in the Collection Account.

(d) No provision of this Indenture shall require the Indenture Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers if there is reasonable ground for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Indenture Trustee is subject to subsections (a), (b), (c) and (d) of this Section 6.01.

(f) Except as expressly provided in this Indenture, the Indenture Trustee shall have no power to vary the Trust Estate, including, without limitation, by (i) accepting any substitute payment obligation for a Loan initially transferred to the Co-Issuers under the Loan Purchase Agreements, (ii) adding any other investment, obligation or security to the Co-Issuers or the Trust Estate or (iii) withdrawing from the Trust Estate any Loans (except as otherwise provided herein or in the Loan Purchase Agreement).

(g) The Indenture Trustee shall not have any responsibility or liability for investment losses on Eligible Investments (other than as an obligor on any Eligible Investments on which the institution acting as Indenture Trustee is an obligor). The Indenture Trustee or its Affiliates are permitted to receive additional compensation that could be deemed to be in the Indenture Trustee's economic self-interest for (i) serving as investment adviser, administrator, shareholder, servicing agent, custodian or subcustodian with respect to certain of the Eligible Investments, (ii) using Affiliates to effect transactions in certain Eligible Investments and (iii) effecting transactions in certain Eligible Investments. Such compensation is not payable or reimbursable under Section 6.07 of this Indenture.

(h) Every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection to the Indenture Trustee shall be subject to the provisions of this Section.

SECTION 5.20 **Notice of Event of Default.**

Upon the occurrence of any Event of Default of which a Responsible Officer of the Indenture Trustee has actual knowledge or has received notice thereof at the Corporate Trust Office of the Indenture Trustee, the Indenture Trustee shall transmit by mail to all Noteholders as their names and addresses appear on the Note Register, notice of such Event of Default within ten (10) Business Days after such Responsible Officer receives such notice or obtains actual knowledge.

SECTION 5.21 **Certain Matters Affecting the Indenture Trustee.**

Except as otherwise provided in Section 6.01 hereof:

(a) the Indenture Trustee may conclusively rely and shall fully be protected in acting or refraining from acting in accordance with any resolution, certificate, statement, instrument, Officer's Certificate, opinion, report, notice, request, direction, consent, order, bond, note, or other paper or document reasonably believed by it to be genuine and to have been signed or presented to it pursuant to this Indenture by the proper party or parties and shall be under no obligation to inquire as to the adequacy, accuracy or sufficiency of any such information or be under any obligation to make any calculation or verifications in respect of any such information and shall not be liable for any loss that may be occasioned thereby;

(b) before the Indenture Trustee acts or refrains from acting, it may require and shall be entitled to receive an Officer's Certificate of the Co-Issuers and/or an Opinion of Counsel. The Indenture Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel;

(c) as a condition to the taking, suffering or omitting of any action by it hereunder, the Indenture Trustee may consult with counsel and the advice or opinion of such counsel with respect to legal matters relating to the Indenture or the Notes shall be full and complete authorization and protection from any liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(d) the Indenture Trustee shall not be under any obligation to exercise any of the rights or powers vested in it by this Indenture, or to honor the request or direction of any of the Noteholders pursuant to this Indenture to institute, conduct or defend any litigation hereunder in relation hereto, unless such Noteholders shall have offered to the Indenture Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction; provided, however, that nothing contained herein shall relieve the Indenture Trustee of the obligations, upon the occurrence of an Event of Default (which has not been cured or waived) to exercise such of the rights and powers vested in it by this Indenture and to use the same degree of care or skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs;

(e) the Indenture Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, believed by it to be genuine, but the Indenture Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Indenture Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Co-Issuers and the Servicer, personally or by agent or attorney;

(f) the Indenture Trustee shall not be liable for any actions taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon the Indenture Trustee by this Indenture;

(g) the Indenture Trustee shall not be required to make any initial or periodic examination of any documents or records related to any of the Trust Estate for the purpose of

establishing the presence or absence of defects, the compliance by the Co-Issuers with its representations and warranties or for any other purpose;

(h) whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Indenture Trustee shall be subject to the provisions of this Section;

(i) the Indenture Trustee shall not have any liability with respect to the acts or omissions of the Servicer (except and to the extent the Indenture Trustee is the Servicer), including acts or omissions in connection with the servicing, management or administration of Loans; calculations made by the Servicer whether or not reported to the Co-Issuers or Indenture Trustee; and deposits into or withdrawals from any accounts or funds established pursuant to the terms of this Indenture;

(j) the Indenture Trustee shall not be responsible or liable in any manner whatsoever, for calculation, determination and/or verification of the allocations of Collections, determinations of monthly interest or the applications of Available Funds pursuant to this Indenture;

(k) the right of the Indenture Trustee to perform any discretionary act enumerated in this Indenture shall not be construed as a duty, and the Indenture Trustee shall not be answerable for other than its negligence or willful misconduct in the performance of such act;

(l) the Indenture Trustee shall not be required to give any bond or surety in respect of the execution of the Note Accounts created hereby or in the powers granted hereunder;

(m) the Indenture Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees, and the Indenture Trustee shall not be responsible for any misconduct or negligence on the part of any agent, attorney, custodians or nominees appointed with due care by it hereunder; provided, that the Indenture Trustee shall remain obligated and be liable to the Co-Issuers and the Noteholders for the execution of its trusts and powers and performance of its duties hereunder without diminution of such obligations and liability by virtue of the appointment of any such agent, attorney, custodian or nominee, and to the same extent and under the same terms and conditions as if the Indenture Trustee alone were individually executing or performing such obligations; provided, however, that no successor Indenture Trustee shall be liable for the execution or performance of any such obligations of the Indenture Trustee by any of the original parties (including any successors or assigns) to the Transaction Documents;

(n) the Indenture Trustee shall not be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers so long as the Indenture Trustee's conduct does not constitute willful misconduct, negligence or bad faith;

(o) in no event shall the Indenture Trustee be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, without limitation, loss of profit) irrespective of whether the Indenture Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action; and

(p) the Indenture Trustee may request that the Co-Issuers, or the Administrator on behalf of the Co-Issuers, deliver an Officer's Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officer's Certificate may be signed by any person authorized to sign an Officer's Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

SECTION 5.22 Not Responsible for Recitals or Issuance of Notes.

The recitals contained herein and in the Notes shall not be taken as the statements of the Indenture Trustee, and the Indenture Trustee does not assume any responsibility for their correctness. The Indenture Trustee does not make any representation as to the validity or sufficiency of the Indenture, the Notes or any related document or as to the perfection or priority of any security interest therein. The Indenture Trustee shall not be accountable for the use or application by the Co-Issuers of the proceeds from the Notes.

SECTION 5.23 Indenture Trustee, Paying Agent and Note Registrar May Hold Notes.

The Indenture Trustee, the Note Registrar, the Paying Agent or any other agent of the Co-Issuers, in its individual or any other capacity, may become the owner or pledgee of Notes and subject to Section 6.11, may otherwise deal with the Co-Issuers or its affiliates with the same rights it would have if it were not Indenture Trustee, Note Registrar, the Paying Agent or such other agent.

SECTION 5.24 Money Held in Trust.

Money held by the Indenture Trustee in trust hereunder need not be segregated from other funds held by the Indenture Trustee in trust hereunder except to the extent required herein or required by law. The Indenture Trustee shall not be under any liability for interest on any money received by it hereunder except (i) as otherwise agreed upon in writing by the Indenture Trustee and the Co-Issuers and (ii) as an obligor with respect to Eligible Investments on which the institution acting as Indenture Trustee is an obligor.

SECTION 5.25 Compensation, Reimbursement and Indemnification.

(a) The Indenture Trustee shall be entitled to recover, on each Payment Date and, in accordance with the priority set forth in Section 8.06 hereof, compensation a fee equal to one-twelfth (1/12th) of \$27,500 (which compensation shall not be limited by any law on compensation of a trustee of an express trust). In addition to compensation for its services, the Co-Issuers shall reimburse the Indenture Trustee, in each case in accordance with the priority set forth in Section 8.06 hereof, for all reasonable out-of-pocket expenses incurred or made by it (including without limitation expenses incurred in connection with notices or other communications to the Noteholders), disbursements and advances incurred or made by the Indenture Trustee in accordance with any of the provisions of this Indenture (including but in no way limited to any expenses incurred

pursuant to Section 5.04, Section 5.05, Section 5.06 and Section 5.07), or any of the Transaction Documents. Such expenses shall include the reasonable fees and out-of-pocket expenses, disbursements and advances of any agents, any co-trustee, counsel, accountants and experts, except any such expense, disbursement or advance as may arise from its negligence or bad faith. In no event shall the Indenture Trustee or any agent of the Indenture Trustee advance any funds for the payment of principal, interest or premium on any Notes. The Co-Issuers shall, in accordance with the priority set forth in Section 8.06, jointly and severally indemnify the Indenture Trustee and its officers, directors, agents and employees against any and all loss, suit, claim, judgment, liability or expense (including the reasonable fees and expenses of counsel) incurred by it in connection with the administration of this trust and the performance of its duties hereunder and under the Transaction Documents. The Indenture Trustee shall notify the Co-Issuers and the Servicer promptly of any claim for which it may seek indemnity. Failure by the Indenture Trustee to so notify the Co-Issuers and the Servicer shall not relieve the Co-Issuers of its obligations hereunder unless such loss, liability or expense could have been avoided with such prompt notification and then only to the extent of such loss, expense or liability which could have been so avoided. The Co-Issuers shall defend any claim against the Indenture Trustee; provided, however, the Indenture Trustee may have separate counsel and, if it does, the Co-Issuers shall reimburse the Indenture Trustee for payment of the fees and expenses of such counsel, in accordance with the priority set forth in Section 8.06. Neither the Co-Issuers nor the Servicer shall be required to reimburse any expense or indemnify against any loss, liability or expense incurred by the Indenture Trustee through the Indenture Trustee's own willful misconduct, negligence, fraud or bad faith.

(b) The provisions of this Section shall survive the resignation and removal of the Indenture Trustee and the discharge of this Indenture. When the Indenture Trustee incurs expenses after the occurrence of an Event of Default specified in Section 5.02(d) with respect to the Co-Issuers, the expenses are intended to constitute expenses of administration under Title 11 of the United States Code or any other applicable federal or state bankruptcy, insolvency or similar law.

(c) Notwithstanding anything herein to the contrary, the Indenture Trustee's right to enforce any of the Co-Issuers' payment obligations pursuant to this Section 6.07 shall be subject to the provisions of Section 11.16(a).

SECTION 5.26 **Replacement of Indenture Trustee.**

(a) No resignation or removal of the Indenture Trustee and no appointment of a successor Indenture Trustee shall become effective until the acceptance of appointment by the successor Indenture Trustee pursuant to this Section 6.08. The Indenture Trustee may resign at any time by giving sixty (60) days prior written notice to the Co-Issuers. The Required Noteholders may remove the Indenture Trustee and any or all of its agents by so notifying the Indenture Trustee and may appoint a successor Indenture Trustee. The Co-Issuers shall remove the Indenture Trustee by giving sixty (60) days prior written notice to the Indenture Trustee if:

- (i) the Indenture Trustee fails to comply with Section 6.11;

(ii) the Indenture Trustee shall consent to the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings of or relating to the Indenture Trustee or all or substantially all of its property, or a decree or order of a court or agency or supervisory authority having jurisdiction in the premises for the appointment of a conservator or receiver or liquidator in any insolvency, readjustment of debt, marshalling of assets and liabilities or similar proceedings, or for the winding-up or liquidation of its affairs, shall have been entered against the Indenture Trustee; or the Indenture Trustee shall admit in writing its inability to pay its debts generally as they become due, file a petition to take advantage of any applicable insolvency or reorganization statute, make an assignment for the benefit of its creditors or voluntarily suspend payment of its obligations; or

(iii) the Indenture Trustee otherwise becomes incapable of acting.

If the Indenture Trustee resigns or is removed or if a vacancy exists in the office of the Indenture Trustee for any reason (the Indenture Trustee in such event being referred to herein as the retiring Indenture Trustee), the Co-Issuers shall promptly appoint a successor Indenture Trustee, which successor shall be reasonably satisfactory to the Servicer.

(b) Any resignation or removal of the Indenture Trustee and appointment of successor indenture trustee pursuant to any of the provisions of this Section shall not become effective until acceptance of appointment by the successor indenture trustee as provided in this Section 6.08(b).

(i) Any successor indenture trustee appointed as provided herein shall execute, acknowledge and deliver to the Co-Issuers, to the Loan Trustees, to the Servicer and to its predecessor indenture trustee, as applicable, an instrument accepting such appointment hereunder, and thereupon the resignation or removal of the predecessor indenture trustee shall become effective and such successor indenture trustee without any further act, deed or conveyance, shall become fully vested with all the rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named as Indenture Trustee herein. The predecessor indenture trustee shall deliver to the successor indenture trustee all documents or copies thereof and statements and all money and other property held by it hereunder; and the Co-Issuers and the predecessor indenture trustee shall execute and deliver such instruments and do such other things as may reasonably be required for fully and certainly vesting and confirming in the successor indenture trustee all such rights, powers, duties and obligations.

(ii) No successor indenture trustee shall accept appointment as provided in this Section unless at the time of such acceptance such successor indenture trustee shall be eligible under the provisions of Section 6.11.

(iii) Upon acceptance of appointment by a successor indenture trustee as provided in this Section, such successor indenture trustee shall provide notice of such succession hereunder to all Noteholders.

(c) If a successor Indenture Trustee does not take office within thirty (30) days after the retiring Indenture Trustee resigns or is removed, the retiring Indenture Trustee, the Co-Issuers or the Holders of a majority of the aggregate unpaid principal amount of the Notes may petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee.

(d) If the Indenture Trustee ceases to be eligible in accordance with Section 6.11, any Noteholder may petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor Indenture Trustee.

(e) No Indenture Trustee under this Indenture shall be liable for any action or omission of any successor indenture trustee.

SECTION 5.27 *Successor Indenture Trustee by Merger.*

If the Indenture Trustee consolidates with, merges or converts into, or transfers or sells all or substantially all its corporate trust business or assets to, another corporation or banking association, the resulting, surviving or transferee corporation or banking association without any further act shall be the successor Indenture Trustee; provided, that such corporation or banking association shall be otherwise qualified and eligible under Section 6.11.

SECTION 5.28 *Appointment of Co-Indenture Trustee or Separate Indenture Trustee.*

(a) Notwithstanding any other provisions of this Indenture, at any time, for the purpose of meeting any legal requirement of any jurisdiction in which any part of the Trust Estate may at the time be located, the Indenture Trustee shall have the power and may execute and deliver all instruments to appoint one or more Persons to act as a co-trustee or co-trustees, or separate trustee or separate trustees, of all or any part of the Trust Estate, and to vest in such Person or Persons, in such capacity and for the benefit of the Noteholders, such title to the Trust Estate, or any part hereof, and, subject to the other provisions of this Section, such powers, duties, obligations, rights and trusts as the Indenture Trustee may consider necessary or desirable. No co-trustee or separate trustee hereunder shall be required to meet the terms of eligibility as a successor trustee under Section 6.11 and no notice to Noteholders of the appointment of any co-trustee or separate trustee shall be required under Section 6.08 hereof.

(b) Every separate trustee and co-trustee shall, to the extent permitted by law, be appointed and act subject to the following provisions and conditions:

(i) all rights, powers, duties and obligations conferred or imposed upon the Indenture Trustee shall be conferred or imposed upon and exercised or performed by the Indenture Trustee and such separate trustee or co-trustee jointly (it being understood that such separate trustee or co-trustee is not authorized to act separately

without the Indenture Trustee joining in such act), except to the extent that under any law of any jurisdiction in which any particular act or acts are to be performed the Indenture Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations (including the holding of title to the Trust Estate or any portion thereof in any such jurisdiction) shall be exercised and performed singly by such separate trustee or co-trustee, but solely at the direction of the Indenture Trustee;

(ii) no separate trustee or co-trustee hereunder shall be personally liable by reason of any act or omission of any other separate trustee or co-trustee hereunder; and

(iii) the Indenture Trustee may at any time accept the resignation of or remove any separate trustee or co-trustee.

(c) Any notice, request or other writing given to the Indenture Trustee shall be deemed to have been given to each of the then separate trustees and co-trustees, as effectively as if given to each of them. Every instrument appointing any separate trustee or co-trustee shall refer to this Indenture and the conditions of this Article VI. Each separate trustee and co-trustee, upon its acceptance of the trusts conferred, shall be vested with the estates or property specified in its instrument of appointment, either jointly with the Indenture Trustee or separately, as may be provided therein, subject to all the provisions of this Indenture, specifically including every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection to, the Indenture Trustee. Every such instrument shall be filed with the Indenture Trustee.

(d) Any separate trustee or co-trustee may at any time constitute the Indenture Trustee its agent or attorney-in-fact with full power and authority, to the extent not prohibited by law, to do any lawful act under or in respect of this Indenture on its behalf and in its name. If any separate trustee or co-trustee shall die, become incapable of acting, resign or be removed, all of its estates, properties, rights, remedies and trusts shall vest in and be exercised by the Indenture Trustee, to the extent permitted by law, without the appointment of a new or successor trustee.

SECTION 5.29 **Eligibility; Disqualification.**

The Indenture Trustee shall at all times have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition and its long-term unsecured debt shall be rated at least Baa3 by Moody's and at least BBB- by Standard & Poor's. The Indenture Trustee (1) shall meet the requirements of Section 26(a)(1) of the Investment Company Act, (2) shall not be an Affiliate of any of the Co-Issuers or the Servicer and (3) shall not offer or provide credit or credit enhancement to the Co-Issuers. In case at any time the Indenture Trustee shall cease to be eligible in accordance with the provisions of this Section, the Indenture Trustee shall resign immediately in the manner and with the effect specified in Section 6.08.

SECTION 5.30 **Representations and Warranties of the Indenture Trustee.**

The Indenture Trustee represents and warrants that:

- (i) the Indenture Trustee is duly organized and validly existing under the laws of the jurisdiction of its organization;
- (ii) the Indenture Trustee has full power and authority to deliver and perform this Indenture and has taken all necessary action to authorize the execution, delivery and performance by it of this Indenture and each other Transaction Document to which it is a party;
- (iii) each of this Indenture and each other Transaction Document to which it is a party has been duly executed and delivered by the Indenture Trustee and constitutes its legal, valid and binding obligation in accordance with its terms; and
- (iv) the Indenture Trustee meets the eligibility requirements set forth in Section 6.11.

SECTION 5.31 **Execution of Transaction Document.**

SECTION 5.32 **Performance Support Agreement.**

The Indenture Trustee shall, at the written direction of the Holders of the Notes representing not less than a majority of the aggregate unpaid principal amount of all Notes Outstanding, make a demand for any payments due to the Indenture Trustee, for its benefit and for the benefit of the Noteholders, under the Performance Support Agreement.

SECTION 5.33 **Rule 15Ga-1 Compliance.**

(a) To the extent a Responsible Officer of the Indenture Trustee receives a demand for the repurchase of a Loan based on a breach of a representation or warranty made by the Seller of such Loan (each, a “Demand”), the Indenture Trustee agrees (i) if such Demand is in writing, promptly to forward such Demand to the Co-Issuers and such Seller, and (ii) if such Demand is oral, to instruct the requesting party to submit such Demand in writing to the Indenture Trustee and the Sellers.

(b) In connection with the repurchase of a Loan pursuant to a Demand, any dispute with respect to a Demand, or the withdrawal or final rejection of a Demand by the Seller of such Loan, the Indenture Trustee agrees, to the extent a Responsible Officer of the Indenture Trustee has actual knowledge thereof, promptly to notify the Co-Issuers in writing.

(c) The Indenture Trustee will (i) notify the Co-Issuers, as soon as practicable and in any event within five (5) Business Days of the receipt thereof and in the manner set forth in Exhibit D hereof, of all Demands and provide to the Co-Issuers any other information reasonably requested to facilitate compliance by it with Rule 15Ga-1 under the Exchange Act, and (ii) if requested in writing by the Co-Issuers, provide a written certification no later than fifteen (15) days following any calendar quarter or calendar year that the Indenture Trustee has not received any Demands for such period, or if Demands have been received during such period, that the Indenture

Trustee has provided all the information reasonably requested under clause (i) above with respect to such demands. For purposes of this Agreement, references to any calendar quarter shall mean the related preceding calendar quarter ending in March, June, September, or December, as applicable. The Indenture Trustee has no duty or obligation to undertake any investigation or inquiry related to any repurchases of Loans, or otherwise assume any additional duties or responsibilities, other than those express duties or responsibilities the Indenture Trustee hereunder or under the Transaction Documents, and no such additional obligations or duties are otherwise implied by the terms of this Indenture. The Co-Issuers have full responsibility for compliance with all related reporting requirements associated with the transaction completed by the Transaction Documents and for all interpretive issues regarding this information.

SECTION 5.34 ***Duties of the Paying Agent and Note Registrar.***

(a) With respect to the Paying Agent and Note Registrar at all times: (i) each of the Paying Agent and the Note Registrar undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied duties or covenants by the Paying Agent or the Note Registrar shall be read into this Indenture; and (ii) in the absence of bad faith or negligence on its part, each of the Paying Agent and the Note Registrar may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Paying Agent or the Note Registrar, as applicable, and conforming to the requirements of this Indenture; provided, however, that each of the Paying Agent and the Note Registrar, upon receipt of any resolutions, certificates, statements, opinions, reports, documents, orders or other instruments furnished to it which are specifically required to be furnished pursuant to any provision of this Indenture, shall examine them to determine whether they conform to the requirements of this Indenture (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein). If any such instrument is found not to conform in any material respect to the requirements of this Indenture, each of the Paying Agent and the Note Registrar shall notify the Indenture Trustee and the Noteholders in the event that the Paying Agent or the Note Registrar, as applicable, after so requesting, does not receive a satisfactorily corrected instrument.

(b) No provision of this Indenture shall be construed to relieve the Paying Agent or the Note Registrar from liability for its own negligent action, its own negligent failure to act, or its own fraud, bad faith or willful misconduct; provided, however, that:

(i) this paragraph (b) shall not be construed to limit the effect of paragraph (a) of this Section 6.16;

(ii) neither the Paying Agent nor the Note Registrar shall be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proven in a court of competent jurisdiction that the Indenture Trustee was negligent in ascertaining the pertinent facts;

(iii) neither the Paying Agent nor the Note Registrar shall be liable with respect to any action taken, suffered or omitted to be taken by it in good faith in accordance with this Indenture and/or the direction of the Required Noteholders as

to the time, method and place of conducting any proceeding for any remedy available to the Paying Agent or the Note Registrar, as applicable, or for exercising any trust or power conferred upon it under this Indenture;

(iv) neither the Paying Agent nor the Note Registrar shall be deemed to have notice or knowledge of any Event of Default or any other default unless a Responsible Officer of the Paying Agent or the Note Registrar, as applicable, has actual knowledge or shall have received written notice thereof. In the absence of such actual knowledge or receipt of such notice, each of the Paying Agent and the Note Registrar may conclusively assume that none of such events have occurred and neither the Paying Agent nor the Note Registrar shall have any obligation or duty to determine whether any Event of Default or any other default has occurred; and

(v) neither the Paying Agent nor the Note Registrar shall have any duty (A) to see to any recording, filing or depositing of this Indenture or any agreement referred to herein or any financing statement or amendments to a financing statement evidencing a security interest, or to see to the maintenance of any such recording or filing or depositing or to any rerecording, refiling or redepositing of any thereof, (B) to see to any insurance or (C) to see to the payment or discharge of any tax, assessment, or other governmental charge or any lien or encumbrance of any kind owing with respect to, assessed or levied against, any part of the Trust Estate other than from funds available in the Collection Account.

(c) No provision of this Indenture shall require the Paying Agent or the Note Registrar to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers if there is reasonable ground for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(d) Whether or not therein expressly so provided, every provision of this Indenture that in any way relates to the Paying Agent or the Note Registrar is subject to subsections (a), (b) and (c) of this Section 6.16.

(e) Except as expressly provided in this Indenture, neither the Paying Agent nor the Note Registrar shall have any power to vary the Trust Estate, including, without limitation, by (i) accepting any substitute payment obligation for a Loan initially transferred to the Co-Issuers under the Loan Purchase Agreements, (ii) adding any other investment, obligation or security to the Co-Issuers or the Trust Estate or (iii) withdrawing from the Trust Estate any Loans (except as otherwise provided herein or in the Loan Purchase Agreements).

(f) Neither the Paying Agent nor the Note Registrar shall have any responsibility or liability for investment losses on Eligible Investments (other than as an obligor on any Eligible Investments on which the institution acting as the Paying Agent or the Note Registrar, as applicable, is an obligor). Each of the Paying Agent and the Note Registrar and its Affiliates is permitted to receive additional compensation that could be deemed to be in the Paying Agent's or the Note Registrar's economic self-interest, as applicable, for (i) serving as investment adviser, administrator,

shareholder, servicing agent, custodian or subcustodian with respect to certain of the Eligible Investments, (ii) using Affiliates to effect transactions in certain Eligible Investments and (iii) effecting transactions in certain Eligible Investments. Such compensation is not payable or reimbursable under Section 6.22 of this Indenture.

(g) Every provision of this Indenture relating to the conduct of, affecting the liability of, or affording protection to the Paying Agent or the Note Registrar, as applicable, shall be subject to the provisions of this Section.

SECTION 5.35 **Certain Matters Affecting the Paying Agent and the Note Registrar.**

Except as otherwise provided in Section 6.16 hereof:

(a) each of the Paying Agent and the Note Registrar may conclusively rely and shall fully be protected in acting or refraining from acting in accordance with any resolution, certificate, statement, instrument, Officer's Certificate, opinion, report, notice, request, direction, consent, order, bond, note, or other paper or document reasonably believed by it to be genuine and to have been signed or presented to it pursuant to this Indenture by the proper party or parties and shall be under no obligation to inquire as to the adequacy, accuracy or sufficiency of any such information or be under any obligation to make any calculation or verifications in respect of any such information and shall not be liable for any loss that may be occasioned thereby;

(b) before the Paying Agent or the Note Registrar acts or refrains from acting, it may require and shall be entitled to receive an Officer's Certificate of the Co-Issuers and/or an Opinion of Counsel. Neither the Paying Agent nor the Note Registrar shall be liable for any action it takes or omits to take in good faith in reliance on such Officer's Certificate or Opinion of Counsel;

(c) as a condition to the taking, suffering or omitting of any action by it hereunder, each of the Paying Agent and the Note Registrar may consult with counsel and the advice or opinion of such counsel with respect to legal matters relating to the Indenture or the Notes shall be full and complete authorization and protection from any liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(d) neither the Paying Agent nor the Note Registrar shall be under any obligation to exercise any of the rights or powers vested in it by this Indenture, or to honor the request or direction of any of the Noteholders pursuant to this Indenture to institute, conduct or defend any litigation hereunder in relation hereto, unless such Noteholders shall have offered to the Paying Agent or the Note Registrar, as applicable, reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(e) neither the Paying Agent nor the Note Registrar shall be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper or document, believed by it to be genuine, but the Paying Agent or the Note Registrar, as applicable, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see

fit, and, if the Paying Agent or the Note Registrar shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Co-Issuers and the Servicer, personally or by agent or attorney;

(f) neither the Paying Agent nor the Note Registrar shall be liable for any actions taken, suffered or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon the Paying Agent or the Note Registrar, as applicable, by this Indenture;

(g) neither the Paying Agent nor the Note Registrar shall be required to make any initial or periodic examination of any documents or records related to any of the Trust Estate for the purpose of establishing the presence or absence of defects, the compliance by the Co-Issuers with its representations and warranties or for any other purpose;

(h) whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Paying Agent or the Note Registrar shall be subject to the provisions of this Section;

(i) neither the Paying Agent nor the Note Registrar shall have any liability with respect to the acts or omissions of the Servicer, including acts or omissions in connection with the servicing, management or administration of Loans; calculations made by the Servicer whether or not reported to the Co-Issuers, the Paying Agent or the Note Registrar; and deposits into or withdrawals from any accounts or funds established pursuant to the terms of this Indenture;

(j) neither the Paying Agent nor the Note Registrar shall be responsible or liable in any manner whatsoever, for calculation, determination and/or verification of the allocations of Collections, determinations of monthly interest or the applications of Available Funds pursuant to this Indenture;

(k) the right of the Paying Agent or the Note Registrar to perform any discretionary act enumerated in this Indenture shall not be construed as a duty, and neither the Paying Agent nor the Note Registrar shall be answerable for other than its negligence or willful misconduct in the performance of such act;

(l) neither the Paying Agent nor the Note Registrar shall be required to give any bond or surety in respect of the execution of the Note Accounts created hereby or in the powers granted hereunder;

(m) each of the Paying Agent and the Note Registrar may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees, and neither the Paying Agent nor the Note Registrar shall not be responsible for any misconduct or negligence on the part of any agent, attorney, custodians or nominees appointed with due care by it hereunder; provided, that each of the Paying Agent and the Note Registrar shall remain obligated and be liable to the Co-Issuers and the Noteholders for the execution of their respective powers and performance of their respective duties hereunder without diminution of such obligations and liability by virtue of the appointment of any such agent, attorney, custodian

or nominee, and to the same extent and under the same terms and conditions as if the Paying Agent or the Note Registrar, as applicable, alone were individually executing or performing such obligations; provided, however, that no successor Paying Agent or successor Note Registrar shall be liable for the execution or performance of any such obligations of the Paying Agent or the Note Registrar, as applicable, by any of the original parties (including any successors or assigns) to the Transaction Documents;

(n) neither the Paying Agent nor the Note Registrar shall be liable for any action it takes or omits to take in good faith which it believes to be authorized or within its rights or powers so long as the Paying Agent's or the Note Registrar's conduct, as applicable, does not constitute willful misconduct, negligence or bad faith;

(o) in no event shall the Paying Agent or the Note Registrar be responsible or liable for special, indirect, or consequential loss or damage of any kind whatsoever (including, without limitation, loss of profit) irrespective of whether Paying Agent or the Note Registrar, as applicable, has been advised of the likelihood of such loss or damage and regardless of the form of action; and

(p) the Paying Agent or the Note Registrar may request that the Co-Issuers, or the Administrator on behalf of the Co-Issuers, deliver an Officer's Certificate setting forth the names of individuals and/or titles of officers authorized at such time to take specified actions pursuant to this Indenture, which Officer's Certificate may be signed by any person authorized to sign an Officer's Certificate, including any person specified as so authorized in any such certificate previously delivered and not superseded.

SECTION 5.36 **Not Responsible for Recitals or Issuance of Notes.**

The recitals contained herein and in the Notes, except with respect to the Note Registrar and its certificate of authentication, shall not be taken as the statements of the Paying Agent or the Note Registrar, and neither the Paying Agent nor the Note Registrar assumes any responsibility for their correctness. Neither the Paying Agent nor the Note Registrar makes any representation as to the validity or sufficiency of the Indenture, the Notes or any related document or as to the perfection or priority of any security interest therein. Neither the Paying Agent nor the Note Registrar shall be accountable for the use or application by the Co-Issuers of the proceeds from the Notes.

SECTION 5.37 **Money Held in Trust.**

Money held by the Paying Agent or the Note Registrar in trust hereunder need not be segregated from other funds held by the Paying Agent or the Note Registrar, as applicable, in trust hereunder except to the extent required herein or required by law. Neither the Paying Agent nor the Note Registrar shall have any liability for interest on any money received by it hereunder except (i) as otherwise agreed upon in writing by the Paying Agent or the Note Registrar, as applicable, and the Co-Issuers and (ii) as an obligor with respect to Eligible Investments on which the institution acting the Paying Agent or the Note Registrar is an obligor.

SECTION 5.38 Compensation, Reimbursement and Indemnification.

(a) The Paying Agent and the Note Registrar shall be entitled to recover, on each Payment Date and, in accordance with the priority set forth in Section 8.06 hereof, compensation of a fee equal to one-twelfth (1/12th) of \$12,000 (which compensation shall not be limited by any law on compensation of a trustee of an express trust). In addition to compensation for its services, the Co-Issuers shall reimburse each of the Paying Agent and the Note Registrar, in each case in accordance with the priority set forth in Section 8.06 hereof, for all reasonable out-of-pocket expenses incurred or made by it (including without limitation expenses incurred in connection with notices or other communications to the Noteholders), disbursements and advances incurred or made by the Paying Agent and the Note Registrar in accordance with any of the provisions of this Indenture or any of the Transaction Documents. Such expenses shall include the reasonable fees and out-of-pocket expenses, disbursements and advances of any agents, any co-trustee, counsel, accountants and experts, except any such expense, disbursement or advance as may arise from its negligence or bad faith. In no event shall the Paying Agent or the Note Registrar or any agent thereof advance any funds for the payment of principal, interest or premium on any Notes. The Co-Issuers shall, in accordance with the priority set forth in Section 8.06, jointly and severally indemnify the Paying Agent and the Note Registrar and its officers, directors, agents and employees against any and all loss, suit, claim, judgment, liability or expense (including the reasonable fees and expenses of counsel) incurred by it in connection with the administration of this trust and the performance of its duties hereunder and under the Transaction Documents. Each of the Paying Agent and the Note Registrar shall notify the Co-Issuers and the Servicer promptly of any claim for which it may seek indemnity. Failure by the Paying Agent or the Note Registrar to so notify the Co-Issuers and the Servicer shall not relieve the Co-Issuers of its obligations hereunder unless such loss, liability or expense could have been avoided with such prompt notification and then only to the extent of such loss, expense or liability which could have been so avoided. The Co-Issuers shall defend any claim against each of the Paying Agent and the Note Registrar; provided, however, the Paying Agent or the Note Registrar, as applicable, may have separate counsel and, if it does, the Co-Issuers shall reimburse it for payment of the fees and expenses of such counsel, in accordance with the priority set forth in Section 8.06. Neither the Co-Issuers nor the Servicer shall be required to reimburse any expense or indemnify against any loss, liability or expense incurred by the Paying Agent or the Note Registrar through its own willful misconduct, negligence, fraud or bad faith.

(b) The provisions of this Section shall survive the resignation and removal of the Paying Agent or the Note Registrar, as applicable, and the discharge of this Indenture.

(c) Notwithstanding anything herein to the contrary, the Paying Agent's and the Note Registrar's respective rights to enforce any of the Co-Issuers' payment obligations pursuant to this Section 6.21 shall be subject to the provisions of Section 11.16(a).

SECTION 5.39 Successor Paying Agent or Note Registrar by Merger.

If the Paying Agent or the Note Registrar consolidates with, merges or converts into, or transfers or sells all or substantially all its corporate trust business or assets to, another corporation

or banking association, the resulting, surviving or transferee corporation or banking association without any further act shall be the successor Paying Agent or Note Registrar, as applicable; provided, that such corporation or banking association shall be otherwise qualified and eligible under Section 6.22.

In case at the time such successor by merger, conversion, consolidation or transfer to the Note Registrar shall succeed such position any of the Notes shall have been authenticated but not delivered, any such successor to the Note Registrar may adopt the certificate of authentication of any predecessor indenture trustee and deliver such Notes so authenticated; and in case at that time any of the Notes shall not have been authenticated, any successor to the Note Registrar may authenticate such Notes in the name of the successor to the Note Registrar; and in all such cases such certificates shall have the full force which it is anywhere provided in the Notes or in this Indenture that the certificate of the Note Registrar shall have.

SECTION 5.40 **Eligibility; Disqualification.**

The Paying Agent and the Note Registrar shall at all times each have a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition and its long-term unsecured debt shall be rated at least Baa3 by Moody's and at least BBB- by Standard & Poor's. Each of the Paying Agent and the Note Registrar (1) shall meet the requirements of Section 26(a)(1) of the Investment Company Act, (2) shall not be an Affiliate of any of the Co-Issuers or the Servicer and (3) shall not offer or provide credit or credit enhancement to the Co-Issuers. In case at any time the Paying Agent or the Note Registrar shall cease to be eligible in accordance with the provisions of this Section, the Paying Agent or the Note Registrar, as applicable, shall resign immediately in the manner and with the effect specified in Section 2.05 or 2.12, as applicable.

SECTION 5.41 **Representations and Warranties of the Paying Agent or the Note Registrar.**

Each of the Paying Agent and the Note Registrar represents and warrants that:

- (i) it is duly organized and validly existing under the laws of the jurisdiction of its organization;
- (ii) it has full power and authority to deliver and perform this Indenture and has taken all necessary action to authorize the execution, delivery and performance by it of this Indenture and each other Transaction Document to which it is a party;
- (iii) each of this Indenture and each other Transaction Document to which it is a party has been duly executed and delivered by it and constitutes its legal, valid and binding obligation in accordance with its terms; and
- (iv) it meets the eligibility requirements set forth in Section 6.22.

ARTICLE VI
Noteholders' List and Reports

SECTION 6.01 **Co-Issuers to Furnish Indenture Trustee Names and Addresses of Noteholders.**

The Co-Issuers, or the Administrator on behalf of the Co-Issuers, will furnish or cause to be furnished to the Indenture Trustee and the Paying Agent (a) not more than five (5) Business Days after each Record Date, a list, in such form as the Indenture Trustee, the Paying Agent and the Note Registrar, as applicable, may reasonably require, of the names, addresses and taxpayer identification numbers of the Holders of Notes as they appear on the Note Register as of the most recent Record Date, and (b) at such other times as the Indenture Trustee, the Paying Agent and the Note Registrar may request in writing, within thirty (30) days after receipt by the Co-Issuers of any such request, a list of similar form and content as of a date not more than ten (10) Business Days prior to the time such list is furnished.

SECTION 6.02 **Preservation of Information; Communications to Noteholders.**

(h) The Note Registrar shall preserve, in as current a form as is reasonably practicable, the names and addresses of the Noteholders contained in the most recent list furnished to the Note Registrar as provided in Section 7.01 and the names, addresses and taxpayer identification numbers of the Noteholders. The Note Registrar may destroy any list furnished to it as provided in Section 7.01 hereof upon receipt of a new list so furnished.

(i) Noteholders may communicate with other Noteholders with respect to their rights under this Indenture or under the Notes.

ARTICLE VII
Allocation and Application of Collections

SECTION 7.01 **Collection of Money.**

The Paying Agent shall apply all such money and property received by it in trust for the related Noteholders and shall apply it as provided in this Indenture. Except as otherwise expressly provided in this Indenture, if any default occurs in the making of any payment or performance under any Transaction Document, the Indenture Trustee may, and upon the written request of the Required Noteholders shall, take such action as may be appropriate to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action shall be without prejudice to any right to claim an Event of Default under this Indenture and to proceed thereafter as provided in Article V hereof.

SECTION 7.02 **Establishment of the Note Accounts.**

(h) Note Accounts.

(v) The Servicer, for the benefit of the Noteholders, shall establish and maintain with the Paying Agent and in the name of the Paying Agent, on behalf of the Indenture Trustee and the Co-Issuers, an Eligible Account bearing a designation clearly indicating that such account is the “Collection Account” hereunder and that the funds and other property credited thereto are held for the benefit of the Noteholders (the “Collection Account”).

(vi) The Servicer, for the benefit of the Noteholders, shall establish and maintain with the Paying Agent and in the name of the Paying Agent, on behalf of the Co-Issuers, an Eligible Account bearing a designation clearly indicating that such account is the “Principal Distribution Account” hereunder and that the funds and other property credited thereto are held for the benefit of the Noteholders (the “Principal Distribution Account”). The Co-Issuers may deposit or cause the deposit into the Principal Distribution Account from time to time of funds available to the Co-Issuers that are not required to be deposited into another Note Account or otherwise allocated or to be held in trust on behalf of any Person in accordance with this Indenture or any other Transaction Document.

(vii) The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained with the Paying Agent and in the name of the Paying Agent, on behalf of the Co-Issuers, an Eligible Deposit Account that shall bear a designation clearly indicating that the funds deposited therein are held for the benefit of the Noteholders (the “Reserve Account”). On the Closing Date, the Co-Issuers shall cause to be deposited in the Reserve Account the Required Reserve Account Amount. No later than 5:00 p.m., New York City time on the Business Day preceding each Payment Date, the Indenture Trustee, based solely upon written instructions furnished to the Indenture Trustee by the Servicer (which instruction may be included in the Monthly Servicer Report), shall withdraw from the Reserve Account and deposit to the Collection Account, the Reserve Account Draw Amount for such Payment Date, which amount shall constitute Available Funds for application in accordance with Section 8.06 hereof.

(viii) The Servicer, for the benefit of the Noteholders, shall cause to be established and maintained with the Paying Agent and in the name of the Paying Agent, on behalf of the Indenture Trustee and the Co-Issuers, an Eligible Account that shall bear a designation clearly indicating that the funds deposited therein are held for the benefit of the Noteholders (the “Advance Reserve Account”). On the Closing Date, the Co-Issuers shall cause to be deposited in the Advance Reserve Account the Required Advance Reserve Account Amount. On each Payment Date funds in an amount up to the Required Advance Reserve Amount will be remitted to the Paying Agent for deposit to the Advance Reserve Account to the extent available in accordance with the Section 8.06. The Advance Reserve Account will be used to pay to the Servicer such amounts as are required pursuant to the terms of any outstanding Loans to be funded to the Loan Obligors to the extent that the aggregate amount of intra-month draws by the Loan Obligors exceeds amounts on

deposit in the Collection Account as provided in Section 2.01(c) of the Servicing Agreement and Section 8.05(g) hereof. On the final Payment Date, any amounts remaining on deposit in the Advance Reserve Account shall be released to the Allocation Agent for remittance to the Co-Issuers and separately agreed among the Allocation Agent and the Co-Issuers.

(i) Each of the parties hereto hereby agrees that (i) each Note Account will be a “securities account” as such term is defined in Section 8-501(a) of the UCC, (ii) the Paying Agent shall be a “securities intermediary” (as defined in 8-102(a)(14) of the UCC) with respect to each such Note Account; (iii) New York shall be the “securities intermediary’s jurisdiction” (as defined in 8-110 of the UCC) for any purpose associated with the Note Accounts; (iv) all Eligible Investments and other assets in the Note Accounts shall be treated as “financial assets” (as defined in 8-102(a)(9) of the UCC); and (v) all securities or other property underlying any financial assets credited to such accounts shall be registered in the name of the Paying Agent, indorsed to the Paying Agent and in no case will any financial asset credited to any Note Account be registered in the name of any Co-Issuer or the Servicer, payable to the order of any Co-Issuer or the Servicer or specially indorsed to any Co-issuer or the Servicer except to the extent the foregoing have been specially indorsed to the Paying Agent at which such accounts are maintained or in blank. The Note Accounts shall be under the sole dominion and control of the Paying Agent for the benefit of the Indenture Trustee for the benefit of the Noteholders, and the Paying Agent agrees that it will comply with all “entitlement orders” (as defined in 8-102(a)(8) of the UCC) with respect to the Note Accounts and any instructions directing disposition of any funds on deposit therein that are originated by the Indenture Trustee without further consent of any Co-Issuer. Notwithstanding such control by the Indenture Trustee, the Indenture Trustee agrees that the Servicer shall have the right to issue entitlement orders and to give instructions to the Paying Agent as expressly contemplated herein unless and until the Indenture Trustee revokes the Servicer’s authority to give such instructions. Except as expressly provided in this Indenture and the Servicing Agreement, the Servicer agrees that it shall have no right of setoff or banker’s lien against, and no right to otherwise deduct from, any funds and other property held in the Note Accounts for any amount owed to it by the Indenture Trustee, the Co-Issuers or any Noteholder. Pursuant to the Servicing Agreement, the Servicer shall instruct the Paying Agent to make withdrawals and payments from the Collection Account for the purposes of carrying out the Servicer’s, the Co-Issuers’ or the Paying Agent’s duties hereunder and under the Servicing Agreement.

(j) Funds (other than investment earnings and amounts deposited pursuant to Section 10.02 of this Indenture) on deposit in the Note Accounts shall, at the written direction of the Servicer, be invested by the Paying Agent in Eligible Investments selected by the Servicer. All such Eligible Investments shall be held by the Paying Agent for the benefit of the Noteholders pursuant to Section 6.06. In the absence of written directions from the Servicer, the Paying Agent may (but shall not be obligated) to invest such funds in Eligible Investments described in clause (d) of the definition thereof. Funds representing Collections collected during any Collection Period shall be invested in Eligible Investments that will mature no later than the Business Day immediately prior to the Payment Date following the end of such Collection Period. No such Eligible Investment shall be disposed of prior to its maturity; provided, however, that the Paying Agent may sell, liquidate or dispose of any such Eligible Investment before its maturity, at the written direction of the Servicer,

if such sale, liquidation or disposal would not result in a loss of all or part of the principal portion of such Eligible Investment or if, prior to the maturity of such Eligible Investment, a default occurs in the payment of principal, interest or any other amount with respect to such Eligible Investment. Unless directed by the Servicer, funds deposited in the Note Accounts on the Business Day immediately prior to a related Payment Date are not required to be invested overnight. On each Payment Date, all interest and other investment earnings (net of losses and investment expenses) on funds on deposit in the Collection Account that are to be distributed on such Payment Date shall be treated as “Collections” received during the related Collection Period. The Paying Agent shall not bear any responsibility or liability for any losses resulting from investment or reinvestment of any funds in accordance with this Section nor for the selection of Eligible Investments in accordance with the provisions of this Indenture. In addition, the Paying Agent shall not have any liability in respect of the losses incurred as a result of the liquidation of any Eligible Investment prior to its stated maturity or the failure of the Servicer to provide timely written investment direction.

(k) The Servicer shall notify the Paying Agent of any payment to be credited to the Collection Account as soon as practicable on the Business Day before payment into the Collection Account. The Paying Agent shall only be obligated to make payments from the Collection Account to the extent such amounts are deposited therein.

(l) If, at any time, a Note Account ceases to be an Eligible Account, the Paying Agent (or the Servicer on its behalf) shall within ten (10) Business Days establish a new Note Account meeting the applicable conditions specified above, transfer any money, instruments, investment property and other property to such new Note Account and from the date such new account is established, it shall be the applicable Note Account.

SECTION 7.03 **Collections and Allocations.**

The Servicer shall apply, or shall instruct the Paying Agent in writing (which instruction may be included in the Monthly Servicer Report) to apply and the Paying Agent shall apply, all funds on deposit in the Collection Account as described in this Article VIII. Except as otherwise provided below, the Servicer shall deposit Collections that it is not entitled to retain for its own account hereunder into the Collection Account as promptly as possible after the date of processing of such Collections by the Servicer, but in no event later than the second Business Day following such date of processing. Notwithstanding anything else in this Indenture or the Servicing Agreement to the contrary, for so long as: (i) no Servicer Default has occurred and is continuing; and (ii) the Servicer maintains a long-term rating of “A” or higher and a short-term rating of “A-1” or higher from S&P, the Servicer need not make the deposits of Collections into the Collection Account as provided in the preceding sentence, but may make a single deposit in the Collection Account in immediately available funds not later than 11:00 a.m., New York City time, on the Business Day preceding each Payment Date in an amount equal to the Collections received during the related Collection Period. The Servicer may retain funds constituting Collections in an amount equal to its accrued and unpaid Servicing Fee and shall not be required to deposit such funds in the Collection Account. The Servicer may also retain funds constituting Collections in an amount equal to Intra-Month Draw Advances and Premium Advances funded by the Servicer to the extent the Servicer has not otherwise been reimbursed therefor as contemplated in this Indenture or the

Servicing Agreement, and the Servicer shall not be required to deposit such withheld funds in the Collection Account.

SECTION 7.04 Rights of Noteholders.

As set forth in the Granting Clauses, the Trust Estate secures the obligation of the Co-Issuers jointly and severally to pay the Holders of the Notes the principal and interest thereon and the other amounts payable pursuant to this Indenture.

SECTION 7.05 Release of Trust Estate.

(h) Subject to Section 11.01, the Indenture Trustee may, and when required by the provisions of this Indenture shall, upon Issuer Order executed by each of the Co-Issuers, execute instruments prepared by and at the expense of the Co-Issuers to release property from the lien of this Indenture, or convey the Indenture Trustee's interest in the same, in a manner and under circumstances which are not inconsistent with the provisions of this Indenture. No party relying upon an instrument executed by the Indenture Trustee as provided in this Article VIII shall be bound to ascertain the Indenture Trustee's authority, inquire into the satisfaction of any conditions precedent or see to the application of any monies.

(i) The Indenture Trustee upon Issuer Order executed by each of the Co-Issuers shall authorize the Servicer to execute in the name and on behalf of the Indenture Trustee instruments of satisfaction or cancellation, or of partial or full release or discharge, and other comparable instruments with respect to the Loans (and the Indenture Trustee shall execute any such documents on request of the Servicer), subject to the obligations of the Servicer under the Servicing Agreement and only to the extent necessary to permit the Servicer to carry out its servicing obligations thereunder.

(j) Upon Issuer Order executed by each of the Co-Issuers, the Indenture Trustee shall, at such time as there are no Outstanding Notes, release and transfer, without recourse, any remaining portion of the Trust Estate (other than any cash held for the payment of the Notes pursuant to Section 4.02 and any other amounts to be applied to make payments on the Notes) from the lien of this Indenture and release to the Co-Issuers or any other Person entitled thereto any funds and other property then credited to the Collection Account and any other account established pursuant to Section 8.02. The Indenture Trustee shall release property from the lien of this Indenture pursuant to this Section only upon receipt of an Issuer Order executed by each of the Co-Issuers accompanied by an Officer's Certificate of the Co-Issuers and an Opinion of Counsel to the effect that all conditions precedent to such release have been satisfied.

(k) Upon receipt in the Collection Account of the Repurchase Price with respect to any Loan that is to be repurchased in accordance with Section 6.01 or 6.02 of any of the Loan Purchase Agreements, such repurchased Loan (together with all other Purchased Assets relating thereto existing on such date or thereafter arising, and any and all proceeds of the Loan or any such Purchased Assets) shall automatically be released from the lien of this Indenture, without further action of any party hereto.

(l) Upon receipt in the Collection Account of the amount to be deposited by the Servicer with respect to any Loan that is to be assigned and transferred to the Servicer in accordance with Section 2.03 of the Servicing Agreement, such Loan (together with all other Purchased Assets relating thereto existing on such date or thereafter arising, and any and all proceeds of the Loan or any such Purchased Assets) shall automatically be released from the lien of this Indenture, without further action of any party hereto.

(m) On the date when any Loan becomes a Charged-Off Loan in accordance with the Credit and Collection Policy, there shall automatically be released from the lien of this Indenture, without further action of any party hereto, such Charged-Off Loan, all rights to payment and amounts due or to become due with respect to all of the foregoing, and all proceeds thereof; provided, that all recoveries and other amounts collected by any Co-Issuer or the Servicer with respect to any Charged-Off Loan in accordance with the Credit and Collection Policy, including any insurance proceeds allocable to such Loan, shall be paid to the Co-Issuers, shall be deposited in the Collection Account, shall be subject to the lien of this Indenture, and shall be applied as provided herein.

(n) On the date of any Intra-Month Draw Advance, which must be a Business Day, based solely upon written instruction furnished to the Paying Agent by the Servicer at least one Business Day prior to such date, the Paying Agent shall distribute to the Servicer *first*, from amounts on deposit in the Collection Account and *second*, from amounts on deposit in the Advance Reserve Account, the aggregate amount to be distributed by the Servicer on such date as Intra-Month Draw Advances as specified in the applicable written instruction furnished to the Paying Agent by the Servicer, and such funds, upon distribution by the Paying Agent to the Servicer pursuant to this Section 8.05(g), shall automatically be released from the lien of this Indenture, without further action of any party hereto.

(o) The Indenture Trustee shall release the Loans and related Purchased Assets from the lien of this Indenture in connection with an optional redemption pursuant to Section 8.07 hereof.

SECTION 7.06 Application of Available Funds, the Reserve Account Draw Amount and the Advance Reserve Account Draw Amount.

(ix) (1) first, pro rata (based on amounts owing), (A) to the Indenture Trustee, the Paying Agent and the Note Registrar for amounts due to the Indenture Trustee, the Paying Agent or the Note Registrar pursuant to the applicable provisions of the Indenture, (B) to the Loan Trustees all fees and all reasonable out-of-pocket expenses then due to the Loan Trustees pursuant to the terms of the Loan Trust Agreements, (C) to the Back-up Servicer, any expenses of the Back-up Servicer (other than Servicing Transition Costs) reimbursable pursuant to the Back-up Servicing Agreement, if any, that have not been paid by the Servicer and (D) to the Custodian, an amount equal to all fees and all reasonable out-of-pocket expenses then due to the Custodian pursuant to the terms of the Custodial Agreement; and (2) second, to the Indenture Trustee and any other Person entitled thereto, pro rata (based on amounts owing), any indemnified amounts due and owing from the Co-Issuers pursuant to any Transaction Document; provided, that the aggregate amount paid

under the foregoing clauses (1) (A), (B), (C) and (2) above shall not exceed \$200,000 during any calendar year; provided, further that if an Event of Default shall have occurred and be continuing as of such Payment Date, the foregoing cap shall not apply;

(x) to the Back-up Servicer, (x) an amount equal to the Back-up Servicing Fee for such Payment Date, plus the amount of any Back-up Servicing Fee previously due but not previously paid to the Back-up Servicer; and (y) in the event that a Servicing Transition Period has commenced under the Back-up Servicing Agreement, an amount equal to the Servicing Transition Costs, if any, that have not been paid by the Servicer pursuant to the Back-up Servicing Agreement; provided, that the aggregate amount paid pursuant to this clause (y) on all Payment Dates shall not exceed \$400,000;

(xi) pro rata (based on amounts owing) (A) to the Servicer, an amount equal to the Servicing Fee for such Payment Date, plus the amount of any Servicing Fee previously due but not previously paid to the Servicer, and (B) to the Administrator, an amount equal to the Administration Fee for such Payment Date, plus the amount of any Administration Fee previously due but not previously paid to the Administrator;

(xii) to the Advance Reserve Account, an amount equal to the lesser of (x) the Advance Reserve Account Shortfall Amount and (y) all funds remaining after giving effect to the distributions in clause (i) through (iii) above;

(xiii) to the Class A Noteholders, an amount equal to the Class A Monthly Interest Amount for such Payment Date, plus the amount of any Class A Monthly Interest Amount previously due but not previously paid to the Class A Noteholders with interest thereon at the Class A Interest Rate;

(xiv) to the Principal Distribution Account, an amount equal to the lesser of (x) the First Priority Principal Payment for such Payment Date and (y) all funds remaining after giving effect to the distributions in clauses (i) through (v) above;

(xv) to the Class B Noteholders, an amount equal to the Class B Senior Interest Amount for such Payment Date, plus the amount of any Class B Senior Interest previously due but not previously paid to the Class B Noteholders with interest thereon at the Class B Interest Rate from the date such payment was due;

(xvi) to the Principal Distribution Account, an amount equal to the lesser of (x) the Second Priority Principal Payment for such Payment Date and (y) all funds remaining after giving effect to the distributions in clauses (i) through (vii) above;

(xvii) to the Class B Noteholders, an amount equal to the Class B Subordinated Interest Amount for such Payment Date, plus the amount of any Class B Subordinated Interest Amount previously due but not previously paid to the Class

B Noteholders with interest thereon at the Class B Interest Rate from the date such payment was due;

(xviii) to the Class C Noteholders, an amount equal to the Class C Monthly Interest Amount for such Payment Date, plus the amount of any Class C Monthly Interest Amount previously due but not previously paid to the Class C Noteholders with interest thereon at the Class C Interest Rate;

(xix) to the Principal Distribution Account, an amount equal to the lesser of (x) the Third Priority Principal Payment for such Payment Date and (y) all funds remaining after giving effect to the distributions in clauses (i) through (x) above;

(xx) to the Class C Noteholders, an amount equal to the Class C Subordinated Interest Amount for such Payment Date, plus the amount of any Class C Subordinated Interest Amount previously due but not previously paid to the Class C Noteholders with interest thereon at the Class C Interest Rate from the date such payment was due;

(xxi) to the Class D Noteholders, an amount equal to the Class D Senior Interest Amount for such Payment Date, plus the amount of any Class D Senior Interest previously due but not previously paid to the Class D Noteholders with interest thereon at the Class D Interest Rate from the date such payment was due;

(xxii) to the Principal Distribution Account, an amount equal to the lesser of (x) the Fourth Priority Principal Payment for such Payment Date and (y) all funds remaining after giving effect to the distributions in clauses (i) through (xiii) above;

(xxiii) to the Class D Noteholders, an amount equal to the Class D Subordinated Interest Amount for such Payment Date, plus the amount of any Class D Subordinated Interest Amount previously due but not previously paid to the Class D Noteholders with interest thereon at the Class D Interest Rate from the date such payment was due;

(xxiv) to the Class E Noteholders, an amount equal to the Class E Senior Interest Amount for such Payment Date, plus the amount of any Class E Senior Interest previously due but not previously paid to the Class E Noteholders with interest thereon at the Class E Interest Rate from the date such payment was due;

(xxv) an amount equal to the lesser of (x) the Fifth Priority Principal Payment for such Payment Date and (y) all funds remaining after giving effect to the distributions in clauses (i) through (xvi) above, to be deposited into the Principal Distribution Account;

(xxvi) to the Class E Noteholders, an amount equal to the Class E Subordinated Interest Amount for such Payment Date, plus the amount of any Class E Subordinated Interest Amount previously due but not previously paid to the Class

E Noteholders with interest thereon at the Class E Interest Rate from the date such payment was due;

(xxvii) to the Reserve Account, an amount equal to the lesser of (x) the Required Reserve Account Amount and (y) all funds remaining after giving effect to the distributions in clauses (i) through (xviii) above;

(xxviii) an amount equal to the lesser of (x) the Regular Principal Distribution Amount and (y) all funds remaining after giving effect to the distributions in clauses (i) through (xix) above, to be deposited into the Principal Distribution Account;

(xxix) to the Indenture Trustee, the Custodian, the Note Registrar, the Paying Agent, the Loan Trustees, the Servicer, the Administrator and the Back-up Servicer, as applicable, an amount equal to the lesser of (x) pro rata (based on amounts owing), fees and reasonable out-of-pocket expenses and indemnity amounts to the extent not paid in full pursuant to clause (i) above (and, in the case of the Back-up Servicer, which are reimbursable pursuant to the Back-up Servicing Agreement, if any, not paid by the Servicer) and (y) all funds remaining after giving effect to the distributions in clauses (i) through (xx) above;

(xxx) to the Co-Issuers for payment of Other Co-Issuer Obligations then due and owing; and

(xxxi) any remainder to the Allocation Agent for payment to the Co-Issuers as separately agreed among the Allocation Agent and the Co-Issuers.

(e) On each Payment Date, any amounts allocated to the Principal Distribution Account pursuant to Section 8.06(a) above shall be applied as follows:

(i) *first*, to the Class A Noteholders in reduction of the Class A Note Balance, until the Class A Note Balance has been reduced to zero;

(ii) *second*, to the Class B Noteholders in reduction of the Class B Note Balance, until the Class B Note Balance has been reduced to zero;

(iii) *third*, to the Class C Noteholders in reduction of the Class C Note Balance, until the Class C Note Balance has been reduced to zero;

(iv) *fourth*, to the Class D Noteholders in reduction of the Class D Note Balance, until the Class D Note Balance has been reduced to zero; and

(v) *fifth*, to the Class E Noteholders in reduction of the Class E Note Balance, until the Class E Note Balance has been reduced to zero.

SECTION 7.07 **Optional Redemption of the Notes.**

(a) The Co-Issuers shall retire the Notes in the event that the Servicer exercises its option, subject to the consent of the members of the Sellers, to purchase all of the Loans from the Co-Issuers, the proceeds of which will be used to retire the Notes, at any time on or after the Payment Date on which the Aggregate Principal Balance of the Outstanding Notes (prior to any principal payments to be made on such Payment Date) is less than or equal to twenty percent (20%) of the Aggregate Principal Balance of the Outstanding Notes on the Closing Date.

(b) The aggregate redemption price for the remaining Loans (together with all other Purchased Assets relating thereto) in connection with exercise of the option described in clause (a) will be equal to the sum of (i) the aggregate Loan Principal Balance of each remaining Loan, plus accrued and unpaid interest thereon and (ii) any expenses, indemnification amounts or other reimbursements owed to the Indenture Trustee, the Servicer, the Custodian, the Loan Trustees, the Paying Agent, the Note Registrar or the Back-up Servicer, and in any event must be at least equal to the amount necessary to redeem the Notes in full on the final Payment Date in accordance with Section 8.06.

(c) The Co-Issuers may, at their option, redeem the Notes in whole on any Payment Date on or after the Payment Date occurring in October 2015. With respect to any redemption of Notes occurring on or after the Payment Date occurring in October 2015 but prior to the Payment Date in October 2016, the redemption price for any Class of Notes shall be the sum of (i) 100% of the outstanding principal balance of the Notes of the applicable Class to be redeemed, plus (ii) in the case of Class A Notes, Class B Notes, Class C Notes or Class D Notes, the applicable Specified Call Premium Amount for such Notes, plus (iii) accrued and unpaid interest and fees in respect of such Notes. With respect to any redemption of Notes occurring on or after the Payment Date occurring in October 2016, the redemption price for any Class of Notes shall be the sum of (i) 100% of the outstanding principal balance of the Notes of the applicable Class to be redeemed, plus (ii) accrued and unpaid interest and fees in respect of such Notes. The payment of any redemption price and the determination of any Specified Call Premium Amount will be based on the Note Balance of the Notes after payments are made in respect of the Loans and application, if any, of amounts on deposit in the Reserve Account on such redemption date.

(d) In order to redeem Notes as set forth in clause (a) or (c) above, the Co-Issuers (in such capacity, the “Redeeming Party”), shall provide written notice of its exercise of such option to the Indenture Trustee and Note Registrar at least fifteen (15) days (or such shorter period as may be acceptable to the Note Registrar) prior to its exercise. Following receipt of such notice, the Note Registrar, shall provide written notice to the applicable Noteholders of the proposed final payment on the Notes; provided, however, that such notice may and shall be revoked upon direction of the Co-Issuers at any time prior to the deposit of the Redemption Price with the Paying Agent as described below in this Section 8.07(d). Such notice to Noteholders shall to the extent practicable be mailed no later than five (5) Business Days prior to such final Payment Date and shall specify that payment of the principal amount, any Specified Call Premium Amount and any interest due with respect to such Note at the final Payment Date will be payable only upon presentation and surrender of such Note and shall specify the place where such Note may be presented and surrendered for such final payment. No interest shall accrue on the Notes on or after the Stated Maturity Date or any such other final Payment Date. Prior to 10:00 a.m., New York City time on the Payment Date

on which such purchase or redemption is to be made, the Redeeming Party shall deposit the Redemption Price, including any applicable Specified Call Premium Amount, with the Paying Agent, who shall, on such Payment Date after receipt of the funds, apply such funds to make payments of all amounts owing to the transaction parties, pursuant to any Transaction Document and make final payments of principal and interest on the Notes in accordance with Section 8.06 hereof and this Indenture shall be discharged subject to the provisions of Section 4.01 hereof.

SECTION 7.08 Distributions and Payments to Noteholders.

(a) Subject to the provisions of Section 5.05 hereof, on each Payment Date, the Paying Agent, in accordance with the Monthly Servicer Report and Section 8.06, shall pay to each Noteholder of record on the related Record Date (other than as provided in Section 10.02 hereof) or to such other Person as may be specified in Section 8.06, such amounts held by the Paying Agent that are allocated and available on such Payment Date to pay amounts payable to the Noteholders or such other Person pursuant to Section 8.06.

(b) Except as provided in Section 10.02 hereof with respect to a final distribution, distributions to Noteholders hereunder shall be made by wire transfer of same day funds to the account that has been designated by the applicable Noteholders not less than five (5) Business Days prior to such Payment Date.

SECTION 7.09 Reports and Statements to Noteholders.

(a) Not later than the second Business Day preceding each Payment Date, the Servicer shall deliver to the Co-Issuers, the Back-up Servicer, the Paying Agent and the Indenture Trustee, a Monthly Servicer Report, substantially in the form of Exhibit C hereto, prepared by the Servicer.

(b) A copy of each Monthly Servicer Report and Officer's Certificate delivered pursuant to Section 2.07 of the Servicing Agreement may be obtained by any Noteholder or any beneficial owner thereof by a request in writing to the Servicer. The Paying Agent shall make each Monthly Servicer Report and each such Officer's Certificate available to the Noteholders via its website at <http://www.ctslink.com>.

(c) On or before March 31 of each calendar year, beginning with calendar year 2015, the Paying Agent, shall, upon written request, furnish or cause to be furnished to each Person who at any time during the preceding calendar year was a Noteholder, a report prepared by the Servicer containing the information which is required to be contained in the Monthly Servicer Report delivered pursuant to paragraph (a) above aggregated for such calendar year or the applicable portion thereof during which such Person was a Noteholder, together with other information as is required to be provided by an Co-Issuers of indebtedness under the Internal Revenue Code. Such obligation of the Servicer shall be deemed to have been satisfied to the extent that substantially comparable information shall be provided by the Paying Agent pursuant to any requirements of the Internal Revenue Code as from time to time in effect.

ARTICLE VIII
Supplemental Indentures

SECTION 8.01 *Supplemental Indentures Without Consent of Noteholders.*

(m) Without the consent of the Holders of any Notes, the Co-Issuers, the Servicer, the Paying Agent, the Note Registrar and the Indenture Trustee, when authorized by an Issuer Order executed by each of the Co-Issuers, at any time and from time to time, may enter into one or more indentures supplemental hereto, in form satisfactory to the Indenture Trustee and the Paying Agent, for any of the following purposes:

(i) to correct or amplify the description of any property at any time subject to the lien of this Indenture, or better to assure, convey and confirm unto the Indenture Trustee any property subject or required to be subjected to the lien of this Indenture, or to subject to the lien of this Indenture additional property;

(ii) to add to the covenants of the Co-Issuers, for the benefit of the Holders of the Notes, or to surrender any right or power herein conferred upon the Co-Issuers;

(iii) to convey, transfer, assign, mortgage or pledge any property to the Indenture Trustee;

(iv) to cure any ambiguity, to correct or supplement any provision herein or in any supplemental indenture that may be inconsistent with any other provision herein or in any supplemental indenture or to make any other provisions with respect to matters or questions arising under this Indenture or in any supplemental indenture, including without limitation to cure any ambiguity or make any correction as a result of any discrepancy or inconsistency between any offering materials used by the Co-Issuers in connection with the sale of the Notes and the provisions of this Indenture or of any supplemental indenture; provided, that such action shall not adversely affect the interests of the Holders of any Notes in any material respect; or

(v) to evidence and provide for the acceptance of the appointment hereunder by a successor indenture trustee and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one indenture trustee, pursuant to the requirements of Article VI.

The Indenture Trustee, the Paying Agent and the Note Registrar are hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations that may be therein contained.

(n) The Co-Issuers, the Servicer, the Paying Agent, the Note Registrar and the Indenture Trustee, when authorized by an Issuer Order executed by each of the Co-Issuers, may, also without the consent of any Noteholders of any Notes, enter into an indenture or indentures

supplemental hereto for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Indenture or of modifying in any manner the rights of the Holders of the Notes under this Indenture; provided, however, that (i) the Co-Issuers, at their own expense, shall have delivered to the Indenture Trustee an Opinion of Counsel and an Officer's Certificate, each dated the date of any such supplemental indenture action and stating that such supplemental indenture will not have an Adverse Effect and is permitted by this agreement, and (ii) the Co-Issuers shall have delivered to the Indenture Trustee a Tax Opinion, dated the date of any such action, addressing such action.

(o) Additionally, the Co-Issuers, the Paying Agent, the Note Registrar and the Indenture Trustee, when authorized by an Issuer Order executed by each of the Co-Issuers, may, without the consent of any Noteholders, enter into an indenture or indentures supplemental hereto to add, modify or eliminate such provisions as may be necessary or advisable in order to enable all or any portion of the Co-Issuers to avoid the imposition of state or local income or franchise taxes imposed on the Co-Issuers' property or its income; provided, however, that (i) such amendment does not affect the rights, duties or obligations of the Indenture Trustee, the Paying Agent or the Note Registrar hereunder without their consent, as applicable, and (ii) the Co-Issuers deliver to the Indenture Trustee and the Paying Agent a Tax Opinion, dated the date of any such action, addressing such action.

SECTION 8.02 **Supplemental Indentures With Consent of Noteholders.**

The Co-Issuers, the Servicer, the Paying Agent, the Note Registrar and the Indenture Trustee, when authorized by an Issuer Order executed by each of the Co-Issuers, also may, with the consent of the Holders of not less than a majority of the aggregate unpaid principal amount of the Outstanding Notes, by Act of such Holders delivered to the Co-Issuers, the Paying Agent, the Note Registrar and the Indenture Trustee, enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to, changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Noteholders under this Indenture; provided, however, that the Co-Issuers shall have delivered to the Indenture Trustee and the Paying Agent a Tax Opinion, dated the date of any such action, addressing such action; and provided, further, that, notwithstanding anything to the contrary contained herein, including, without limitation, Section 9.01, no supplemental indenture shall, without the consent of the Holder of each Outstanding Note affected thereby:

(k) change the date of payment of any installment of principal of or interest on any Note, or reduce the principal amount thereof, the Interest Rate specified thereon or the redemption price with respect thereto, change the provisions of this Indenture relating to the application of collections on, or the proceeds of the sale of, all or any portion of the Trust Estate to payment of principal of or interest on the Notes, or change any place of payment where, or the coin or currency in which, any Note or any interest thereon is payable or impair the right to institute suit for the enforcement of the provisions of this Indenture requiring the application of funds available therefor, as provided in Article V, to the payment of any such amount due on the Notes on or after the respective due dates thereof (or, in the case of redemption, the Redemption Date);

(l) reduce the percentage of the aggregate unpaid principal amount of all Outstanding Notes, the consent of the Holders of which is required for any such supplemental indenture, or the consent of the Holders of which is required for any waiver of compliance with the provisions of this Indenture or defaults hereunder and their consequences as provided for in this Indenture;

(m) reduce the percentage of the aggregate unpaid principal amount of any Outstanding Notes, the consent of the Holders of which is required to direct the Indenture Trustee to sell or liquidate the Trust Estate if the proceeds of such sale would be insufficient to pay the principal amount and accrued but unpaid interest on the Outstanding Notes;

(n) modify any of the provisions of this Indenture in such manner as to affect the calculation of the amount of any payment of interest or principal due on any Note on any Payment Date (including the calculation of any of the individual components of such calculation) or to affect the rights of the Holders of Notes to the benefit of any provisions for the mandatory redemption of the Notes contained herein;

(o) modify or alter the provisions of this Indenture prohibiting the voting of Notes held by the Co-Issuers or by any other obligor on the Notes;

(p) permit the creation of any Lien ranking prior to or on a parity with the lien of this Indenture or, except as otherwise permitted or contemplated herein, terminate the Lien of this Indenture on any part of the Trust Estate or deprive the Holder of any Note of the security provided by the Lien of this Indenture;

(q) modify or alter any provisions (including any relevant definitions) relating to the pro rata treatment of payments to any Class of Notes; or

(r) (w) reduce the Required Overcollateralization Amount or change the manner in which the Adjusted Loan Principal Balance is calculated or structured, (x) modify the definition of “First Priority Principal Payment”, “Second Priority Principal Payment”, “Third Priority Principal Payment”, “Fourth Priority Principal Payment”, “Fifth Priority Principal Payment”, “Regular Principal Distribution Amount”, “Advance Reserve Account Shortfall Amount” or “Event of Default” (or any defined term used therein), (x) modify the provisions of this Section 9.02, (y) amend or supplement Section 8.03 hereof with respect to the provisions of permitting monthly deposits of Collections by the Servicer or Section 8.05 hereof with respect to the provisions permitting the release of Loans from the lien of the Indenture or (z) amend or supplement Section 8.06 hereof with respect to the priority and distribution of Available Funds.

It shall not be necessary for any Act of Noteholders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Promptly after the execution by the Co-Issuers, the Servicer, the Paying Agent, the Note Registrar and the Indenture Trustee of any supplemental indenture pursuant to this Section, the Indenture Trustee shall mail to the Holders of the Notes to which such amendment or

supplemental indenture relates written notice setting forth in general terms the substance of such supplemental indenture. Any failure of the Indenture Trustee to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

SECTION 8.03 **Execution of Supplemental Indentures.**

In executing any supplemental indenture permitted by this Article IX or the modification thereby of the trusts created by this Indenture, the Indenture Trustee and the Paying Agent shall be entitled to receive, and subject to Sections 6.01 and 6.02, shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture.

The Indenture Trustee, the Paying Agent and the Note Registrar may, but shall not be obligated to, enter into any supplemental indenture that affects its (as such or in its individual capacity) own rights, duties, liabilities, benefits, protections, privileges or immunities under this Indenture or otherwise.

Any supplemental indenture affecting the right, duties, immunities or liabilities of the Loan Trustees shall require the Loan Trustees' written consent.

SECTION 8.04 **Effect of Supplemental Indenture.**

Upon the execution of any supplemental indenture under this Article IX, this Indenture shall be modified and amended in accordance therewith with respect to the Notes affected thereby, and the respective rights, limitations of rights, obligations, duties, liabilities and immunities under this Indenture of the Indenture Trustee, the Paying Agent, the Note Registrar, the Co-Issuers, the Loan Trustees, the Servicer and the Holders of the Notes shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and the terms and conditions of any such supplemental indenture shall be deemed to be a part of this Indenture for any and all purposes.

SECTION 8.05 **Reference in Notes to Supplemental Indentures.**

Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article IX may, and if required by the Co-Issuers or the Indenture Trustee shall, bear a notation in form approved by the Indenture Trustee as to any matter provided for in such supplemental indenture. If the Co-Issuers shall so determine, new Notes so modified as to conform, in the opinion of the Indenture Trustee and the Co-Issuers, to any such supplemental indenture may be prepared and executed by the Co-Issuers and authenticated and delivered by the Note Registrar in exchange for the Outstanding Notes.

ARTICLE IX **Termination**

SECTION 9.01 **Termination of Indenture.**

The respective obligations and responsibilities of the Co-Issuers, the Loan Trustees, the Servicer, the Paying Agent, the Note Registrar and the Indenture Trustee created hereby (other than those which by their terms survive) shall terminate upon payment in full of all Outstanding Notes and the satisfaction in full of all other obligations of the Co-Issuers, the Loan Trustees, the Servicer, the Paying Agent, the Note Registrar and the Indenture Trustee pursuant to this Indenture.

SECTION 9.02 **Final Distribution.**

(e) The Servicer shall give the Indenture Trustee, the Paying Agent and the Note Registrar at least fifteen (15) days prior written notice of the Payment Date on which the Noteholders may surrender their Notes for payment of the final distribution on and cancellation of such Notes. Such notice shall be accompanied by an Officer's Certificate of the Servicer setting forth the information specified in Section 2.07 of the Servicing Agreement covering the period during the then-current calendar year through the date of such notice. To the extent practicable, not later than five (5) Business Days prior to such final Payment Date, the Indenture Trustee shall provide notice to Noteholders specifying (i) the date upon which final payment of the Notes will be made upon presentation and surrender of such Notes at the office or offices therein designated, (ii) the amount of any such final payment and (iii) that the Record Date otherwise applicable to such Payment Date is not applicable, payments being made only upon presentation and surrender of such Notes at the office or offices therein specified. The Indenture Trustee shall give such notice to the Note Registrar and the Paying Agent (if other than the Indenture Trustee) at the time such notice is given to Noteholders.

(f) Notwithstanding a final distribution to the Noteholders (or the termination of the Co-Issuers), except as otherwise provided in this paragraph, all funds then on deposit in the Collection Account, shall continue to be held in trust for the benefit of such Noteholders and the Indenture Trustee shall pay such funds to such Noteholders upon surrender of their Notes. In the event that all such Noteholders shall not surrender their Notes for cancellation within six (6) months after the date specified in the notice from the Indenture Trustee described in paragraph (a), the Indenture Trustee shall give a second notice to the remaining such Noteholders to surrender their Notes for cancellation and receive the final distribution with respect thereto. If within one (1) year after the second notice all such Notes shall not have been surrendered for cancellation, the Indenture Trustee may take appropriate steps, or may appoint an agent to take appropriate steps, to contact the remaining such Noteholders concerning surrender of their Notes pursuant to and as described in Section 3.03. The Indenture Trustee shall pay to the Co-Issuers any monies held by them for the payment of principal or interest that remains unclaimed for two (2) years pursuant to and as described in Section 3.03. After payment to the Co-Issuers, Noteholders entitled to the money must look to the Co-Issuers for payment as general creditors unless an applicable abandoned property law designates another Person.

ARTICLE X ***Miscellaneous***

SECTION 10.01 **Compliance Certificates.**

Upon any application or request by the Co-Issuers to the Indenture Trustee to take any action under any provision of this Indenture, the Co-Issuers shall furnish to the Indenture Trustee an Officer's Certificate of the Co-Issuers stating that all conditions precedent, if any, provided for in this Indenture relating to the proposed action have been complied with.

Every certificate with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(xxxii) a statement that each signatory of such certificate has read or has caused to be read such covenant or condition and the definitions herein relating thereto;

(xxxiii) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based;

(xxxiv) a statement that, in the opinion of each such signatory, such signatory has made such examination or investigation as is necessary to enable such signatory to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(xxxv) a statement as to whether, in the opinion of each such signatory, such condition or covenant has been complied with.

SECTION 10.02 **Form of Documents Delivered to Indenture Trustee.**

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Authorized Officer of the Co-Issuers may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such Authorized Officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which such Authorized Officer's certificate or opinion is based are erroneous. Any such certificate of an Authorized Officer or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Servicer, the Co-Issuers or the Administrator, stating that the information with respect to such factual matters is in the possession of the Servicer, the Co-Issuers or the Administrator, unless such Authorized Officer or counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two (2) or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

SECTION 10.03 Acts of Noteholders.

(f) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by an agent duly appointed in writing and satisfying any requisite percentages as to minimum number or Dollar value of aggregate unpaid principal amount represented by such Noteholders; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee, and, where it is hereby expressly required, to the Co-Issuers. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the “Act” of the Noteholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Indenture Trustee and the Co-Issuers, if made in the manner provided in this Section 11.03.

(g) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner which the Indenture Trustee deems sufficient.

(h) The ownership of Notes shall be proved by the Note Register.

(i) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Notes shall bind the Holder (and any transferee thereof) of every Note issued upon the registration thereof, in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Indenture Trustee or the Co-Issuers in reliance thereon, whether or not notation of such action is made upon such Note.

SECTION 10.04 Notices, Etc. Any request, demand, authorization, direction, notice, consent, waiver or Act of Noteholders or other documents provided or permitted by the Indenture to be in writing and shall be made upon, given or furnished to, or filed with:

(e) the Indenture Trustee shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to a Responsible Officer, by facsimile transmission or by other means acceptable to the Indenture Trustee to or with the Indenture Trustee at its Corporate Trust Office; or

(f) the Co-Issuers shall be sufficient for every purpose hereunder if in writing and mailed, first-class postage prepaid, to the Co-Issuers addressed to it at SpringCastle Funding Asset-Backed Notes, c/o Springleaf Finance, Inc., 601 NW Second Street, Evansville Indiana 47708, Attention: General Counsel, Facsimile: (812) 468-5396, or at any other address previously furnished in writing to the Indenture Trustee by the Co-Issuers.

The Co-Issuers shall promptly transmit any notice received by it from the Noteholders to the Indenture Trustee.

SECTION 10.05 Notices to Noteholders; Waiver.

Where this Indenture provides for notice to Noteholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided), if in writing and mailed by first-class mail postage prepaid or national overnight courier service to each Noteholder affected by such event, at its address as it appears on the Note Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. In any case where notice to Noteholders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Noteholder shall affect the sufficiency of such notice with respect to other Noteholders and any notice which is mailed in the manner herein provided shall conclusively be presumed to have been duly given.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Indenture Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In the event that, by reason of the suspension of regular mail service, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Indenture Trustee shall be deemed to be a sufficient giving of such notice.

SECTION 10.06 Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

SECTION 10.07 Successors and Assigns.

All covenants and agreements in this Indenture by the Co-Issuers, the Loan Trustees and the Servicer shall bind their respective successors and assigns, whether so expressed or not. All covenants and agreements of the Indenture Trustee in this Indenture shall bind its successors and assigns. Notwithstanding the foregoing, no party hereto may assign its rights or obligations under this Indenture without the prior written consent of each other party hereto.

SECTION 10.08 Separability.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 10.09 Benefits of Indenture.

Nothing in this Indenture or in the Notes, express or implied, shall give to any Person, other than the parties hereto, the Noteholders, and their respective successors hereunder, any benefit or any legal or equitable right, remedy or claim under this Indenture.

SECTION 10.10 **Legal Holidays.**

In any case where the date on which any payment is due shall not be a Business Day, then (notwithstanding any other provision of the Notes or this Indenture) payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date on which nominally due.

SECTION 10.11 **Governing Law.**

(a) **THIS INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED THEREIN WITHOUT REFERENCE TO ITS CONFLICT OF LAWS PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW).**

(b) Regardless of any provision in any other agreement, for purposes of the UCC, the State of New York shall be deemed to be the “bank’s jurisdiction” (within the meaning of Section 9-304 of the UCC) and the “securities intermediary’s jurisdiction” (within the meaning of Section 8-110 of the UCC) for each of the Paying Agent and the Indenture Trustee.

SECTION 10.12 **Counterparts.**

This Indenture may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 10.13 **Recording of Indenture.**

If this Indenture is subject to recording in any appropriate public recording offices, such recording is to be effected by the Co-Issuers and at its expense accompanied by an Opinion of Counsel (which shall be counsel reasonably acceptable to the Indenture Trustee) to the effect that such recording is necessary either for the protection of the Noteholders or any other Person secured hereunder or for the enforcement of any right or remedy granted to the Indenture Trustee under this Indenture.

SECTION 10.14 **Inspection.**

The Co-Issuers agrees that, on reasonable prior notice, it will permit any representative of the Indenture Trustee, during the Co-Issuers’ normal business hours, to examine all the books of account, records, reports, and other papers of the Co-Issuers, to make copies and extracts therefrom, to cause such books to be audited by Independent certified public accountants, and to discuss the Co-Issuers’ affairs, finances and accounts with the Co-Issuers’ officers, employees, and Independent certified public accountants, all at such reasonable times and as often as may be

reasonably requested. The Indenture Trustee shall, and shall cause its representatives, to hold in confidence all such information except to the extent disclosure may be required by law (and all reasonable applications for confidential treatment are unavailing) and except to the extent that the Indenture Trustee may reasonably determine that such disclosure is consistent with its obligations hereunder or is required by the UCC.

SECTION 10.15 **Co-Issuers Obligations.**

No recourse may be taken, directly or indirectly, with respect to the obligations of the Co-Issuers, the Loan Trustees, or the Indenture Trustee on the Notes or under this Indenture or any certificate or other writing delivered in connection herewith or therewith, against (i) the Indenture Trustee in its individual capacity, (ii) any owner of a beneficial interest in the Co-Issuers or (iii) any partner, owner, beneficiary, agent, officer, director, employee or agent of the Indenture Trustee in its individual capacity, any holder of a beneficial interest in the Co-Issuers, the Loan Trustees or the Indenture Trustee or of any successor or assign of the Indenture Trustee in its individual capacity.

Each Loan Trustee is entering into this Indenture not in its individual capacity but solely as Loan Trustee and, accordingly, each Loan Trustee shall incur no personal liability in connection herewith or the transactions contemplated hereby.

SECTION 10.16 **No Bankruptcy Petition; Disclaimer and Subordination.**

(q) Each of the Servicer, the Indenture Trustee and each Noteholder (by acceptance of the applicable Notes) covenants and agrees that it will not institute against any of the Sellers or the Co-Issuers, or solicit or join in or cooperate with or encourage any other Person in instituting against any of the Sellers or the Co-Issuers, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceedings under the laws of the United States of America or any state of the United States of America. The parties hereto agree that the obligations under this Section 11.16 shall survive termination of this Indenture.

(r) The provisions of this Section 11.16 shall be for the third party benefit of those entitled to rely thereon and shall survive the termination of this Indenture.

SECTION 10.17 **Tax Matters; Administration of Transfer Restrictions.**

(a) Notwithstanding anything to the contrary herein, each of the Servicer and Paying Agent (or any other applicable withholding agent) shall be entitled to withhold any amount in respect of a Note that it determines in its sole discretion is required to be withheld pursuant to applicable law and such amount shall be deemed to have been paid for all purposes of the Indenture.

(b) Each Noteholder agrees that prior to the date on which the first interest payment hereunder is due thereto, it will provide to the Servicer and the Paying Agent (i) if such Noteholder is not a "United States person" within the meaning of Section 7701(a)(30) of the Internal

Revenue Code, two duly completed copies of the United States Internal Revenue Service Form W-8ECI, Form W-8IMY, Form W-8BEN, or Form W-8BEN-E, as applicable, or in each case successor applicable or required forms, (ii) in any other case, a duly completed copy of United States Internal Revenue Service Form W-9 or successor applicable or required forms, and (iii) upon request, such other forms and information as may be reasonably required to confirm the availability of any applicable exemption from any United States federal, state or local withholding taxes (including pursuant to the Foreign Account Tax Compliance Act). Each Noteholder agrees to provide to the Servicer and the Paying Agent like additional subsequent duly completed forms (subject to like consent) satisfactory to the Servicer and the Paying Agent on or before the date that any such form expires or becomes obsolete, or upon the occurrence of any event requiring an amendment, resubmission or change in the most recent form previously delivered by it, and to provide such extensions or renewals as may be reasonably requested by the Servicer or the Paying Agent. Each Noteholder certifies, represents and warrants that as of the date of this Indenture, or in the case of a Noteholder which is an assignee as of the date of such assignment, that it is entitled (x) to receive payments under this Indenture without deduction or withholding of any United States federal income taxes and any United States taxes imposed under the Foreign Account Tax Compliance Act and (y) to an exemption from United States backup withholding tax. Each Noteholder represents and warrants that it shall pay any taxes imposed on such Noteholder attributable to its interest in the Notes.

(c) The Paying Agent shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under the Indenture with respect to any transfer of any interest in any Note (including any transfers between or among Holders) other than to require delivery of such certificates as are expressly required by, and to do so if and when expressly required by, this Indenture (including, without limitation, the Internal Revenue Service Forms required by this Section 11.17(b) and the transferee certifications, as set forth in Exhibits B-6 and B-7, respectively, required by Section 2.05 in connection with a transfer of Class D or Class E Notes), and to examine the same to determine material compliance as to form with the express requirements hereof.

IN WITNESS WHEREOF, the Co-Issuers, the Loan Trustees, the Servicer and the Indenture Trustee have caused this Indenture to be duly executed by their respective officers thereunto duly authorized, all as of the date first above written.

SPRINGCASTLE AMERICA FUNDING, LLC, as Co-Issuer

By: /s/ Rhonda Jenkins
Name: Rhonda Jenkins
Title: Assistant Treasurer

SPRINGCASTLE CREDIT FUNDING, LLC, as Co-Issuer

By: /s/ Rhonda Jenkins
Name: Rhonda Jenkins
Title: Assistant Treasurer

SPRINGCASTLE FINANCE FUNDING, LLC, as Co-Issuer

By: /s/ Rhonda Jenkins
Name: Rhonda Jenkins
Title: Assistant Treasurer

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity,
but solely as Loan Trustee on behalf of SpringCastle America Funding, LLC

By: /s/ Dorri Costello
Name: Dorri Costello
Title: Assistant Vice President

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity,
but solely as Loan Trustee on behalf of SpringCastle Credit Funding, LLC

By: /s/ Dorri Costello
Name: Dorri Costello
Title: Assistant Vice President

WILMINGTON TRUST, NATIONAL ASSOCIATION, not in its individual capacity,
but solely as Loan Trustee on behalf of SpringCastle Finance Funding, LLC

By: /s/ Dorri Costello
Name: Dorri Costello
Title: Assistant Vice President

SPRINGLEAF FINANCE, INC., as Servicer

By: /s/ Rhonda Jenkins

Name: Rhonda Jenkins

Title: Assistant Treasurer

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Paying Agent and Note Registrar

By: /s/ Marianna C. Stershic
Name: Marianna C. Stershic
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION, as Indenture Trustee

By: /s/ John L. Linssen
Name: John L. Linssen
Title: Vice President

EXHIBIT A

FORM OF CLASS [A][B][C][D][E] NOTE

[For Rule 144A Notes, with (i) the italicized language in brackets to be included only in the Class A, Class B and Class C Notes, (ii) the italicized and underscored language in brackets to be included only in the Class A, Class B, Class C and Class D Notes, (iii) underscored language in brackets to be included only in the Class D Notes and (iv) the bolded language in brackets to be included only in the Class E Notes, which shall only be issued as Definitive Notes, unless, in any case, determined otherwise in accordance with applicable law.]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), ANY UNITED STATES STATE SECURITIES OR “BLUE SKY” LAWS OR ANY SECURITIES LAWS OF ANY OTHER JURISDICTION, AND, AS A MATTER OF U.S. LAW, MAY NOT BE OFFERED OR SOLD IN VIOLATION OF THE SECURITIES ACT OR SUCH OTHER LAWS. THIS NOTE, AND ANY BENEFICIAL INTEREST HEREIN, MAY BE TRANSFERRED ONLY IN MINIMUM DENOMINATIONS OF [\$100,000] [\$5,000,000] [\$10,000,000] AND \$1,000 INCREMENTS IN EXCESS THEREOF. THE HOLDER HEREOF, BY PURCHASING OR ACCEPTING THIS NOTE, IS HEREBY DEEMED TO HAVE AGREED FOR THE BENEFIT OF THE CO-ISSUERS AND THE INITIAL PURCHASERS THAT IT WILL RESELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE, AS A MATTER OF U.S. LAW, ONLY *[(1)]* SO LONG AS THIS NOTE IS ELIGIBLE FOR RESALE, PURSUANT TO RULE 144A PROMULGATED UNDER THE SECURITIES ACT (“RULE 144A”), TO A PERSON WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER, AS DEFINED IN RULE 144A (A “QUALIFIED INSTITUTIONAL BUYER”), THAT IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR AS A FIDUCIARY OR AGENT FOR OTHERS (WHICH OTHERS MUST ALSO BE QUALIFIED INSTITUTIONAL BUYERS) TO WHOM NOTICE IS GIVEN THAT THE RESALE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, *[OR (2) TO A PERSON WHO IS NOT A “U.S. PERSON” (AS DEFINED IN REGULATION S PROMULGATED UNDER THE SECURITIES ACT (“REGULATION S”)) OUTSIDE THE UNITED STATES ACQUIRING THIS NOTE IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S,]* IN EACH CASE IN ACCORDANCE WITH ANY UNITED STATES STATE SECURITIES OR “BLUE SKY” LAWS OR ANY SECURITIES LAWS OF ANY OTHER JURISDICTION.

EACH NOTEHOLDER OR BENEFICIAL OWNER, BY ACCEPTANCE OF THIS NOTE, OR, IN THE CASE OF A BENEFICIAL OWNER, A BENEFICIAL INTEREST IN THIS NOTE, WILL BE DEEMED TO REPRESENT AND WARRANT THAT *[EITHER (I)]* IT IS NOT AND IS NOT ACTING ON BEHALF OF, OR USING THE ASSETS OF (A) AN “EMPLOYEE BENEFIT PLAN,” AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), THAT IS SUBJECT TO TITLE I OF ERISA, (B) A “PLAN,” AS DEFINED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “INTERNAL REVENUE CODE”), THAT IS SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE, (C) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” BY REASON OF SUCH EMPLOYEE BENEFIT PLAN’S OR PLAN’S INVESTMENT IN THE ENTITY (WITHIN THE MEANING OF DEPARTMENT OF LABOR REGULATION 29 C.F.R. 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA) OR (D) ANY GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN THAT IS SUBJECT TO ANY NON-U.S., FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE INTERNAL REVENUE CODE (“SIMILAR LAW”) OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE ASSETS OF ANY SUCH PLAN *[OR (II) ITS ACQUISITION, CONTINUED HOLDING, AND DISPOSITION OF THIS NOTE (OR ANY INTEREST HEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE INTERNAL REVENUE CODE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION OR VIOLATION OF ANY SIMILAR LAW]*.

[EXCEPT AS SET FORTH IN SECTION 2.05 OF THE INDENTURE, NO TRANSFER OF A CLASS D NOTE OR BENEFICIAL INTEREST THEREIN SHALL BE EFFECTIVE, AND ANY SUCH ATTEMPTED TRANSFER SHALL BE VOID AB INITIO, UNLESS, PRIOR TO AND AS A CONDITION TO EACH SUCH TRANSFER, THE PROSPECTIVE TRANSFEREE (INCLUDING THE INITIAL BENEFICIAL OWNER AS INITIAL TRANSFEREE) AND ANY SUBSEQUENT TRANSFEREE REPRESENTS AND WARRANTS, IN WRITING, SUBSTANTIALLY IN THE FORM OF THE TRANSFEREE CERTIFICATION SET FORTH IN EXHIBIT B-6 TO THE INDENTURE, TO THE INDENTURE TRUSTEE AND THE NOTE REGISTRAR, AND ANY OF THEIR RESPECTIVE SUCCESSORS AND ASSIGNS, THAT: (A) EITHER (I) IT IS NOT AND WILL NOT BECOME FOR U.S. FEDERAL INCOME TAX PURPOSES A PARTNERSHIP, SUBCHAPTER S CORPORATION

OR GRANTOR TRUST (OR A DISREGARDED ENTITY THE SINGLE OWNER OF WHICH IS ANY OF THE FOREGOING) (EACH SUCH ENTITY A “FLOW-THROUGH ENTITY”) OR (II) IF IT IS OR BECOMES A FLOW-THROUGH ENTITY, THEN (X) NONE OF THE DIRECT OR INDIRECT BENEFICIAL OWNERS OF ANY OF THE INTERESTS IN SUCH FLOW-THROUGH ENTITY HAS OR EVER WILL HAVE MORE THAN 50% OF THE VALUE OF ITS INTEREST IN SUCH FLOW-THROUGH ENTITY ATTRIBUTABLE TO THE BENEFICIAL INTEREST OF SUCH FLOW-THROUGH ENTITY IN THE NOTES, OTHER INTEREST (DIRECT OR INDIRECT) IN ANY OF THE CO-ISSUERS, OR ANY INTEREST CREATED UNDER THE INDENTURE AND (Y) IT IS NOT AND WILL NOT BE A PRINCIPAL PURPOSE OF THE ARRANGEMENT INVOLVING THE FLOW-THROUGH ENTITY’S BENEFICIAL INTEREST IN ANY CLASS D NOTE TO PERMIT ANY PARTNERSHIP TO SATISFY THE 100 PARTNER LIMITATION OF SECTION 1.7704-1(h)(1)(ii) OF THE TREASURY REGULATIONS NECESSARY FOR SUCH PARTNERSHIP NOT TO BE CLASSIFIED AS A PUBLICLY TRADED PARTNERSHIP UNDER THE INTERNAL REVENUE CODE, (B) IT IS NOT ACQUIRING ANY CLASS D NOTE OR BENEFICIAL INTEREST THEREIN, IT WILL NOT SELL, TRANSFER, ASSIGN, PARTICIPATE, PLEDGE OR OTHERWISE DISPOSE OF ANY CLASS D NOTE(S) OR BENEFICIAL INTEREST THEREIN, AND IT WILL NOT CAUSE ANY CLASS D NOTE(S) OR BENEFICIAL INTEREST THEREIN TO BE MARKETING, IN EACH CASE ON OR THROUGH AN “ESTABLISHED SECURITIES MARKET” WITHIN THE MEANING OF SECTION 7704(b) OF THE INTERNAL REVENUE CODE, INCLUDING, WITHOUT LIMITATION, AN INTERDEALER QUOTATION SYSTEM THAT REGULARLY DISSEMINATES FIRM BUY OR SELL QUOTATIONS, (C) ITS BENEFICIAL INTEREST IN THE CLASS D NOTES IS NOT AND WILL NOT BE IN AN AMOUNT THAT IS LESS THAN THE MINIMUM DENOMINATION FOR SUCH CLASS D NOTE SET FORTH IN THE INDENTURE, AND IT DOES NOT AND WILL NOT HOLD ANY INTEREST ON BEHALF OF ANY PERSON WHOSE BENEFICIAL INTEREST IN A CLASS D NOTE IS IN AN AMOUNT THAT IS LESS THAN THE MINIMUM DENOMINATION FOR THE CLASS D NOTES SET FORTH IN THE INDENTURE, (D) IT WILL NOT SELL, ASSIGN, TRANSFER, PLEDGE OR OTHERWISE DISPOSE OF ANY CLASS D NOTE OR ANY BENEFICIAL INTEREST THEREIN, OR ENTER INTO ANY FINANCIAL INSTRUMENT OR CONTRACT THE VALUE OF WHICH IS DETERMINED BY REFERENCE IN WHOLE OR IN PART TO ANY CLASS D NOTE OR BENEFICIAL INTEREST THEREIN, IN EACH CASE IF THE EFFECT OF DOING SO WOULD BE THAT THE BENEFICIAL INTEREST OF ANY PERSON IN THE CLASS D NOTE WOULD BE IN AN AMOUNT THAT IS LESS THAN THE MINIMUM DENOMINATION FOR THE CLASS D NOTES SET FORTH IN THE INDENTURE, (E) IT WILL NOT USE ANY CLASS D NOTE AS COLLATERAL FOR THE ISSUANCE OF ANY SECURITIES THAT COULD CAUSE ANY CO-ISSUER TO BE TREATED AS AN ASSOCIATION OR PUBLICLY TRADED PARTNERSHIP TAXABLE AS CORPORATION FOR U.S. FEDERAL INCOME TAX AND (F) IT WILL NOT TRANSFER A CLASS D NOTE OR ANY BENEFICIAL INTEREST THEREIN (DIRECTLY, THROUGH A PARTICIPATION, OR OTHERWISE) UNLESS, PRIOR TO THE TRANSFER, THE TRANSFEREE SHALL HAVE EXECUTED AND DELIVERED TO THE INDENTURE TRUSTEE AND THE NOTE REGISTRAR, AND ANY OF THEIR RESPECTIVE SUCCESSORS AND ASSIGNS, THAT A TRANSFEREE CERTIFICATION SUBSTANTIALLY IN THE FORM OF EXHIBIT B-6 TO THE INDENTURE. NOTWITHSTANDING THE FOREGOING, A TRANSFEREE (i) MAY ENGAGE IN ANY REPURCHASE TRANSACTION (REPO) THE SUBJECT MATTER OF WHICH IS A CLASS D NOTE OR ANY BENEFICIAL INTEREST THEREIN IF THE TERMS OF SUCH REPURCHASE TRANSACTION ARE GENERALLY CONSISTENT WITH PREVAILING MARKET PRACTICE AND (ii) MAY PLEDGE A CLASS D NOTE OR ANY BENEFICIAL INTEREST THEREIN IF DOING SO WILL NOT RESULT IN ANY PERSON (OTHER THAN THE TRANSFEREE) BEING TREATED FOR U.S. FEDERAL INCOME TAX PURPOSES AS THE OWNER OF ALL OR ANY PORTION OF A CLASS D NOTE OR BENEFICIAL INTEREST THEREIN.]

[EXCEPT AS SET FORTH IN SECTION 2.05 OF THE INDENTURE, NO TRANSFER OF A CLASS E NOTE OR BENEFICIAL INTEREST THEREIN SHALL BE EFFECTIVE, AND ANY SUCH ATTEMPTED TRANSFER SHALL BE VOID AB INITIO, UNLESS, PRIOR TO AND AS A CONDITION TO EACH SUCH TRANSFER, THE PROSPECTIVE TRANSFEREE (INCLUDING THE INITIAL BENEFICIAL OWNER AS INITIAL TRANSFEREE) AND ANY SUBSEQUENT TRANSFEREE REPRESENTS AND WARRANTS, IN WRITING, SUBSTANTIALLY IN THE FORM OF THE TRANSFEREE CERTIFICATION SET FORTH IN EXHIBIT B-7 TO THE INDENTURE, TO THE INDENTURE TRUSTEE AND THE NOTE REGISTRAR, AND ANY OF THEIR RESPECTIVE SUCCESSORS AND ASSIGNS, THAT: (A) EITHER (I) IT IS NOT AND WILL NOT BECOME FOR U.S. FEDERAL INCOME TAX PURPOSES A PARTNERSHIP, SUBCHAPTER S CORPORATION OR GRANTOR TRUST (OR A DISREGARDED ENTITY THE SINGLE OWNER OF WHICH IS ANY OF THE FOREGOING) (EACH SUCH ENTITY A “FLOW-THROUGH ENTITY”) OR (II) IF IT IS OR BECOMES A FLOW-THROUGH ENTITY, THEN (X) NONE OF THE DIRECT OR INDIRECT BENEFICIAL OWNERS OF ANY OF THE INTERESTS IN SUCH FLOW-THROUGH ENTITY HAS OR EVER WILL HAVE MORE THAN 50% OF THE VALUE OF ITS INTEREST IN SUCH FLOW-THROUGH ENTITY ATTRIBUTABLE TO THE BENEFICIAL INTEREST OF SUCH FLOW-THROUGH ENTITY IN THE NOTES, OTHER INTEREST (DIRECT OR INDIRECT) IN ANY CO-ISSUER, OR ANY INTEREST CREATED UNDER THE INDENTURE AND (Y) IT IS NOT AND WILL NOT BE A PRINCIPAL PURPOSE OF THE ARRANGEMENT INVOLVING THE FLOW-THROUGH ENTITY’S BENEFICIAL INTEREST IN ANY CLASS E NOTE TO PERMIT ANY PARTNERSHIP TO SATISFY THE 100 PARTNER LIMITATION OF SECTION 1.7704-1(h)(1)(ii) OF THE TREASURY REGULATIONS NECESSARY FOR SUCH PARTNERSHIP NOT TO BE CLASSIFIED AS A PUBLICLY TRADED PARTNERSHIP UNDER THE INTERNAL REVENUE CODE, (B) IT IS NOT ACQUIRING ANY CLASS E NOTE OR BENEFICIAL INTEREST THEREIN, IT WILL NOT SELL, TRANSFER, ASSIGN, PARTICIPATE, PLEDGE OR OTHERWISE DISPOSE OF ANY CLASS E NOTE(S) OR BENEFICIAL INTEREST THEREIN, AND IT WILL NOT CAUSE ANY CLASS E NOTE(S) OR BENEFICIAL INTEREST THEREIN TO BE

MARKETED, IN EACH CASE ON OR THROUGH AN “ESTABLISHED SECURITIES MARKET” WITHIN THE MEANING OF SECTION 7704(b) OF THE INTERNAL REVENUE CODE, INCLUDING, WITHOUT LIMITATION, AN INTERDEALER QUOTATION SYSTEM THAT REGULARLY DISSEMINATES FIRM BUY OR SELL QUOTATIONS, (C) ITS BENEFICIAL INTEREST IN THE CLASS E NOTES IS NOT AND WILL NOT BE IN AN AMOUNT THAT IS LESS THAN THE MINIMUM DENOMINATION FOR SUCH CLASS E NOTE SET FORTH IN THE INDENTURE, AND IT DOES NOT AND WILL NOT HOLD ANY INTEREST ON BEHALF OF ANY PERSON WHOSE BENEFICIAL INTEREST IN A CLASS E NOTE IS IN AN AMOUNT THAT IS LESS THAN THE MINIMUM DENOMINATION FOR THE CLASS E NOTES SET FORTH IN THE INDENTURE, (D) IT WILL NOT SELL, ASSIGN, TRANSFER, PLEDGE OR OTHERWISE DISPOSE OF ANY CLASS E NOTE OR ANY BENEFICIAL INTEREST THEREIN, OR ENTER INTO ANY FINANCIAL INSTRUMENT OR CONTRACT THE VALUE OF WHICH IS DETERMINED BY REFERENCE IN WHOLE OR IN PART TO ANY CLASS E NOTE OR BENEFICIAL INTEREST THEREIN, IN EACH CASE IF THE EFFECT OF DOING SO WOULD BE THAT THE BENEFICIAL INTEREST OF ANY PERSON IN THE CLASS E NOTE WOULD BE IN AN AMOUNT THAT IS LESS THAN THE MINIMUM DENOMINATION FOR THE CLASS E NOTES SET FORTH IN THE INDENTURE, (E) IT WILL NOT USE ANY CLASS E NOTE AS COLLATERAL FOR THE ISSUANCE OF ANY SECURITIES THAT COULD CAUSE ANY CO-ISSUER TO BE TREATED AS AN ASSOCIATION OR PUBLICLY TRADED PARTNERSHIP TAXABLE AS CORPORATION FOR U.S. FEDERAL INCOME TAX PURPOSES, (F) IT WILL NOT TRANSFER A CLASS E NOTE OR ANY BENEFICIAL INTEREST THEREIN (DIRECTLY, THROUGH A PARTICIPATION, OR OTHERWISE) UNLESS, PRIOR TO THE TRANSFER, THE TRANSFEREE SHALL HAVE EXECUTED AND DELIVERED TO THE INDENTURE TRUSTEE AND THE NOTE REGISTRAR, AND ANY OF THEIR RESPECTIVE SUCCESSORS OR ASSIGNS, A TRANSFEREE CERTIFICATION SUBSTANTIALLY IN THE FORM OF EXHIBIT B-7 TO THE INDENTURE, AND (G) IT IS A “UNITED STATES PERSON” AS DEFINED IN SECTION 7701(a)(30) OF THE INTERNAL REVENUE CODE AND WILL NOT TRANSFER TO, OR CAUSE SUCH CLASS E NOTE OR BENEFICIAL INTEREST THEREIN TO BE TRANSFERRED TO, ANY PERSON OTHER THAN A “UNITED STATES PERSON,” AS DEFINED IN SECTION 7701(a)(30) OF THE INTERNAL REVENUE CODE. NOTWITHSTANDING THE FOREGOING, A TRANSFEREE (i) MAY ENGAGE IN ANY REPURCHASE TRANSACTION (REPO) THE SUBJECT MATTER OF WHICH IS A CLASS E NOTE OR ANY BENEFICIAL INTEREST THEREIN IF THE TERMS OF SUCH REPURCHASE TRANSACTION ARE GENERALLY CONSISTENT WITH PREVAILING MARKET PRACTICE AND (ii) MAY PLEDGE A CLASS E NOTE OR ANY BENEFICIAL INTEREST THEREIN IF DOING SO WILL NOT RESULT IN ANY PERSON (OTHER THAN THE TRANSFEREE) BEING TREATED FOR U.S. FEDERAL INCOME TAX PURPOSES AS THE OWNER OF ALL OR ANY PORTION OF A CLASS E NOTE OR BENEFICIAL INTEREST THEREIN.]

THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES UNDERTAKEN OR REPRESENTED BY THE HOLDER, FOR RESALES AND OTHER TRANSFERS OF THIS NOTE, TO REFLECT ANY CHANGE IN, OR TO MAKE USE OF OTHER, APPLICABLE LAWS OR REGULATIONS (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO RESALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE AND ANY BENEFICIAL OWNER OF ANY INTEREST THEREIN SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF OR THEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON) AND AGREES TO TRANSFER THIS NOTE ONLY IN ACCORDANCE WITH SUCH RELATED DOCUMENTATION AS SO AMENDED OR SUPPLEMENTED AND IN ACCORDANCE WITH APPLICABLE LAW IN EFFECT AT THE DATE OF SUCH TRANSFER.

[UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE NOTE REGISTRAR OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.]

THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE MAY BE REDUCED FROM TIME TO TIME BY DISTRIBUTIONS ON THIS NOTE ALLOCABLE TO PRINCIPAL. ACCORDINGLY, FOLLOWING THE INITIAL ISSUANCE OF THIS NOTE, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE MAY BE DIFFERENT FROM THE INITIAL PRINCIPAL AMOUNT SHOWN BELOW. ANYONE ACQUIRING THIS NOTE MAY ASCERTAIN THE CURRENT OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE BY INQUIRY OF THE NOTE REGISTRAR. ON THE DATE OF THE INITIAL ISSUANCE OF THIS NOTE, THE NOTE REGISTRAR IS WELLS FARGO BANK, NATIONAL ASSOCIATION.

THE HOLDER OF THIS NOTE, BY ACCEPTANCE OF THIS NOTE, AND EACH OWNER OF A BENEFICIAL INTEREST HEREIN, AGREES TO TREAT THE NOTES AS INDEBTEDNESS FOR APPLICABLE UNITED STATES FEDERAL, STATE,

AND LOCAL INCOME AND FRANCHISE TAX LAW AND FOR PURPOSES OF ANY OTHER TAX IMPOSED ON, OR MEASURED BY, INCOME.

[For Regulation S Global Notes, which include only Class A Notes, Class B Notes and Class C Notes, in lieu of the foregoing legends, the following legends shall be included.]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), ANY UNITED STATES STATE SECURITIES OR “BLUE SKY” LAWS OR ANY SECURITIES LAWS OF ANY OTHER JURISDICTION, AND, AS A MATTER OF U.S. LAW, PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE COMMENCEMENT OF THE OFFERING OF THE NOTES AND THE CLOSING OF THE OFFERING OF THE NOTES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES OR TO A “U.S. PERSON” (AS DEFINED IN REGULATION S PROMULGATED UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IN ACCORDANCE WITH RULE 903 OR 904 UNDER REGULATION S PROMULGATED UNDER THE SECURITIES ACT AND PURSUANT TO AND IN ACCORDANCE WITH ANY UNITED STATES STATE SECURITIES OR “BLUE SKY” LAWS OR ANY SECURITIES LAWS OF ANY OTHER JURISDICTION. THIS NOTE, AND ANY BENEFICIAL INTEREST HEREIN, MAY BE TRANSFERRED ONLY IN MINIMUM DENOMINATIONS OF \$100,000 AND \$1,000 INCREMENTS IN EXCESS THEREOF.

EACH NOTEHOLDER OR BENEFICIAL OWNER, BY ACCEPTANCE OF THIS NOTE, OR, IN THE CASE OF A BENEFICIAL OWNER, A BENEFICIAL INTEREST IN THIS NOTE, WILL BE DEEMED TO REPRESENT AND WARRANT THAT EITHER (I) IT IS NOT AND IS NOT ACTING ON BEHALF OF, OR USING THE ASSETS OF (A) AN “EMPLOYEE BENEFIT PLAN,” AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”), THAT IS SUBJECT TO TITLE I OF ERISA, (B) A “PLAN,” AS DEFINED IN SECTION 4975(e)(1) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “INTERNAL REVENUE CODE”), THAT IS SUBJECT TO SECTION 4975 OF THE INTERNAL REVENUE CODE, (C) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” BY REASON OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN’S INVESTMENT IN THE ENTITY (WITHIN THE MEANING OF DEPARTMENT OF LABOR REGULATION 29 C.F.R. 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA) OR (D) ANY GOVERNMENTAL, CHURCH, NON-U.S. OR OTHER PLAN THAT IS SUBJECT TO ANY NON-U.S., FEDERAL, STATE OR LOCAL LAW THAT IS SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE INTERNAL REVENUE CODE (“SIMILAR LAW”) OR AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE ASSETS OF ANY SUCH PLAN OR (II) THE PURCHASER IS ACQUIRING CLASS A NOTES OR CLASS B NOTES AND ITS ACQUISITION, CONTINUED HOLDING AND DISPOSITION OF SUCH NOTES (OR ANY INTEREST THEREIN) WILL NOT GIVE RISE TO A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE INTERNAL REVENUE CODE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION OR VIOLATION OF ANY SIMILAR LAW.

THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES UNDERTAKEN OR REPRESENTED BY THE HOLDER, FOR REALES AND OTHER TRANSFERS OF THIS NOTE, TO REFLECT ANY CHANGE IN, OR TO MAKE USE OF OTHER, APPLICABLE LAWS OR REGULATIONS (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO REALES OR OTHER TRANSFERS OF RESTRICTED SECURITIES GENERALLY. THE HOLDER OF THIS NOTE AND ANY BENEFICIAL OWNER OF ANY INTEREST THEREIN SHALL BE DEEMED, BY ITS ACCEPTANCE OR PURCHASE HEREOF OR THEREOF, TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT (EACH OF WHICH SHALL BE CONCLUSIVE AND BINDING ON THE HOLDER HEREOF AND ALL FUTURE HOLDERS OF THIS NOTE AND ANY NOTES ISSUED IN EXCHANGE OR SUBSTITUTION THEREFOR, WHETHER OR NOT ANY NOTATION THEREOF IS MADE HEREON) AND AGREES TO TRANSFER THIS NOTE ONLY IN ACCORDANCE WITH SUCH RELATED DOCUMENTATION AS SO AMENDED OR SUPPLEMENTED AND IN ACCORDANCE WITH APPLICABLE LAW IN EFFECT AT THE DATE OF SUCH TRANSFER.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE NOTE REGISTRAR OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE MAY BE REDUCED FROM TIME TO TIME BY DISTRIBUTIONS ON THIS NOTE ALLOCABLE TO PRINCIPAL. ACCORDINGLY, FOLLOWING THE INITIAL ISSUANCE OF THIS NOTE, THE OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE MAY BE DIFFERENT FROM THE INITIAL PRINCIPAL AMOUNT SHOWN BELOW. ANYONE ACQUIRING THIS NOTE MAY ASCERTAIN THE CURRENT OUTSTANDING PRINCIPAL AMOUNT OF THIS NOTE BY INQUIRY OF THE NOTE REGISTRAR. ON THE

DATE OF THE INITIAL ISSUANCE OF THIS NOTE, THE NOTE REGISTRAR IS WELLS FARGO BANK, NATIONAL ASSOCIATION.

THE HOLDER OF THIS NOTE, BY ACCEPTANCE OF THIS NOTE, AND EACH OWNER OF A BENEFICIAL INTEREST HEREIN, AGREES TO TREAT THE NOTES AS INDEBTEDNESS FOR APPLICABLE UNITED STATES FEDERAL, STATE, AND LOCAL INCOME AND FRANCHISE TAX LAW AND FOR PURPOSES OF ANY OTHER TAX IMPOSED ON, OR MEASURED BY, INCOME.

Registered [Initial Principal Amount:][up to] \$_____

No. R-__ CUSIP NO. []
ISIN NO. []

SPRINGCASTLE AMERICA FUNDING, LLC,

SPRINGCASTLE CREDIT FUNDING, LLC,

SPRINGCASTLE FINANCE FUNDING, LLC

SPRINGCASTLE FUNDING ASSET BACKED NOTES 2014-A, CLASS [A][B][C][D][E]

SpringCastle America Funding, LLC, a Delaware limited liability company, SpringCastle Credit Funding, LLC, a Delaware limited liability company, and SpringCastle Finance Funding, LLC, a Delaware limited liability company, as Co-Issuers (herein referred to collectively as the “Co-Issuers”), hereby promise jointly and severally to pay to [____], or registered assigns, subject to the following provisions, the principal sum set forth above [(reduced or increased as set forth on Schedule I hereto)], or such lesser amount, as determined in accordance with the Indenture (referred to herein), on the Stated Maturity Date, except as otherwise provided below or in the Indenture. The Co-Issuers will pay interest on the unpaid principal amount of this Note at the Class [A][B][C][D][E] Interest Rate on each Payment Date until the principal amount of this Note is paid, subject to certain limitations in the Indenture. Interest on this Note will accrue for each Payment Date from and including the most recent Payment Date on which interest has been paid to but excluding such Payment Date or, for the initial Payment Date, from and including the Closing Date to but excluding such Payment Date. Interest will be computed as provided in the Indenture. Principal of this Note will be paid in the manner specified on the reverse hereof.

The principal of and interest on this Note are payable in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Reference is made to the further provisions of this Note set forth on the reverse hereof, which will have the same effect as though fully set forth on the face of this Note.

Unless the certificate of authentication hereon has been executed by or on behalf of the Note Registrar, by manual signature, this Note will not be entitled to any benefit under the Indenture or be valid for any purpose.

IN WITNESS WHEREOF, each of the Co-Issuers has caused this Note to be duly executed.

SPRINGCASTLE AMERICA FUNDING, LLC, as Co-Issuer

By: ____
Name:
Title:

SPRINGCASTLE CREDIT FUNDING, LLC, as Co-Issuer

By: ____
Name:
Title:

SPRINGCASTLE FINANCE FUNDING, LLC, as Co-Issuer

By: ____
Name:

Title:

Dated: October [•], 2014

NOTE REGISTRAR'S CERTIFICATE OF AUTHENTICATION

This is one of the Notes of the Series described therein and referred to in the within-mentioned Indenture.

WELLS FARGO BANK, NATIONAL ASSOCIATION, not in its individual capacity,
but solely as Note Registrar

By: _____

Name:

Title:

SPRINGCASTLE AMERICA FUNDING, LLC,

SPRINGCASTLE CREDIT FUNDING, LLC,

SPRINGCASTLE FINANCE FUNDING, LLC

SPRINGCASTLE FUNDING ASSET BACKED NOTES 2014-A, CLASS [A][B][C][D][E]

This Note is one of a duly authorized issue of Notes of the Co-Issuers, designated as the SpringCastle Funding Asset Backed Notes 2014-A, Class [A][B][C][D][E] (the “Notes”), issued under the Indenture, dated as of October [•], 2014 (the “Indenture”), among SpringCastle America Funding, LLC, a Delaware limited liability company, SpringCastle Credit Funding, LLC, a Delaware limited liability company, and SpringCastle Finance Funding, LLC, a Delaware limited liability company, as Co-Issuers (herein referred to collectively as the “Co-Issuers”), Springleaf Finance, Inc., as Servicer (the “Servicer”), Wilmington Trust, National Association, as Loan Trustee on behalf of each of the Co-Issuers, Wells Fargo Bank, National Association, as paying agent (the “Paying Agent”) and as note registrar (the “Note Registrar”) and U.S. Bank National Association, as indenture trustee (the “Indenture Trustee”), and representing the right to receive certain payments from the Co-Issuers. The Notes are subject to all of the terms, provisions and conditions of the Indenture, as it may be amended, supplemented or modified from time to time. All terms used in this Note that are defined in Part A of Schedule I to the Indenture (together with Part B of such Schedule I, the “Definitions Schedule”) have the meanings assigned to them therein or pursuant thereto, as applicable. In the event of any conflict or inconsistency between the Definitions Schedule and this Note, the Definitions Schedule controls.

The Noteholder, by its acceptance of this Note, agrees that it will look solely to the property of the Co-Issuers allocated to the payment of this Note for payment hereunder and that the Indenture Trustee is not liable to the Noteholders for any amount payable under this Note or the Indenture or, except as expressly provided in the Indenture, subject to any liability under the Indenture.

This Note does not purport to summarize the Indenture and reference is made to the Indenture for the interests, rights and limitations of rights, benefits, obligations and duties evidenced thereby, and the rights, duties and immunities of the Indenture Trustee.

The initial Class [A][B][C][D][E] Note Balance is \$[_____]. The Class [A][B][C][D][E] Note Balance on any date of determination will be an amount equal to (a) the initial Class [A][B][C][D][E] Note Balance *minus* (b) the aggregate amount of principal payments made to the Holders of Class [A][B][C][D][E] Notes and which have not been rescinded on or before such date. Payments of principal of the Notes will be made in accordance with the provisions of, and subject to the limitations in, the Indenture.

On each Payment Date, the Paying Agent will distribute to each Noteholder of record on the related Record Date (except for the final distribution in respect of this Note) such Noteholder's pro rata share of the amounts held by the Paying Agent that are allocated and available on such Payment Date to pay interest and principal on the Class [A][B][C][D][E] Notes pursuant to the Indenture. Except as provided in the Indenture with respect to a final distribution, distributions to the Noteholders shall be made (i) on the due date thereof, to an account designated by the holder of this Note, in United States dollars and in immediately available funds and (ii) without presentation or surrender of any Note or the making of any notation thereon. Final payment of this Note will be made only upon presentation and surrender of this Note at the office or agency specified in the notice of final distribution delivered by the Paying Agent to the Noteholders in accordance with the Indenture.

Upon the exercise of the Servicer's option to purchase the remaining Loans (together with all other Purchased Assets relating thereto) of the Co-Issuers pursuant to the Transaction Documents, the Co-Issuers will retire the Notes and redeem the Notes from the proceeds of such purchase.

This Note does not represent an obligation of, or an interest in, any of the Sellers or Springleaf Finance, Inc., the Indenture Trustee, the Note Registrar, the Paying Agent or any Affiliate of any of them (other than the Co-Issuers) and is not insured or guaranteed by any governmental agency or instrumentality or any other Person.

Each Noteholder, by accepting a Note, and each beneficial owner of such Note hereby covenants and agrees that it will not at any time institute against any of the Co-Issuers or any of the Sellers, or join in instituting against any of the Co-Issuers or any of the Sellers, any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, or other proceedings under any United States federal or state bankruptcy or similar law.

The Co-Issuers, the Indenture Trustee, the Paying Agent, the Note Registrar and any agent of the Co-Issuers, the Paying Agent, the Note Registrar or the Indenture Trustee will treat the person in whose name this Note is registered as the owner hereof for all purposes, and none of the Co-Issuers, the Indenture Trustee, the Paying Agent, the Note Registrar or any agent of the Co-Issuers, the Paying Agent, the Note Registrar or the Indenture Trustee will be affected by notice to the contrary.

THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO ITS CONFLICT OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), AND THE OBLIGATIONS, RIGHTS AND REMEDIES OF THE PARTIES HEREUNDER SHALL BE DETERMINED IN ACCORDANCE WITH SUCH LAWS.

ASSIGNMENT

Social Security or other identifying number of assignee _____

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto (name and address of assignee) the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney, to transfer said Note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

SCHEDULE I

The initial principal amount of this [Rule 144A][Temporary Regulation S][Permanent Regulation S] Global Note is \$[]. The aggregate principal amount of this Global Note issued, cancelled or exchanged for a Definitive Note or another Global Note is as follows:

Date	Principal Amount Issued, Cancelled or Exchanged	Remaining Principal Amount of this Global Note	Notation Made by or on Behalf of

EXHIBIT B-1

FORM OF TRANSFER CERTIFICATE
FOR EXCHANGE OR TRANSFER FROM RULE 144A GLOBAL NOTE TO TEMPORARY REGULATION S GLOBAL
NOTE

Wells Fargo Bank, National Association,
as Note Registrar
Sixth Street and Marquette Avenue
MAC N9311-161

Re: SpringCastle Funding Asset-Backed Notes 2014-A

Reference is hereby made to the Indenture, dated as of October [•], 2014 (the “Indenture”), among SpringCastle America Funding, LLC, a Delaware limited liability company, SpringCastle Credit Funding, LLC, a Delaware limited liability company, and SpringCastle Finance Funding, LLC, a Delaware limited liability company, as Co-Issuers (herein referred to collectively as the “Co-Issuers”), Springleaf Finance, Inc., as Servicer, Wilmington Trust, National Association, as Loan Trustee on behalf of each of the Co-Issuers, Wells Fargo Bank, National Association, as paying agent (the “Paying Agent”) and as note registrar (the “Note Registrar”) and U.S. Bank National Association, as indenture trustee (the “Indenture Trustee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to \$_____ principal amount of Class [A][B][C] Notes represented by a beneficial interest in the Rule 144A Global Note (CUSIP No. ____) held with DTC by or on behalf of [transferor] as beneficial owner (the “Transferor”). The Transferor has requested an exchange or transfer of its beneficial interest for an interest in the Temporary Regulation S Global Note (CUSIP (CINS) No. ____) to be held with [Euroclear] [Clearstream] (ISIN Code ____ (Common Code ____)) through DTC.

In connection with such request and in respect of such Note, the Transferor does hereby certify that such exchange or transfer has been effected in accordance with the transfer restrictions set forth in the Notes and pursuant to and in accordance with Rule 903 or 904 of Regulation S under the Securities Act, and accordingly the Transferor does hereby certify that:

- (1) the offer of the Notes was not made to a person in the United States;
- (2) (A) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that the transferee was outside the United States, or
(B) the transaction was executed in, on or through (x) a physical trading floor of an established foreign securities exchange that is located outside the United States or (y) the facilities of a designated offshore securities market and neither the Transferor nor any person acting on its behalf knows that the transaction was prearranged with a buyer in the United States;
- (3) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable;
- (4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act; and
- (5) upon completion of the transaction, the beneficial interest being transferred as described above was held with DTC through Euroclear or Clearstream or both (Common Code ____ (ISIN Code ____)).

This certificate and the statements contained herein are made for your benefit and the benefit of the Co-Issuers.

[INSERT NAME OF TRANSFEROR]

By:____
Name:
Title:

Date:_____, 20__

EXHIBIT B-2

FORM OF TRANSFER CERTIFICATE FOR EXCHANGE OR TRANSFER
FROM RULE 144A GLOBAL NOTE TO PERMANENT REGULATION S GLOBAL NOTE

Wells Fargo Bank, National Association,
as Note Registrar
Sixth Street and Marquette Avenue
MAC N9311-161
Minneapolis, Minnesota 55479

Attention: Corporate Trust Services—SpringCastle Funding Asset-Backed Notes 2014-A

Re: SpringCastle Funding Asset-Backed Notes 2014-A

Reference is hereby made to the Indenture, dated as of October [•], 2014 (the “Indenture”), among SpringCastle America Funding, LLC, a Delaware limited liability company, SpringCastle Credit Funding, LLC, a Delaware limited liability company, and

SpringCastle Finance Funding, LLC, a Delaware limited liability company, as Co-Issuers (herein referred to collectively as the “Co-Issuers”), Springleaf Finance, Inc., as Servicer, Wilmington Trust, National Association, as Loan Trustee on behalf of each of the Co-Issuers, Wells Fargo Bank, National Association, as paying agent (the “Paying Agent”) and as note registrar (the “Note Registrar”) and U.S. Bank National Association, as indenture trustee (the “Indenture Trustee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to \$_____ principal amount of Class [A][B][C] Notes represented by, a beneficial interest in the Rule 144A Global Note (CUSIP No. held with DTC by or on behalf of [transferor] as beneficial owner (the “Transferor”). The Transferor has requested an exchange or transfer of its beneficial interest for an interest in the Permanent Regulation S Global Note (CUSIP (CINS) No. ____).

In connection with such request and in respect of such Notes, the Transferor does hereby certify that such exchange or transfer has been effected in accordance with the transfer restrictions set forth in the Notes and that, with respect to transfers made in reliance on Rule 903 or 904 of Regulation S under the Securities Act:

- (1) the offer of the Notes was not made to a person in the United States;
- (2) (A) at the time the buy order was originated, the transferee was outside the United States or the Transferor and any person acting on its behalf reasonably believed that transferee was outside the United States, or
(B) the transaction was executed in, on or through (x) a physical trading floor of an established foreign securities exchange that is located outside the United States or (y) the facilities of a designated offshore securities market and neither the Transferor nor any person acting on its behalf knows that the transaction was prearranged with a buyer in the United States;
- (3) no directed selling efforts have been made in contravention of the requirements of Rule 903(b) or 904(b) of Regulation S, as applicable; and
- (4) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Co-Issuers.

[INSERT NAME OF TRANSFEROR]

By:____
Name:
Title:

Date:_____, 20__

EXHIBIT B-3

FORM OF TRANSFER CERTIFICATE FOR TRANSFER OR EXCHANGE FROM [TEMPORARY][PERMANENT]
REGULATION S
GLOBAL NOTE TO RULE 144A GLOBAL NOTE

Wells Fargo Bank, National Association,
as Note Registrar
Sixth Street and Marquette Avenue
MAC N9311-161
Minneapolis, Minnesota 55479

Attention: Corporate Trust Services—SpringCastle Funding Asset-Backed Notes 2014-A

Re: SpringCastle Funding Asset-Backed Notes 2014-A

Reference is hereby made to the Indenture, dated as of October [•], 2014 (the “Indenture”), among SpringCastle America Funding, LLC, a Delaware limited liability company, SpringCastle Credit Funding, LLC, a Delaware limited liability company, and SpringCastle Finance Funding, LLC, a Delaware limited liability company, as Co-Issuers (herein referred to collectively as the “Co-Issuers”), Springleaf Finance, Inc., as Servicer, Wilmington Trust, National Association, as Loan Trustee on behalf of each of the Co-Issuers, Wells Fargo Bank, National Association, as paying agent (the “Paying Agent”) and as note registrar (the “Note

Registrar”) and U.S. Bank National Association, as indenture trustee (the “Indenture Trustee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This letter relates to _____ principal amount of Class [A][B][C] Notes which are held in the form of the [Temporary][Permanent] Global Regulation S Global Note (CUSIP (CINS) No. with Euroclear/Clearstream (ISIN Code _____) (Common Code _____) through DTC by or on behalf of [transferor] as beneficial owner (the “Transferor”). The Transferor has requested an exchange or transfer of its beneficial interest in the Notes for an interest in the Rule 144A Global Note (CUSIP No. _____).

In connection with such request, and in respect of such Notes, the Transferor does hereby certify that such Notes are being transferred in accordance with Rule 144A under the United States Securities Act of 1933, as amended (the “Securities Act”), to a transferee that the Transferor reasonably believes is purchasing the Notes for its own account or an account with respect to which the transferee exercises sole investment discretion and the transferee and any such account is a “qualified institutional buyer” within the meaning of Rule 144A, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

This certificate and the statements contained herein are made for your benefit and the benefit of the Co-Issuers.

[INSERT NAME OF TRANSFEROR]

By:_____
Name:
Title:

Date:_____, 20__

EXHIBIT B-4

FORM OF CLEARING SYSTEM CERTIFICATE

Wells Fargo Bank, National Association,
as Note Registrar
Sixth Street and Marquette Avenue
MAC N9311-161
Minneapolis, Minnesota 55479
Attention: Corporate Trust Services—SpringCastle Funding Asset-Backed Notes 2014-A
Re: SpringCastle Funding Asset-Backed Notes 2014-A

Reference is hereby made to the Indenture, dated as of October [•], 2014 (the “Indenture”), among SpringCastle America Funding, LLC, a Delaware limited liability company, SpringCastle Credit Funding, LLC, a Delaware limited liability company, and SpringCastle Finance Funding, LLC, a Delaware limited liability company, as Co-Issuers (herein referred to collectively as the “Co-Issuers”), Springleaf Finance, Inc., as Servicer, Wilmington Trust, National Association, as Loan Trustee on behalf of each of the Co-Issuers, Wells Fargo Bank, National Association, as paying agent (the “Paying Agent”) and as note registrar (the “Note Registrar”) and U.S. Bank National Association, as indenture trustee (the “Indenture Trustee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

This is to certify that, based solely on certificates we have received in writing, by tested telex or by electronic transmissions from noteholders (our “Noteholders”) appearing in our records as persons being entitled to a portion of the original principal amount of the Class [A][B][C] Notes (the “Notes”) substantially to the effect set forth in Exhibit B-5 to the Indenture, U.S. \$_____ principal balance of Notes held by us or on our behalf are beneficially owned by non-U.S. persons. As used in this paragraph the term “U.S. person” has the meaning given to it by Regulation S under the Act.

We further certify (i) that we are not making available herewith for exchange any portion of the Temporary Regulation S Global Note excepted in such certificates and (ii) that as of the date hereof we have not received any notification from any of our Noteholders to the effect that the statements made by such Noteholder with respect to any portion of the part submitted herewith for exchange are no longer true and cannot be relied upon as at the date hereof. We understand that this certification is required in connection with certain securities laws of the United States.

In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certificate is or would be relevant, we irrevocably authorize you to produce this certification to any interested party in such proceedings.

Dated: _____, 20__

Yours faithfully,

[MORGAN GUARANTY TRUST
COMPANY OF NEW YORK, Brussels office, as operator of the Euroclear System]

[OR]

[CLEARSTREAM LUXEMBOURG]

By:____
Name:
Title:

EXHIBIT B-5

FORM OF CERTIFICATE OF BENEFICIAL OWNERSHIP

Re: SpringCastle Funding Asset-Backed Notes 2014-A

Reference is hereby made to the Indenture, dated as of October [•], 2014 (the “Indenture”), among SpringCastle America Funding, LLC, a Delaware limited liability company, SpringCastle Credit Funding, LLC, a Delaware limited liability company, and SpringCastle Finance Funding, LLC, a Delaware limited liability company, as Co-Issuers (herein referred to collectively as the “Co-Issuers”), Springleaf Finance, Inc., as Servicer, Wilmington Trust, National Association, as Loan Trustee on behalf of each of the Co-Issuers, Wells Fargo Bank, National Association, as paying agent (the “Paying Agent”) and as note registrar (the “Note Registrar”) and U.S. Bank National Association, as indenture trustee (the “Indenture Trustee”). Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

The Securities are of the category contemplated in Section 230.903(c)(3) of Regulation S under the Securities Act of 1933, as amended (the “Act”), and therefore this is to certify that, except as set forth below, the SpringCastle Funding Asset-Backed Notes (the “Securities”) described herein are beneficially owned by non-U.S. persons. As used in this paragraph the terms “U.S. person” has the meaning given to it by Regulation S under the Act.

We undertake to advise you promptly by tested telex on or prior to the date on which you intend to submit your certification relating to the Securities held by you for our account in accordance with your operating procedures if any applicable statement herein is not correct on such date, and in the absence of any such notification it may be assumed that this certification, applies as of such date.

This certification excepts and does not relate to U.S. \$_____ of such interest in the above Securities in respect of which we are not able to certify and as to which we understand exchange and delivery of definitive Securities (or, if relevant, exercise of any rights or collection of any interest) cannot be made until we do so certify.

We understand that this certification is required in connection with certain securities laws of the United States. In connection therewith, if administrative or legal proceedings are commenced or threatened in connection with which this certification is or would be relevant, we irrevocably authorize you to produce this certification to any interested party in such proceedings.

Date:_____, 20__

By:____
as, or as agent for, the beneficial owner(s)
of the Securities to which this certificate relates

EXHIBIT B-6

FORM OF TRANSFEREE CERTIFICATION FOR TRANSFER OF CLASS D NOTES REQUIRED UNDER SECTION 2.05 OF
THE INDENTURE

U.S. Bank National Association
[Address]

Re: SpringCastle Funding Asset-Backed Notes 2014-A

Reference is hereby made to the Indenture, dated as of October [•], 2014 (the “Indenture”), among SpringCastle America Funding, LLC, SpringCastle Credit Funding, LLC and SpringCastle Finance Funding, LLC, as Co-Issuers, Wilmington Trust, National Association, as Loan Trustee for each of the Co-Issuers, Springleaf Finance, Inc., as Servicer, Wells Fargo Bank, National Association, as Paying Agent and Note Registrar and U.S. Bank National Association, as Indenture Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

The undersigned (the “Transferee”) intends to purchase a beneficial interest in a Class D Note representing \$_____ principal balance of a Class D Note from [transferor]. In connection with the transfer of such beneficial interest in a Class D Note (the “Transfer”), the Transferee does hereby certify that:

(i) Either (a) it is not and will not become for U.S. federal income tax purposes a partnership, Subchapter S corporation or grantor trust (or a disregarded entity the single owner of which is any of the foregoing) (each such entity a “flow-through entity”) or (b) if it is or becomes a flow-through entity, then (I) none of the direct or indirect beneficial owners of any of the interests in such flow-through entity has or ever will have more than 50% of the value of its interest in such flow-through entity attributable to the beneficial interest of such flow-through entity in the Notes, other interest (direct or indirect) in any Co-Issuer, or any interest created under the Indenture and (II) it is not and will not be a principal purpose of the arrangement involving the flow-through entity’s beneficial interest in any Class D Note to permit any partnership to satisfy the 100-partner limitation of Section 1.7704-1(h)(1)(ii) of the Treasury Regulations necessary for such partnership not to be classified as a publicly traded partnership under the Internal Revenue Code.

(ii) It is not acquiring any Class D Note or beneficial interest therein, it will not sell, transfer, assign, participate, or otherwise dispose of any Class D Note or beneficial interest therein, and it will not cause any Class D Note or beneficial interest therein to be marketed, in each case on or through an “established securities market” within the meaning of Section 7704(b) of the Internal Revenue Code, including, without limitation, an interdealer quotation system that regularly disseminates firm buy or sell quotations.

(iii) Its beneficial interest in the Class D Notes is not and will not be in an amount that is less than the minimum denomination for the Class D Notes set forth in the Indenture, and it does not and will not hold any interest in a Class D Note on behalf of any Person whose beneficial interest in a Class D Note is in an amount that is less than the minimum denomination for the Class D Notes set forth in the Indenture.

(iv) It will not sell, transfer, assign, participate, or otherwise dispose of any Class D Note or any beneficial interest therein, or enter into any financial instrument or contract the value of which is determined by reference in whole or in part to any Class D Note or any beneficial interest therein, in each case if the effect of doing so would be that the beneficial interest of any Person in a Class D Note would be in an amount that is less than the minimum denomination for the Class D Notes set forth in the Indenture.

(v) It will not use any Class D Note as collateral for the issuance of any securities that could cause any Co-Issuer to be treated as an association or publicly traded partnership taxable as a corporation for U.S. federal income tax purposes.

(vi) It will not transfer any Class D Note or any beneficial interest therein (directly, through a participation thereof, or otherwise) unless, prior to the transfer, the transferee shall have executed and delivered to the Indenture Trustee and the Note Registrar, and any of their respective successors or assigns, a Transferee Certification substantially in the form of Exhibit B-6 of the Indenture.

(vii) This Transferee Certification has been duly executed and delivered to the Indenture Trustee and Note Registrar and constitutes the legal, valid and binding obligation of the Transferee, enforceable against the Transferee in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the enforcement of creditors’ rights generally and general principles of equity, and indemnification sought in respect of securities laws violations may be limited by public policy.

(viii) It acknowledges that the Co-Issuers, the Indenture Trustee and the Note Registrar will rely on the truth and accuracy of the foregoing representations and warranties, and agrees that if it becomes aware that any of the foregoing made by it or deemed to have been made by it are no longer accurate, it shall promptly notify the Co-Issuers.

Pursuant to Section 2.05 of the Indenture, no representation or warranty set forth in this Transferee Certificate shall prohibit the Transferee from (i) engaging in any repurchase transaction (repo) the subject matter of which is a Class D Note or beneficial interest therein, provided the terms of such repurchase transaction are generally consistent with prevailing market practice, or (ii) pledging a Class D Note or beneficial interest therein, provided doing so will not result in any Person (other than the Transferee) being treated for U.S. federal income tax purposes as the owner of all or any portion of a Class D Note or beneficial interest therein.

THE UNDERSIGNED HEREBY ACKNOWLEDGES THAT ANY TRANSFER TO OR BY THE UNDERSIGNED IN VIOLATION OF ANY OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO OR BY THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE CO-ISSUERS, THE INDENTURE TRUSTEE OR ANY OTHER PERSON.

[TRANSFEREE]

By: _____

Name: _____

Title: _____

EXHIBIT B-7

FORM OF TRANSFEREE CERTIFICATION FOR TRANSFER OF CLASS E NOTES REQUIRED UNDER SECTION 2.05 OF
THE INDENTURE

U.S. Bank National Association
[Address]

Wells Fargo Bank, National Association
[Address]

Re: SpringCastle Funding Asset-Backed Notes 2014-A

Reference is hereby made to the Indenture, dated as of [____], 2014 (the “Indenture”), among SpringCastle America Funding, LLC, SpringCastle Credit Funding, LLC and SpringCastle Finance Funding, LLC, as Co-Issuers, Wilmington Trust, National Association, as Loan Trustee for each of the Co-Issuers, Springleaf Finance, Inc., as Servicer, Wells Fargo Bank, National Association, as Paying Agent and Note Registrar and U.S. Bank National Association, as Indenture Trustee. Capitalized terms used but not defined herein shall have the meanings given to them in the Indenture.

The undersigned (the “Transferee”) intends to purchase \$____ principal balance of Class E Note from [transferor]. In connection with the transfer of such beneficial interest in a Class E Note (the “Transfer”), the Transferee does hereby certify that:

(i) Either (a) it is not and will not become for U.S. federal income tax purposes a partnership, Subchapter S corporation or grantor trust (or a disregarded entity the single owner of which is any of the foregoing) (each such entity a “flow-through entity”) or (b) if it is or becomes a flow-through entity, then (I) none of the direct or indirect beneficial owners of any of the interests in such flow-through entity has or ever will have more than 50% of the value of its interest in such flow-through entity attributable to the beneficial interest of such flow-through entity in the Notes, other interest (direct or indirect) in any Co-Issuer, or any interest created under the Indenture and (II) it is not and will not be a principal purpose of the arrangement involving the flow-through entity’s beneficial interest in any Class E Note to permit any partnership to satisfy the 100-partner limitation of Section 1.7704-1(h)(1)(ii) of the Treasury Regulations necessary for such partnership not to be classified as a publicly traded partnership under the Internal Revenue Code.

(ii) It is not acquiring any Class E Note or beneficial interest therein, it will not sell, transfer, assign, participate, or otherwise dispose of any Class E Note or beneficial interest therein, and it will not cause any Class E Note or beneficial interest therein to be marketed, in each case on or through an “established securities market” within the meaning of Section 7704(b) of the Internal Revenue Code, including, without limitation, an interdealer quotation system that regularly disseminates firm buy or sell quotations.

(iii) Its beneficial interest in the Class E Notes is not and will not be in an amount that is less than the minimum denomination for the Class E Notes set forth in the Indenture, and it does not and will not hold any interest in a Class E Note on behalf of any Person whose beneficial interest in a Class E Note is in an amount that is less than the minimum denomination for the Class E Notes set forth in the Indenture.

(iv) It will not sell, transfer, assign, participate, or otherwise dispose of any Class E Note or any beneficial interest therein, or enter into any financial instrument or contract the value of which is determined by reference in whole or in part to any Class E Note or any beneficial interest therein, in each case if the effect of doing so would be that the beneficial interest of any Person in a Class E Note would be in an amount that is less than the minimum denomination for the Class E Notes set forth in the Indenture.

(v) It will not use any Class E Note as collateral for the issuance of any securities that could cause any Co-Issuer to be treated as an association or publicly traded partnership taxable as a corporation for U.S. federal income tax purposes.

(vi) It will not transfer any Class E Note or any beneficial interest therein (directly, through a participation thereof, or otherwise) unless, prior to the transfer, the transferee shall have executed and delivered to the Indenture Trustee and the Note Registrar, and any of their respective successors or assigns, a Transferee Certification substantially in the form of Exhibit B-7 of the Indenture.

(vii) It is a "United States person," as defined in Section 7701(a)(30) of the Internal Revenue Code and will not transfer to, or cause such Class E Note to be transferred to, any person other than a "United States person," as defined in Section 7701(a)(30) of the Internal Revenue Code.

(viii) This Transferee Certification has been duly executed and delivered to the Indenture Trustee and Note Registrar and constitutes the legal, valid and binding obligation of the Transferee, enforceable against the Transferee in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting the enforcement of creditors' rights generally and general principles of equity, and indemnification sought in respect of securities laws violations may be limited by public policy.

(ix) It acknowledges that the Co-Issuers, the Indenture Trustee and the Note Registrar will rely on the truth and accuracy of the foregoing representations and warranties, and agrees that if it becomes aware that any of the foregoing made by it or deemed to have been made by it are no longer accurate, it shall promptly notify the Co-Issuers.

Pursuant to Section 2.05 of the Indenture, no representation or warranty set forth in this Transferee Certificate shall prohibit the Transferee from (i) engaging in any repurchase transaction (repo) the subject matter of which is a Class E Note or beneficial interest therein, provided the terms of such repurchase transaction are generally consistent with prevailing market practice, or (ii) pledging a Class E Note or beneficial interest therein, provided doing so will not result in any Person (other than the Transferee) being treated for U.S. federal income tax purposes as the owner of all or any portion of a Class E Note or beneficial interest therein.

THE UNDERSIGNED HEREBY ACKNOWLEDGES THAT ANY TRANSFER TO OR BY THE UNDERSIGNED IN VIOLATION OF ANY OF THE FOREGOING WILL BE OF NO

FORCE AND EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO OR BY THE TRANSFEE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE CO-ISSUERS, THE INDENTURE TRUSTEE OR ANY OTHER PERSON.

[TRANSFEE]

By: _____

Name: _____

Title: _____

EXHIBIT C

FORM OF MONTHLY SERVICER REPORT

See attached.

EXHIBIT D

RULE 15Ga-1 INFORMATION

Reporting Period: _____

- Check here if nothing to report.

Asset Class	Shelf	Series Name	CIK	Originator	Loan No.	Servicer Loan No.	Outstanding Principal Balance	Repurchase Type	Indicate Repurchase Activity During the Reporting Period by Checkmark or by Date Reference (as applicable)					
									Subject to Demand	Repurchased or Replaced	Repurchase Pending	Demand in Dispute	Demand Withdrawn	Demand Rejected

Terms and Definitions:

NOTE: Any date included on this report is subject to the descriptions below. Dates referenced on this report for this Transaction where the Servicer is not the Repurchase Enforcer (as defined below), availability of such information may be dependent upon information received from other parties.

References to “**Repurchaser**” shall mean the party obligated under the Transaction Documents to repurchase a Loan. References to “**Repurchase Enforcer**” shall mean the party authorized under the Transaction Documents to enforce the obligations of any Repurchaser.

Outstanding Principal Balance: For purposes of this report, the Outstanding Principal Balance of a Loan in this Transaction equals the remaining outstanding principal balance of the Loan reflected on the distribution or payment reports at the end of the related reporting period, or if the Loan has been liquidated prior to the end of the related reporting period, the final outstanding principal balance of the Loan reflected on the distribution or payment reports prior to liquidation.

Subject to Demand: The date when a demand for repurchase is identified and coded by the Servicer or Indenture Trustee as a repurchase related request.

Repurchased or Replaced: The date when a Loan is repurchased or replaced. To the extent such date is unavailable, the date upon which the Servicer or Indenture Trustee obtained actual knowledge a Loan has been repurchased or replaced.

Repurchase Pending: A Loan is identified as “*Repurchase Pending*” when a demand notice is sent by the Indenture Trustee, as Repurchase Enforcer, to the Repurchaser. A Loan remains in this category until (i) a Loan has been Repurchased, (ii) a request is determined to be a “*Demand in Dispute*,” (iii) a request is determined to be a “*Demand Withdrawn*,” or (iv) a request is determined to be a “*Demand Rejected*.”

With respect to the Servicer only, a Loan is identified as “Repurchase Pending” on the date (y) the Servicer sends notice of any request for repurchase to the related Repurchase Enforcer, or (z) the Servicer receives notice of a repurchase request but determines it is not required to take further action regarding such request pursuant to its obligations under the applicable Transaction Documents. The Loan will remain in this category until the Servicer receives actual knowledge from the related Repurchase Enforcer, Repurchaser, or other party, that the repurchase request should be changed to “*Demand in Dispute*” , “*Demand Withdrawn*”, “*Demand Rejected*”, or “*Repurchased*.”

Demand in Dispute: Occurs (i) when a response is received from the Repurchaser which refutes a repurchase request, or (ii) upon the expiration of any applicable cure period.

Demand Withdrawn: The date when a previously submitted repurchase request is withdrawn by the original requesting party. To the extent such date is not available, the date when the Servicer or the Indenture Trustee receives actual knowledge of any such withdrawal.

Demand Rejected: The date when the Indenture Trustee, as Repurchase Enforcer, has determined that it will no longer pursue enforcement of a previously submitted repurchase request. To the extent such date is not otherwise available, the date when the Servicer receives actual knowledge from the Indenture Trustee, as Repurchase Enforcer that it has determined not to pursue a repurchase request.

SCHEDULE I

DEFINITIONS SCHEDULE

PERFECTION REPRESENTATIONS, WARRANTIES AND COVENANTS

In addition to the representations, warranties and covenants contained in the Indenture, the Co-Issuers hereby represents, warrants, and covenants to the Indenture Trustee as follows on the Closing Date:

General

1. This Indenture creates a valid and continuing security interest (as defined in the applicable UCC) in the Loans in favor of the Indenture Trustee, which security interest is prior to all other Liens, and is enforceable as such as against creditors of and purchasers from the Co-Issuers.
2. The Loans constitute “tangible chattel paper”, “accounts,” “instruments” or “general intangibles” within the meaning of the UCC.
3. Each Note Account constitutes either a “deposit account” or a “securities account” within the meaning of the UCC.

Creation

4. Immediately prior to the sale, transfer, assignment and conveyance of the Loans by each of the Sellers to each of the Co-Issuers pursuant to the Loan Purchase agreement, the applicable Seller owned and had good, indefeasible, and marketable title to such Loans free and clear of any Lien (other than Permitted Liens) and immediately after the sale, transfer, assignment and conveyance of such Loans to the Co-Issuers, the Co-Issuers will have good and marketable title to such Loans free and clear of any Lien (other than Permitted Liens).
5. The Custodian or the Servicer has in its possession all original copies of the instruments and chattel paper, if any, that constitute or evidence such Loan.

Perfection

6. The Co-Issuers have caused or will have caused, within ten days after the effective date of this Indenture, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Loans granted to the Indenture Trustee hereunder, and all financing statements referred to in this paragraph contain a statement that: “A purchase of or security interest in any collateral described in this financing statement will violate the rights of the Secured Party/Purchaser”.
7. With respect to the Note Accounts that constitute deposit accounts, either:
 - (i) the Co-Issuers have delivered to the Indenture Trustee a fully executed agreement pursuant to which the bank maintaining the deposit accounts has agreed to comply with all instructions originated by the Indenture Trustee directing disposition of the funds in such Note Accounts without further consent by the Co-Issuers; or
 - (ii) the Co-Issuers have taken all steps necessary to cause the Indenture Trustee to become the account holder of such Note Accounts.
8. With respect to the Note Accounts that constitute securities accounts or securities entitlements, either:
 - (i) the Co-Issuers have delivered to the Indenture Trustee a fully executed agreement pursuant to which the securities intermediary has agreed to comply with all instructions originated by the Indenture Trustee relating to such Note Accounts without further consent by the Co-Issuers; or
 - (ii) the Co-Issuers have taken all steps necessary to cause the securities intermediary to identify in its records the Indenture Trustee as the person having a security entitlement against the securities intermediary in each of such Note Accounts.

Priority

9. The Co-Issuers have not authorized the filing of, or is not aware of, any financing statements against the Co-Issuers that include a description of collateral covering the Loans other than any financing statement (i) relating to the conveyance of the Loans by the applicable Seller to the Co-Issuers under the related Loan Purchase Agreement, (ii) relating to the security interest granted to the Indenture Trustee hereunder or (iii) that has been terminated.

10. None of the Co-Issuers is aware of any material judgment, ERISA or tax lien filings against any of the Co-Issuers.
11. None of the instruments, tangible chattel paper or electronic chattel paper that constitute or evidence the Loans has any marks or notations indicating that they have been pledged, assigned or otherwise conveyed to any Person other than to the Co-Issuers or the Indenture Trustee.
12. No Note Account that constitutes a securities account or securities entitlement is in the name of any person other than the Indenture Trustee. The Co-Issuers have not consented to the securities intermediary of any such Note Account to comply with entitlement orders of any person other than the Indenture Trustee.
13. No Note Account that constitutes a deposit account is in the name of any person other than the Indenture Trustee. The Co-Issuers have not consented to the bank maintaining such Note Account to comply with instructions of any person other than the Indenture Trustee.

Survival of Perfection Representations

14. Notwithstanding any other provision of this Indenture or any other Transaction Document, the perfection representations, warranties and covenants contained in this Schedule II shall be continuing, and remain in full force and effect until such time as all obligations under this Indenture have been finally and fully paid and performed.

No Waiver

15. The parties to the Indenture shall provide the each with prompt written notice of any material breach of the perfection representations, warranties and covenants contained in this Schedule II, and shall not, without satisfying the Rating Agency Notice Requirement, waive a breach of any of such perfection representations, warranties or covenants.

Issuer to Maintain Perfection and Priority

16. Each Co-Issuer covenants that, in order to evidence the interests of the Indenture Trustee under this Indenture, the Co-Issuer shall take such action, or execute and deliver such instruments as may be necessary or advisable (including, without limitation, such actions as are requested by the Indenture Trustee) to maintain and perfect, as a first priority interest, the Indenture Trustee's security interest in the Loans. The Co-Issuers shall, from time to time and within the time limits established by law, prepare and file, all financing statements, amendments, continuations, initial financing statements in lieu of a continuation statement, terminations, partial terminations, releases or partial releases, or any other filings necessary or advisable to continue, maintain and perfect the Indenture Trustee's security interest in the Loans as a first-priority interest.

SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

OF

SPRINGCASTLE ACQUISITION LLC

(a Delaware limited liability company)

March 31, 2016

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SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

OF

SPRINGCASTLE ACQUISITION LLC

SECOND AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT OF SPRINGCASTLE ACQUISITION LLC (the “Company”) dated as of March 31, 2016, by NRZ (as defined below), BTO Willow Holdings, L.P., a Delaware limited partnership (“Willow I”), BTO Willow Holdings II, L.P., a Delaware limited partnership (“Willow II”), and Blackstone Family Tactical Opportunities Investment Partnership – NQ - ESC L.P., a Delaware limited partnership (“BFTOIP”, and together with Willow I and Willow II, “Blackstone”, and Blackstone together with NRZ, the “Members”).

PRELIMINARY STATEMENTS

The Company was formed as a limited liability company pursuant to a Certificate of Formation filed with the Secretary of State of the State of Delaware on February 28, 2013 (the “Certificate of Formation”) under the provisions of the Company Law (as defined below).

The Members desire to amend the Amended and Restated Limited Liability Company Agreement of the Company dated as of April 1, 2013, as amended by Amendment No. 1 thereto, dated as of October 3, 2014 (collectively the “Amended Operating Agreement”) (i) to reflect the removal of Springleaf Acquisition Corporation as a Member of the Company, (ii) to reflect the admission of Willow II and BFTOIP as a Member of the Company, (iii) to remove Springleaf Acquisition Corporation as the Managing Member of the Company, (iv) to provide the terms and conditions for management of the Company and (v) to set forth the respective rights and obligations of the Members of the Company.

This Agreement is the operating agreement of the Company and amends, restates and replaces in its entirety the Amended Operating Agreement. The Members, by execution of this Agreement, hereby continue a limited liability company formed pursuant to and in accordance with the Company Law, and hereby agree as follows:

ARTICLE 1 DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set forth below:

“Additional Interests” means equity interests in the Company issued after the Loan Purchase Closing.

“Additional Member” has the meaning specified in Section 9.5.

“Affiliate” means, with respect to any Member, a Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control

with, such Member. The term “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of capital stock, by contract or otherwise; provided that, for purposes of this Agreement, Springleaf Financial Services and its subsidiaries shall be deemed not to be Affiliates of NRZ. For the avoidance of doubt, no Company Sister Entity shall be deemed an Affiliate of Blackstone unless and until Blackstone becomes a managing member of such entity or its direct or indirect parent.

“Agreement” means this Second Amended and Restated Limited Liability Company Agreement, as originally executed and as amended from time to time, as the context requires. Words such as “herein,” “hereinafter,” “hereof,” “hereto,” “hereby” and “hereunder,” when used with reference to this Agreement, refer to this Agreement as a whole, unless the context otherwise requires.

“Amended Operating Agreement” has the meaning specified in the Preliminary Statements of this Agreement.

“Blackstone” has the meaning specified in the preamble of this Agreement.

“Blackstone Aggregate ROI Achievement Date” means the date on which Distributions made from and after March 31, 2016 to Willow II and BFTOIP and their successors and assigns pursuant to (i) the Second Amended and Restated Limited Liability Company Agreement of SpringCastle America, LLC, dated as of March 31, 2016 (as may be amended from time to time), (ii) the Second Amended and Restated Limited Liability Company Agreement of SpringCastle Credit, LLC, dated as of March 31, 2016 (as may be amended from time to time) and (iii) the Second Amended and Restated Limited Liability Company Agreement of SpringCastle Finance, LLC, dated as of March 31, 2016 (as may be amended from time to time), in each case in respect of the limited liability company interests in SpringCastle America, LLC, SpringCastle Credit, LLC and SpringCastle Finance, LLC, acquired by Willow II and BFTOIP on March 31, 2016, in the aggregate, equal or exceed \$55,812,500.

“BFTOIP” has the meaning specified in the preamble of this Agreement.

“Book Basis” means, with respect to any asset, its Tax Basis, except as follows: (i) the initial Book Basis of any asset contributed by a Member shall be the fair market value of such asset, as determined by the Tax Matters Partner (as defined below) in consultation with the Managing Member; (ii) the Book Basis of all assets shall be adjusted to equal their fair market values, as determined by the Tax Matters Partner in consultation with the Managing Member, in connection with (A) a contribution of money or other property to the Company by a new or existing Member as consideration for an Interest in the Company, (B) a liquidation of the Company, or (C) a distribution of money or other property by the Company to a withdrawing or continuing Member as consideration for an Interest in the Company; provided that an adjustment described in clauses (A) or (C) of this paragraph shall be made only if the Tax Matters Partner in consultation with the Managing Member determines that such an adjustment is necessary to reflect the relative economic interests of the Members in the Company; (iii) the Book Basis of any asset distributed by the Company shall be its fair market value on the date of distribution, as

determined by the Tax Matters Partner in consultation with the Managing Member; and (iv) if the Book Basis of any asset is determined under clause (i) or (ii) it shall thereafter be adjusted to take into account any Book Depreciation with respect to such asset for purposes of Net Profits or Net Loss.

“Book Depreciation” means the amount of any depreciation or other cost recovery deduction with respect to any asset.

“Bound Parties” has the meaning specified in Section 3.9(a).

“Capital Account” means the Capital Account maintained for each Member pursuant to Section 7.1.

“Capital Contribution” means, for any Member, such Member’s Initial Capital Contribution plus any additional capital contribution made by such Member in accordance with this Agreement.

“Certificate of Formation” has the meaning specified in the Preliminary Statements of this Agreement.

“Closing Cash Consideration” has the meaning specified in the Purchase Agreement.

“Co-Borrower Agreement” means the Co-Borrower Agreement dated as of October 3, 2014, by and among the Purchaser Entities, the Purchaser SPVs and SFI, as may be amended, modified, replaced or substituted from time to time following the date thereof.

“Code” means the Internal Revenue Code of 1986, as the same may from time to time be amended, or any successor Federal income tax statute, including all effective date and transition rules (whether or not codified).

“Company” has the meaning specified in the preamble of this Agreement.

“Company Budget” has the meaning specified in Section 3.1(d).

“Company Law” means the Delaware Limited Liability Company Act (6 Del.C. §18-101, et seq.), as in effect from time to time.

“Company Minimum Gain” has the meaning set forth in Section 1.704-2(d) of the Treasury Regulations.

“Company Sister Entities” means the Purchaser Entities and their direct or indirect subsidiaries (including the Purchaser Entity Trusts, the Purchaser SPVs and the Purchaser SPV Trusts).

“Company Trust” means the Delaware common law trust to be formed prior to Loan Purchase Closing to acquire certain of the Purchased Assets from the sellers under the Purchase

Agreement, for which the Company shall own 100% of the beneficial interests, as directed by the Managing Member.

“Confidential Information” has the meaning specified in Section 3.9(a).

“Contribution Determination Date” has the meaning specified in Section 6.1(b).

“Corporate Opportunity” has the meaning specified in Section 4.4.

“Covered Person” means any Member (including the Managing Member), officer or employee of the Company, and any Person directly or indirectly controlling a Member or any officer, director, manager or employee of any such Person.

“Credit Line Advances” means any funding of a request for an advance on a Loan that has a status of “open to buy.”

“CTC” has the meaning specified in Section 2.4.

“Debt Financing” means (i) all Indebtedness of the Company incurred in connection with the acquisition of Purchased Assets under the Purchase Agreement and (ii) all Indebtedness of the Company incurred in connection with any Debt Refinancing, in each case as such Indebtedness may be amended, modified, replaced or substituted from time to time following the date thereof in accordance with the terms and conditions set forth in this Agreement.

“Debt Financing Fees and Expenses” means all amounts required to be paid in connection with the Debt Financing.

“Debt Refinancing” means all Indebtedness of the Company incurred in connection with the refinancing of the Debt Financing pursuant to the Transaction Documents (as defined in the Indenture).

“Distribution” has the meaning specified in Section 8.1(a).

“Equity Commitment Amount” means an amount equal to the sum of (i) the Closing Cash Consideration minus the proceeds of the Debt Financing, (ii) any amount required to be paid by the Company in respect of any Post-Closing Adjustment, (iii) the Debt Financing Fees and Expenses and (iv) the Transaction Fees and Expenses.

“ERISA” has the meaning set forth in Section 3.8(p).

“Estimated Aggregate Loan UPB Purchase Price” has the meaning specified in the Purchase Agreement.

“Exercise Period” has the meaning specified in Section 9.1(a).

“Fees and Expenses” means the Debt Financing Fees and Expenses, the Ongoing Fees and Expenses and the Transaction Fees and Expenses.

“Fiscal Year” means the fiscal year of the Company, which shall be the calendar year.

“Flow-Through Entity” means, for Federal income tax purposes, a partnership, limited liability company, grantor trust or S corporation (as such term is defined in the Code).

“Holdback Amount” has the meaning specified in Section 9.2(d).

“Indebtedness” with respect to any Person means, without duplication, (a) all obligations of such Person for borrowed money (whether secured or unsecured) or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid (excluding current accounts payable incurred in the ordinary course of business), (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding accounts payable), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all guarantees by such Person of Indebtedness of others, (h) all capital lease obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit, performance bonds and letters of guaranty, (j) all obligations, contingent or otherwise, of such Person in respect of bankers’ acceptances, and (k) all obligations of such Person in respect of hedging arrangements.

“Indemnified Party” has the meaning specified in Section 4.3.

“Indemnifying Parties” has the meaning specified in Section 4.3.

“Indemnification and Contribution Agreement” means that certain Indemnification and Contribution Agreement dated as of September 18, 2014 among the Purchaser SPVs, SFI, New Residential Investment Corp., Willow I, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse Securities (USA) LLC, Barclays Capital Inc. and Natixis Securities Americas LLC to be executed and delivered in accordance with the Debt Refinancing, as may be amended, modified, replaced or substituted from time to time following the date thereof.

“Indenture” means the Indenture, dated as of October 3, 2014, among the Purchaser SPVs, as Co-Issuers, Wilmington Trust, National Association, as Loan Trustee of each Purchaser SPV Trust, the Indenture Trustee, Wells Fargo Bank, National Association, as Paying Agent and Note Registrar, and SFI, as may be amended, modified, replaced or substituted from time to time following the date thereof.

“Indenture Trustee” means U.S. Bank National Association, in its capacity as Indenture Trustee under the Indenture, or any successor thereto in such capacity.

“Initial Capital Contribution” means, with respect to any Member, the product of (x) a fraction, the numerator of which shall be the portion of the Estimated Aggregate Loan UPB

Purchase Price for the Loans to be acquired by the Company Trust at the Loan Purchase Closing, and the denominator of which shall be the entire Estimated Aggregate Loan UPB Purchase Price at the Loan Purchase Closing, multiplied by (y) the aggregate initial capital contribution of such Member.

“Interest” means, with respect to any Member, its ownership interest in the Company as set forth opposite such Member’s name on Schedule I hereto.

“Interim Servicing Agreement” has the meaning set forth in the Purchase Agreement.

“Investment Company Act” means the Investment Company Act of 1940, as amended from time to time, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder.

“Loan Purchase Closing” means the “Closing” as defined in the Purchase Agreement.

“Loans” means all PHL Loans and PUL Loans (as such terms are defined in the Purchase Agreement) that the Company (or any Company Trust as designee of the Company) acquires pursuant to the Purchase Agreement.

“Managing Member” means NRZ Consumer LLC, and its successors and assigns appointed in accordance with the terms of this Agreement.

“Member Nonrecourse Debt” has the same meaning as the term “partner nonrecourse debt” in Section 1.704-2(b)(4) of the Treasury Regulations.

“Member Nonrecourse Debt Minimum Gain” means an amount, with respect to each Member Nonrecourse Debt, equal to the Company Minimum Gain that would result if such Member Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Section 1.704-2(i)(3) of the Treasury Regulations.

“Member Nonrecourse Deductions” has the same meaning as the term “partner nonrecourse deductions” in Sections 1.704-2(i)(1) and 1.704-2(i)(2) of the Treasury Regulations.

“Members” has the meaning specified in the preamble of this Agreement.

“Membership Percentage” means, with respect to any Member, (i) as of the Loan Purchase Closing, an amount equal to the fraction, expressed as a percentage, the numerator of which is the Initial Capital Contribution of such Member and the denominator of which is the Initial Capital Contributions of all Members; and (ii) thereafter, an amount equal to the fraction, expressed as a percentage, the numerator of which is the Capital Contributions of such Member and the denominator of which is the Capital Contributions of all Members.

“Negotiation Period End-Date” has the meaning specified in Section 9.1(a).

“Net Cash Flow” means with respect to any fiscal period of the Company (i) the sum of (x) all cash revenues of the Company and the Company Trust (determined on a consolidated

basis) during that period from all sources, and (y) any reductions in Reserves, less (ii) the sum of (without duplication) (a) cash expenditures by the Company and the Company Trust for operating fees and expenses (including fees and expenses payable under the Interim Servicing Agreement, the Servicing Agreement and the Non-Securitization Servicing Agreement), (b) payment of the then due principal and interest, and any fees or other amounts then due, with respect to Indebtedness of the Company and the Company Trust, (c) any additions to Reserves and (d) any amounts used to fund Credit Line Advances.

“Net Profits” or “Net Loss” for any period means the net income or net loss of the Company for Federal income tax purposes for such period, increased (without duplication) by the amount, if any, of tax exempt income received or accrued by the Company, reduced (without duplication) by the amount, if any, of all expenditures of the Company described in Section 705(a)(2)(B) of the Code (including expenditures treated as described therein under Section 1.704-1(b)(2)(iv)(i) of the Treasury Regulations), and adjusted with respect to items relating to any asset the Book Basis of which differs from its Tax Basis as described in the following sentence. For purposes of computing Net Profits or Net Loss, (a) the amount of gain or loss with respect to the disposition of any such asset shall be determined by the difference between the amount realized with respect to such disposition and the asset’s Book Basis, (b) if the Book Basis of any such asset is adjusted pursuant to clause (ii) of the definition of Book Basis, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset and (c) the Book Depreciation with respect to any such asset for any year shall be determined in accordance with the methods used for Federal income tax purposes and shall equal the amount that bears the same ratio to the Book Basis of such asset as the depreciation or other cost recovery deduction computed for Federal income tax purposes bears to the Tax Basis. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Member’s Interest in the Company, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) from the disposition of such asset for purposes of computing Net Profits or Net Losses. The amounts of the items of Company income, gain, loss or deduction available to be specially allocated pursuant to Section 7.6 shall be determined by applying rules analogous to those set forth above. Notwithstanding the foregoing, items which are specially allocated pursuant to Section 7.6 shall not be taken into account in computing Net Profits or Net Losses.

“Non-BTOA Persons” has the meaning specified in Section 12.18.

“Non-Participating Member” has the meaning specified in Section 6.1(c).

“Nonrecourse Deductions” has the meaning set forth in Section 1.704-2(b)(1) of the Treasury Regulations.

“Nonrecourse Liability” has the meaning set forth in Section 1.704-2(b)(3) of the Treasury Regulations.

“Non-Securitization Servicing Agreement” means that certain Servicing Agreement dated as of March 31, 2016, by and among SpringCastle America, LLC, SpringCastle America Funding, LLC, SpringCastle Credit, LLC, SpringCastle Credit Funding, LLC, SpringCastle Finance, LLC, SpringCastle Finance Funding, LLC, Wilmington Trust, National Association, not in its individual capacity but solely as loan Trustee to each Co-Issuer, Springleaf Consumer Loan, Inc., Springleaf Home Equity, Inc., Springleaf Mortgage Services, Inc.

“Non-Solicitation Obligations” has the meaning specified in Section 3.6(a).

“Non-Transferring Members” has the meaning specified in Section 9.1(a).

“Note Purchase Agreement” means that certain Note Purchase Agreement dated as of September 18, 2014 among the the Purchaser Entities, the Purchaser SPVs, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Credit Suisse Securities (USA) LLC, Barclays Capital Inc. and Natixis Securities Americas LLC, to be executed and delivered in accordance with the Debt Refinancing, as may be amended, modified, replaced or substituted from time to time following the date thereof.

“NRZ” means NRZ Consumer LLC, a Delaware limited liability company.

“NRZ Aggregate ROI Achievement Date” means the date on which Distributions made from and after March 31, 2016 (i) to NRZ SC America LLC and its successors and assigns pursuant to the Second Amended and Restated Limited Liability Company Agreement of SpringCastle America, LLC, dated as of March 31, 2016 (as may be amended from time to time), (ii) to NRZ SC Credit Limited and its successors and assigns pursuant to the Second Amended and Restated Limited Liability Company Agreement of SpringCastle Credit, LLC, dated as of March 31, 2016 (as may be amended from time to time) and (iii) to NRZ SC Finance I LLC, NRZ SC Finance II LLC, NRZ SC Finance III LLC, NRZ SC Finance IV LLC and NRZ SC Finance V LLC and their respective successors and assigns pursuant to the Second Amended and Restated Limited Liability Company Agreement of SpringCastle Finance, LLC, dated as of March 31, 2016 (as may be amended from time to time), in each case in respect of the limited liability company interests in SpringCastle America, LLC, SpringCastle Credit, LLC and SpringCastle Finance, LLC, as applicable, acquired by them on March 31, 2016, in the aggregate, equal or exceed \$55,812,500.

“Offered Interests” has the meaning specified in Section 9.1(a).

“Ongoing Fees and Expenses” means (i) out-of-pocket organizational and related fees and expenses for maintaining the existence and necessary licenses of the Company incurred in the ordinary course of business (for the avoidance of doubt, not including fees and expenses for licenses of the Servicer); (ii) federal and state taxes of the Company and the fees and out-of-pocket expenses payable to third parties for preparing tax returns and reports of the Company; (iii) the fees and out-of-pocket expenses payable to third parties related to financial reporting requirements of the Company (including for reports required under this Agreement); (iv) the fees and out-of-pocket expenses payable to third parties related to accounting matters with respect to the Company (including for maintaining the books and records as required under this Agreement); and (v) other fees and out-of-pocket expenses payable to third parties (including

outside lawyers, accountants and consultants) reasonably incurred in accordance with Section 3.1.

“Participating Member” has the meaning specified in Section 6.1(c).

“Performance Support Agreement” means the Performance Support Agreement dated as of October 3, 2014, by SFI in favor of the Indenture Trustee in respect of certain obligations of the Purchaser SPVs, as may be amended, modified, replaced or substituted from time to time following the date thereof.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, estate, unincorporated association, trust or entity, or any Federal, state, county or municipal government or any political subdivision thereof.

“Portfolio” means all Loans the Company (or any Company Trust as designee of the Company) acquires pursuant to the Purchase Agreement.

“Post-Closing Adjustment” means the post-closing adjustment to the Purchase Price (as such term is defined in the Purchase Agreement) as set forth in Section 3.03 of the Purchase Agreement.

“Price Floor” has the meaning specified in Section 9.1(a).

“Proposed Transferee” has the meaning specified in Section 9.1(a).

“Purchase Agreement” means the Purchase Agreement dated March 5, 2013, as amended by the Amendment to Purchase Agreement dated March 29, 2013, among the Company, HSBC Finance Corporation and the Sellers that are listed on Schedule 1.01(a) thereto.

“Purchased Assets” has the meaning specified in the Purchase Agreement.

“Purchase Price” has the meaning specified in the Purchase Agreement.

“Purchaser Entity” means each of SpringCastle America, LLC, a Delaware limited liability company, SpringCastle Credit, LLC, a Delaware limited liability company, and SpringCastle Finance, LLC, a Delaware limited liability company.

“Purchaser Entity LLC Agreement” has the meaning specified in Section 2.2(b).

“Purchaser Entity Trust” means each Delaware common law trust to be formed prior to Loan Purchase Closing to acquire certain of the Purchased Assets from the sellers under the Purchase Agreement, for which the related Purchaser Entity shall own 100% of the beneficial interests, in each case as directed by the managing member of each Purchaser Entity.

“Purchaser SPV” means each of SpringCastle America Funding, LLC, a Delaware limited liability company, SpringCastle Credit Funding, LLC, a Delaware limited liability company, and SpringCastle Finance Funding, LLC, a Delaware limited liability company.

“Purchaser SPV Trust” means each Delaware common law trust to be formed prior to the Loan Purchase Closing to acquire Purchased Assets from a Purchaser Entity Trust, in each case as directed by the Managing Member.

“Qualified Securities” means marketable, registered equity securities of a publicly traded entity having a market cap of not less than \$1,000,000,000.

“Recipient” has the meaning specified in Section 3.9(a).

“Required Consent Action” has the meaning specified in Section 3.2(a).

“Required Seller” has the meaning specified in Section 9.2(a).

“Reserves” means cash reserves maintained by the Company and the Company Trust (i) as required by any debt agreements to which the Company or the Company Trust may be a party or (ii) as reasonably determined by the Managing Member to be necessary for the funding of anticipated operating expenditures of the Company and the Company Trust or to provide for contingent liabilities of the Company and the Company Trust.

“Restricted Parties” has the meaning specified in Section 3.6(a).

“Sale Notice” has the meaning specified in Section 9.3(b).

“Securities Act” means the Securities Act of 1933, as amended.

“Servicer” means, collectively, SFI and all of its subsidiaries that provide servicing pursuant to the Servicing Agreement.

“Servicing Agreement” means the Servicing Agreement, dated as of October 3, 2014, among the Purchaser SPVs, Wilmington Trust, National Association, as loan trustee for each of the Purchaser SPVs and the Servicer, as may be amended, modified, replaced or substituted from time to time following the date thereof.

“SFI” means Springleaf Finance, Inc.

“Shortfall Amount” has the meaning specified in Section 6.1(c).

“Sidley” has the meaning specified in Section 12.13.

“Successor Managing Member” has the meaning specified in Section 3.1(b).

“Tag-Along Notice” has the meaning specified in Section 9.3(b).

“Tag-Along Offeree” has the meaning specified in Section 9.3(a).

“Tag-Along Purchaser” has the meaning specified in Section 9.3(a).

“Tag-Along Right” has the meaning specified in Section 9.3(a).

“Tag-Along Sale” has the meaning specified in Section 9.3(a).

“Tag-Along Seller” has the meaning specified in Section 9.3(a).

“Tagged Interest” has the meaning specified in Section 9.3(a).

“Tax Basis” means, with respect to any asset, its adjusted basis for Federal income tax purposes.

“Transaction Fees and Expenses” means the fees and expenses of the transactions contemplated by the Purchase Agreement, all of which have been paid in full.

“Transactions” has the meaning specified in Section 12.13.

“Transfer” has the meaning specified in Section 9.1(a).

“Transferred Interest” has the meaning specified in Section 9.1(a).

“Transferring Member” has the meaning specified in Section 9.1(a).

“Treasury Regulations” means the regulations as adopted by the Treasury Department and Internal Revenue Service under the Code, as in effect from time to time.

“Willow I” has the meaning specified in the preamble of this Agreement.

“Willow II” has the meaning specified in the preamble of this Agreement.

“WTNA” has the meaning specified in Section 6.1(b).

ARTICLE 2

THE COMPANY AND ITS BUSINESS

2.1 *Formation.* The Company has been formed pursuant to the Certificate of Formation and this Agreement. The name of the Company is “SpringCastle Acquisition LLC.”

2.2 *Purposes; Formation of Trust and Purchaser Entity.*

(a) The Company has been organized (i) to enter into the Purchase Agreement and to acquire, through the Purchaser Entity Trusts, the Purchased Assets pursuant to the Purchase Agreement, (ii) to pay the Purchase Price allocable to the Loans acquired by the Purchaser Entity Trusts and to pay the other allocable amounts contemplated in the definition of the Equity Commitment Amount, and (iii) to engage in any lawful act or activity for which limited liability companies may be organized under the Company Law and to engage in any and all activities necessary or incidental thereto.

(b) As directed by the Managing Member prior to the Loan Purchase Closing, the Company assigned to the Purchaser Entity Trusts the right to acquire certain of the Purchased Assets pursuant to the Purchase Agreement.

(c) With respect to each Purchaser Entity Trust, the Managing Member (i) has caused a related Purchaser Entity and such Purchased Entity Trust to be formed, provided that each Purchaser Entity shall be the sole beneficiary of the related Purchaser Entity Trust, and (ii) has caused to be prepared an operating agreement substantially similar to this Agreement (the “Purchaser Entity LLC Agreement”). The initial capital contribution for each member under any Purchaser Entity LLC Agreement shall equal the product of (x) a fraction, the numerator of which shall be the portion of the Estimated Aggregate Loan UPB Purchase Price for the loans to be acquired by the Purchaser Entity Trust of such Purchaser Entity at the Loan Purchase Closing, and the denominator of which shall be the entire Estimated Aggregate Loan UPB Purchase Price at Loan Purchase Closing, multiplied by (y) the Aggregate Initial Capital Contribution of such member as provided in Schedule I. Promptly following the delivery by the Managing Member of any Purchaser Entity LLC Agreement, each Member shall execute such Purchaser Entity LLC Agreement, or assign its right to execute as a member to an Affiliate in accordance with Section 9.1(a). The managing member of each Purchaser Entity shall cause a Purchaser SPV and a Purchaser SPV Trust to be formed in connection with the Debt Financing. Each Purchaser SPV shall be established as a bankruptcy-remote special purpose entity in accordance with the requirements of the Debt Financing; provided, that each of Blackstone and NRZ shall be entitled to review and consent to the form of operating agreement for each Purchaser SPV and the trust documents for each Purchaser SPV Trust, such consent not to be unreasonably withheld, delayed or conditioned.

2.3 *Principal Office.* The principal office of the Company shall be any place of business selected from time to time by the Managing Member.

2.4 *Registered Office and Registered Agent.* The Company’s registered office in the State of Delaware shall be c/o The Corporation Trust Company (“CTC”), 1209 Orange Street, County of New Castle, Wilmington, Delaware 19801. The registered agent of the Company for service of process within the State of Delaware shall be CTC. At any time, the Managing Member may designate another registered agent and/or registered office.

2.5 *Qualification.* Prior to conducting any business in any jurisdiction, the Managing Member shall cause the Company to comply with all requirements for the qualification or licensing of the Company to conduct business as a limited liability company in such jurisdiction as and to the extent required by the laws and related rules and regulations of such jurisdiction.

2.6 *Term.* The term of the Company commenced on the date of the filing of the Certificate of Formation in the office of the Secretary of State of the State of Delaware, and the Company shall continue until dissolved, subject to Article 10 hereof, in accordance with the Company Law.

ARTICLE 3

MANAGING MEMBER, MEMBERS AND OFFICERS

3.1 *Management and Control.*

(d) The business and affairs of the Company shall be managed by the Managing Member, which shall have the exclusive power and authority, on behalf of the Company, to take any action of any kind not inconsistent with the provisions of this Agreement and to do anything and everything it deems necessary or appropriate to carry on the business and purposes of the Company; provided, that the Managing Member shall have the power and authority to delegate any such matters to any Affiliate or third party or parties selected by the Managing Member with reasonable care; provided further, that no delegation by the Managing Member of any of its duties hereunder shall relieve the Managing Member of any of its duties hereunder nor relieve the Managing Member of any liability with respect to the performance of such duties (but only to the extent the Managing Member would otherwise be liable hereunder). The Company shall reimburse the Managing Member or its Affiliates for any (i) third party fees or expenses payable by the Managing Member or its Affiliates to its independent contractors providing services to the Company and (ii) allocated costs of internal fees and expenses, including, without limitation, allocated salary and overhead costs (which for the avoidance of doubt is subject to the cap set forth in Section 3.2(a)(v)). Subject to Section 3.2 and Section 3.5, the Managing Member shall have, and is hereby granted, full and complete power, authority and discretion to take such action for and on behalf of the Company, and in its name, as the Managing Member deems necessary or appropriate to carry out the purposes for which the Company has been organized. The Managing Member shall be reasonably available to the Members for the purpose of responding to reasonable information requests of, and communicating with, such Members. The Managing Member shall devote so much of its time to the affairs of the Company as in its judgment the conduct of the Company shall reasonably require. Subject to Section 3.2(a), the Managing Member shall have the authority to cause the Company or the Company Trust to incur any Indebtedness or issue any Additional Interests, and the Managing Member shall not be required to offer any Member the right to participate in any such issuance.

(e) At any time upon 30 days' prior written notice to the Company and the Members, the Members holding an aggregate Membership Percentage greater than 70% may remove the current Managing Member as Managing Member, subject to the appointment of a successor to the Managing Member by the Members holding an aggregate Membership percentage greater than least 70% (the "Successor Managing Member"), which Successor Managing Member accepts and agrees to be bound as the Managing Member hereunder. Notwithstanding the foregoing, for so long as a subsidiary of New Residential Investment Corp. is the Managing Member, NRZ shall have the right, upon prior written notice to the Company and the other Members but without the consent or approval of such other Members, to replace the Managing Member with another Member that is also a subsidiary of New Residential Investment Corp., which successor Managing Member accepts and agrees to be bound as the Managing Member hereunder, provided that no such replacement shall relieve the Managing Member being replaced from any of its obligations and/or liabilities hereunder.

(f) On or before November 30 of each year, the Managing Member shall provide Blackstone and NRZ with a budget setting forth an estimate of the expenses of the Company to be incurred in the next fiscal year, including expenses of any third party independent contractor and any allocated costs of internal fees and expenses (the "Company").

Budget"); *provided, however*, that the estimated expenses for the remaining fiscal year, 2016 shall be provided to Blackstone and NRZ within 90 days after the date hereof. The Managing Member shall consult with Blackstone regarding the Company Budget as reasonably requested by Blackstone.

3.2 Member Consent Rights.

(a) Notwithstanding anything to the contrary in this Agreement, and subject to Section 3.2(b), without the prior written consent of each of NRZ and Blackstone, the Managing Member shall not, and shall cause the Company not to, take any of the following actions (each, a "Required Consent Action"):

(i) except as permitted under Section 2.2(b), any modification to the legal structure of the Company, including any merger, consolidation or amalgamation, or any modification to the capital structure of the Company, including the issuance of any Additional Interests (except as provided in Section 3.2(a)(viii)), or the incurrence of any material Indebtedness by the Company; provided, that the Company may incur Indebtedness (i) on such terms as are approved by Blackstone and NRZ in connection with the Debt Financing, and (ii) for any refinancing of such initial Indebtedness, provided that, with respect to clause (ii) of this proviso, the Company has obtained the prior written consent of NRZ and Blackstone;

(ii) any conveyance, sale, lease or transfer of 25% or more of the market value of the Loans then held by the Company in a single transaction or a series of related transactions over any three (3) month period. For the avoidance of doubt, any transaction occurring within three (3) months of any prior transaction shall be deemed to be a related transaction;

(iii) except as permitted under Section 2.2(b), any purchase or other acquisition by the Company of any material assets (including any other loan portfolio) or all or substantially all of the assets or any stock or shares of any class of any Person or joint venture, or any recapitalization, joint venture or other business combination transaction between the Company and any other Person, or the consolidation or merger of the Company with or into any other Person;

(iv) dissolve or liquidate the Company, in whole or in part, make an assignment for the benefit of any creditor, or file, consent to or otherwise initiate on behalf of the Company petition in bankruptcy or for the appointment of a custodian, receiver or any trustee;

(v) any transaction, arrangement or relationship (or series of related transactions, arrangements or relationships) between the Company and any Person that is an Affiliate of any Member that involves an amount that exceeds or will exceed \$750,000 in any calendar year, individually or in the aggregate;

(vi) any action that would cause the Company to be treated as other than a partnership or a disregarded entity for federal income tax purposes, or taking any action

that would require the Company to register as an “investment company” (as defined in the Investment Company Act of 1940);

(vii) any call by the Company for Capital Contributions other than the Initial Capital Contributions required under Section 6.1(a) and any Mandatory Capital Contributions required under Section 6.1(b), except in the event that there is an unforeseen liquidity or cash shortfall with respect to the Company; in such event, the Managing Member will provide each Member the opportunity to purchase, on a pro rata basis in accordance with such Member’s Membership Percentage, such share of any Additional Interests to be issued to obtain the funds necessary to deal with such unforeseen shortfall, and each participating Member in such call for Capital Contributions shall have the opportunity to purchase, on a pro rata basis in accordance with such Member’s then-current Membership Percentage, Additional Interests made available to, but not purchased by, a Member which does not fully participate in the call for Capital Contributions (it being understood that the Membership Percentage of any non-participating Member shall be subject to dilution resulting therefrom);

(viii) any waiver, consent or amendment to any of the documents entered into in connection with the Debt Financing or any termination of any such documents;

(ix) any change to the distribution policy set forth in Article 8;

(x) any change to the character of the business or purpose of the Company; and

(xi) any lending of money to, or guaranteeing the obligation or Indebtedness of, any Person, except for Persons controlled by the Company.

(b) The requirements set forth in Section 3.2(a) to obtain the affirmative prior written consent of NRZ or Blackstone, as applicable, will not be required if, at the time the Managing Member is required to solicit the affirmative prior written consent of NRZ or Blackstone, NRZ or Blackstone (together with its respective Affiliates), do not own an aggregate Membership Percentage equal to or greater than 10%.

(c) With respect to any Required Consent Action, the Managing Member shall provide reasonable advance written notice to NRZ and Blackstone, together with all material information relevant thereto, before soliciting the affirmative prior written consent of NRZ and Blackstone with respect to such Required Consent Action.

3.3 *Members Schedule.* Each Member is deemed admitted as a Member of the Company upon its execution and delivery of this Agreement, subject to the making of the Initial Capital Contribution of such Member in accordance with Section 6.1. The names, addresses and Membership Percentages of the Members are set forth in Schedule I. The Managing Member shall cause Schedule I to be amended from time to time to reflect receipt by the Company of any change of address of any Member, any Capital Contribution (including the Initial Capital Contribution) by any Member or any change in any Member’s contributed capital or Membership Percentage (including as a result of the Initial Capital Contributions), the issuance

of any Additional Interests or the admission of any Additional Member, the withdrawal or substitution of any Member, and the Transfer of any Member's Interest in the Company.

3.4 *Other Business.* Each of the Managing Member, each Member and their respective Affiliates, and each manager, officer, director or employee of each of the Managing Member, each Member and their respective Affiliates, may engage in or possess an interest in other business ventures of every kind and description, independently or with others, unless otherwise restricted by law or pursuant to a separate written agreement entered into between the Company and such Person.

3.5 *Servicing Agreement Matters.* Each Member shall notify the other Members promptly upon (and, in any event, within five (5) business days of) its receipt of written notice of the occurrence of any event or non-compliance not otherwise cured during any grace period under the Servicing Agreement or the Non-Securitization Servicing Agreement, as applicable, (i) as a result of which the applicable servicer is not in compliance in all material respects with all of its covenants and agreements contained in the Servicing Agreement or the Non-Securitization Servicing Agreement, as applicable; or (ii) which constitutes or, with the passage of time or notice, would constitute a default under the Servicing Agreement or the Non-Securitization Servicing Agreement. Blackstone and NRZ shall jointly make any decision with respect to the matters set forth in this Section 3.5.

3.6 *Reserved.*

3.7 *Officers.* The Managing Member may, from time to time, appoint one or more presidents, one or more vice presidents, a chief financial officer, a general counsel, a treasurer, and/or a secretary and any other officers of the Company as the Managing Member determines appropriate. Officers will only have the authority and duties that are specified by the Managing Member. Any two or more offices may be held by the same person. The officers of the Company shall hold office at the pleasure of the Managing Member. Any officer of the Company may be removed, either with or without cause, at any time by the Managing Member. No officer of the Company shall be entitled to any ownership or other interests in the Company or any other compensation by reason as serving as an officer.

3.8 *Representations, Warranties and Covenants.* Each Member hereby represents, warrants and covenants to the Company and to each other Member that:

(a) if that Member is a corporation, it is duly organized, validly existing, and in good standing under the law of the state of its incorporation;

(b) if that Member is a limited liability company, it is duly organized, validly existing and (if applicable) in good standing under the law of the state of its organization;

(c) if that Member is a partnership, trust, or other entity, it is duly formed, validly existing and (if applicable) in good standing under the law of the state of its formation, and if required by law is duly qualified to do business and (if applicable) in good standing in the jurisdiction of its principal place of business (if not formed therein), and the representations and

warranties in clauses (a)–(c), as applicable, are true and correct with respect to each partner (other than limited partners), trustee, or other member thereof;

(d) that Member has full corporate, limited liability company, partnership, trust, or other applicable power and authority to execute and agree to this Agreement and to perform its obligations hereunder and all necessary actions by the board of directors, managing member, shareholders, managers, members, partners, trustees, beneficiaries, or other Persons necessary for the due authorization, execution, delivery, and performance of this Agreement by that Member have been duly taken;

(e) that Member has duly executed and delivered this Agreement;

(f) that Member's authorization, execution, delivery, and performance of this Agreement does not conflict with (i) any law, rule or court order applicable to that Member, (ii) that Member's articles of incorporation, bylaws, certificate of formation, partnership agreement, operating agreement or articles of organization, if any, or (iii) any other agreement or arrangement to which that Member is a party or by which it is bound;

(g) that Member has the funds necessary to fulfill its obligation under this Agreement, or on the Loan Purchase Closing such funds shall be available to it;

(h) that Member is acquiring the Interest for that Member's own account for investment and not with a view to the resale, distribution or fractionalization thereof, in violation of applicable Federal or state securities laws;

(i) that Member has, alone or together with that Member's purchaser representative (if any), such knowledge and experience in financial matters that that Member is capable of evaluating the relative risks and merits of this investment;

(j) that Member has adequate means of providing for that Member's current needs and personal contingencies and has no need for liquidity in this investment;

(k) all documents and records requested by that Member have been delivered or made available and that Member's investment decision is based upon that Member's own investigation and analysis and not the representations or inducements of any other Member;

(l) that Member understands that the Interests have not been, and may not be, registered under the Securities Act in reliance upon applicable exemptions from registration;

(m) no brokerage or finder's commissions or fees are payable in connection with that Member entering into this Agreement and the transactions contemplated herein;

(n) that Member either (i) is not and will not become (or, if it is disregarded as an entity separate from its owner within the meaning of section 301.7701-3(a) of the Treasury Regulations, its owner is not and will not become), a Flow-Through Entity or, (ii) if it is or becomes a Flow-Through Entity (or, if it is disregarded, and its owner is or becomes a Flow-Through Entity), that (A) none of the direct or indirect beneficial owners of any of the interests

in such Flow-Through Entity has or will ever have more than 50% of the value of its interest in such Flow-Through Entity attributable to the beneficial interest of such Flow-Through Entity in such Member's Interest, and (B) it is not and will not be a principal purpose of the arrangement involving the Flow-Through Entity to permit the Company or any other entity owned by the Company to satisfy the 100-partner limitation of section 1.7704-1(h)(1)(ii) of the Treasury Regulations necessary for the Company or such other entity not to be classified as a publicly traded partnership under the Code;

(o) that Member is not acquiring its Interest, and will not Transfer its Interest, or cause any beneficial interest in its Interest to be marketed, in each case on or through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" each within the meaning of section 7704(b) of the Code, including, without limitation, an interdealer quotation system that regularly disseminates firm buy or sell quotations;

(p) that Member is not acquiring its Interest with the assets of (1) an "employee benefit plan", as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), that is subject to Title I of ERISA, (2) a "plan," as defined in Section 4975(e)(1) of the Internal Revenue Code that is subject to Section 4975 of the Internal Revenue Code, (3) an entity whose underlying assets include "plan assets" by reason of such employee benefit plan's or plan's investment in the entity (within the meaning of Department of Labor Regulation 29 C.F.R. 2510.3-101, as modified by section 3(42) of ERISA), or (4) any governmental, church, non-U.S. or other plan that is subject to any non-U.S., federal, state or local law that is substantially similar to Section 406 of ERISA or Section 4975 of the Internal Revenue Code;

(q) that Member is an "accredited investor" within the meaning of Regulation D promulgated under the Securities Act;

(r) on the date of its initial Capital Contribution and on the date of each of its additional Capital Contributions (if any) in the Company, that Member was a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act and the rules and regulations thereunder and applicable regulatory interpretations thereof; and

(s) that Member was not formed, capitalized, reformed, operated or recapitalized solely for the purpose of investing, directly or indirectly, in the Company, unless each owner or securityholder of such Member would be able to make each of the representations set forth in Section 3.8(r) and this Section 3.8(s).

3.9 Confidentiality.

(a) Each Member recognizes and acknowledges that such Member may receive certain confidential and proprietary information and trade secrets of the Company Sister Entities, including confidential information of the Company Sister Entities regarding the Purchased Assets, the Servicing Agreement and activities being undertaken by any Company Sister Entity, any of their agents or the Servicer with respect to such Purchased Assets (the "Confidential Information"). Unless otherwise provided herein or agreed to in writing by the

Members, each Member (on behalf of itself and, to the extent that such Member would be responsible for the acts of the following Persons under principles of agency law, its directors, officers, shareholders, partners, employees, agents and members in receipt of such Confidential Information (the “Bound Parties”)) agrees that such Member will not, during or after the term of this Agreement, whether through an Affiliate or otherwise, use Confidential Information other than for evaluating and monitoring its investment in the Company Sister Entities, take commercial or proprietary advantage of or profit from any such Confidential Information, or disclose Confidential Information to any Person for any reason or purpose whatsoever, except (i) to authorized representatives and employees of the Company Sister Entities and as otherwise may be proper in the course of performing such Member’s obligations, or enforcing such Member’s rights, under this Agreement; (ii) as part of such Member’s or its Affiliates’ normal reporting or review procedure, or in connection with such Member’s or its Affiliates’ normal fund raising, marketing, informational or reporting activities, or to such Member’s (or any of its Affiliates’) auditors, attorneys or other agents; (iii) to any bona fide prospective purchaser of the equity or assets of such Member or its Affiliates or the Interests held by such Member, or prospective merger partner of such Member or its Affiliates, provided that such purchaser or merger partner agrees to be bound by the provisions of this Section 3.9 (each recipient of Confidential Information pursuant to the foregoing clauses (i), (ii) and (iii), a “Recipient”); or (iv) as is required to be disclosed by order of a court of competent jurisdiction, administrative body or governmental body, or by subpoena, summons or legal process, or by law, rule or regulation, provided that the Member required to make such disclosure, to the extent practicable and allowable by law or a requesting regulator, shall provide to the Managing Member prompt notice of any such disclosure so that the Company may seek, in the Company’s sole discretion, a protective order or other appropriate remedy. For purposes of this Section 3.9, “Confidential Information” shall not include any information: (w) relating to the tax treatment or tax structure of the Company Sister Entities or any assets held by the Company Sister Entities, (x) of which such Person (or its Affiliates) became aware prior to its discussions with the Company Sister Entities, (y) of which such Person (or its Affiliates) learns from sources other than the Company Sister Entities (other than if such Person is aware of a breach of confidentiality obligations), whether prior to or after such information is actually disclosed by the Company Sister Entities, or (z) which is otherwise publicly available. Nothing in this Section 3.9 shall in any way limit or otherwise modify any confidentiality covenants entered into by any Member pursuant to any other agreement to which such Member and the Company Sister Entities are parties. Each Member shall be responsible for any breach of this Section 3.9 by any of its Bound Parties.

(b) The Confidential Information of the Company and the Company Sister Entities disclosed to the Members, the Bound Parties and the Recipients in connection with this Agreement shall remain the property of the Company or such Company Sister Entity and such disclosure shall not confer on the Members, the Bound Parties or the Recipients any right over such Confidential Information unless otherwise specified hereunder. Any such Confidential Information shall not be used by the Members, the Bound Parties and the Recipients or disclosed by the Members, the Bound Parties and the Recipients to other Persons, except as set forth in Section 3.9(a) unless such Member, Bound Party or Recipient and the Company enter into an agreement for such use of the Confidential Information, on terms reasonably agreed to by the parties.

3.10 *No Certificated Interests.* Interests shall not be certificated unless otherwise determined by the Managing Member.

LIABILITY AND INDEMNIFICATION

3.11 *Limited Liability of Members.* The Members shall not have any liability for the obligations or liabilities of the Company except to the extent expressly provided in the Company Law or this Agreement.

3.12 *Exculpation, Indemnification and Advances.*

(a) Subject to other applicable provisions of this Section 4.2 and Section 4.4, to the fullest extent permitted by applicable law, the Covered Persons shall not be liable to the Company, the Company Trust or any direct or indirect subsidiary of the Company, any Member or any holder of any equity interest in any direct or indirect subsidiary of the Company for any acts or omissions by any of the Covered Persons arising from the performance or non-performance of their duties and obligations in connection with the Company, this Agreement or any investment made by or on behalf of, or held by or on behalf of, the Company or its Affiliates, including with respect to any acts or omissions made while serving at the request of the Company as a Managing Member, officer, director, member, partner, tax matters partner, fiduciary or trustee of another Person or any employee benefit plan, except to the extent that the respective acts or omissions of a Covered Person are finally determined by a court of competent jurisdiction to constitute (i) fraud, willful misconduct or gross negligence or (ii) in the case of the Managing Member, willful violations of the express provisions of this Agreement. The Covered Persons shall be indemnified by the Company, to the fullest extent permitted by law, against all expenses and liabilities (including judgments, fines, penalties, interest, amounts paid in settlement with the approval of the Company and reasonable counsel fees and disbursements on a solicitor and client basis) arising from the performance or non-performance of any of their duties or obligations in connection with their service to the Company or this Agreement, or any investment made by or on behalf of, or held by or on behalf of, the Company or its Affiliates, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such Covered Person may hereafter be made party by reason of being or having been a Covered Person except to the extent that the respective acts or omissions of a Covered Person are finally determined by a court of competent jurisdiction to constitute (i) fraud, willful misconduct or gross negligence or (ii) in the case of the Managing Member, willful violations of the express provisions of this Agreement. The indemnification and other rights of any Covered Person under this Section 4.2 shall not apply with respect to services performed by or for any Member or its Affiliate that is the counterparty to any agreement, including the Servicing Agreement, entered into with any Company Sister Entity.

(b) The provisions of this Agreement, to the extent they restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity are agreed by each Member to modify such duties and liabilities of the Covered Person to the extent permitted by law.

(c) Subject to Section 4.2(i), to the fullest extent permitted by law, expenses (including reasonable attorneys' fees) incurred by a Covered Person in defending any civil, criminal, administrative or investigative action, suit or proceeding with respect to which such Covered Person is entitled to indemnification pursuant to this Section 4.2, shall be paid by the Company in advance of the final disposition of such action, suit or proceeding upon receipt of a written undertaking by or on behalf of such Covered Person to repay such amount if it shall ultimately be determined that such Covered Person is not entitled to be indemnified by the Company as authorized in this Section 4.2.

(d) The indemnification and advancement of expenses provided by or granted pursuant to this Section 4.2 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under this Agreement, or any other agreement, consent of Members or otherwise, and shall continue as to a Covered Person who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Covered Person unless otherwise provided in a written agreement with such Covered Person or in the writing pursuant to which such Covered Person is indemnified, it being the policy of the Company that indemnification of the persons specified in Section 4.2(a) shall be made to the fullest extent permitted by law, except as otherwise provided herein. The provisions of this Section 4.2 shall not be deemed to preclude the indemnification of any person who is not specified in Section 4.2(a) but whom the Company has the power or obligation to indemnify under the provisions of the Company Law.

(e) Subject to Section 4.2(i), if this Section 4.2 or any portion of this Section 4.2 shall be invalidated on any ground by a court of competent jurisdiction the Company shall nevertheless indemnify each Covered Person as to expenses (including reasonable attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit, proceeding or investigation, whether civil, criminal or administrative, including a grand jury proceeding or action or suit brought by or in the right of the Company, to the full extent permitted by any applicable portion of this Section 4.2 that shall not have been invalidated.

(f) Each of the Covered Persons may, in the performance of such Covered Person's duties, consult with legal counsel and accountants, and any act or omission by such Covered Person on behalf of the Company in furtherance of the interests of the Company in good faith in reliance upon, and in accordance with, the advice of such legal counsel or accountants will be full justification for any such act or omission, and such Covered Person will be fully protected for such acts and omissions; provided that such legal counsel or accountants were selected with reasonable care by or on behalf of the Company.

(g) A Covered Person shall, in the performance of such Covered Person's duties, be fully protected in relying in good faith upon the records of the Company and on such information, opinions, reports or statements presented to the Company by any of the officers or employees of the Company or of any of its Affiliates, or by any other person as to matters such Covered Person reasonably believes are within such other person's professional or expert competence.

(h) Any amendment, modification or repeal of this Section 4.2 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the liability of any indemnitee under this Section 4.2 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted and provided such Person became an indemnitee hereunder prior to such amendment, modification or repeal.

(i) A Covered Person seeking indemnification under this Section 4.2 will give prompt written notice to the Company of any third party claim that may give rise to indemnification under this Section 4.2, provided that any failure or delay in providing timely notice shall not affect the rights or obligations of the Company except to the extent that, as a result of such failure, the Company shall have been prejudiced by the Covered Person's failure to give such notice, in which case the Company shall be relieved from its obligations hereunder only to the extent of such prejudice. If the Company elects to conduct the defense of the third party claim, the Covered Person will cooperate with and make available to the Company such assistance, personnel, witnesses and materials as the Company may reasonably request. The Company may elect at any time to negotiate a settlement or a compromise of such action or claim or to defend such action or claim, in each case at its sole cost and expense and with its own counsel. If, within thirty (30) days of receipt from a Covered Person of the notice referred to above, the Company (i) advises the Covered Person in writing that it shall not elect to defend, settle or otherwise compromise or pay such action or claim or (ii) fails to make such an election in writing, the Covered Person may (subject to the Company's continuing right of election in the preceding sentence), at such Covered Person's option, defend, settle, compromise or pay such action or claim; provided that any such settlement or compromise shall be permitted hereunder only with the written consent of the Company and, to the extent that the underlying claim involves the Managing Member, Blackstone and NRZ, such consent not to be unreasonably withheld, conditioned or delayed. The Company shall not settle any third party claim subject to indemnification under this Section 4.2 against a Covered Person where the Covered Person is not released from liability resulting from such third party claim without the Covered Person's consent.

(j) Any payment required to be made by the Company pursuant to this Section 4.2 shall be paid using Net Cash Flow available on a monthly basis, or, to the extent such Net Cash Flow is insufficient to pay the full amount of such payment, by a Mandatory Capital Contribution.

3.13 *Indemnification of the Company.* A Member shall indemnify the Company and each of the other Members, and their respective Affiliates, each officer, director, employee and legal representative thereof, for any costs or damages (including reasonable attorneys' fees) incurred by such Person as a result of any action by such Member in violation of this Agreement, including the failure of a Member to make a Mandatory Capital Contribution. If any Member (or in the case of the Indemnification and Contribution Agreement, its Affiliate) is sued or held liable, solely in its capacity as a Member and investor in the Company or with respect to the Indemnification and Contribution Agreement (the "Indemnified Party"), and suffers damages in

connection therewith for which the other Members are not similarly held liable, then such other Members (the “Indemnifying Parties”) shall indemnify the Indemnified Party for a portion of such damages on a pro rata basis in accordance with the Indemnifying Parties’ respective Membership Percentages.

3.14 *Corporate Opportunities*. Notwithstanding anything in this Agreement or under applicable principles of law to the contrary, (i) each Member and any of its Affiliates may engage in or possess an interest in other business ventures, transactions or activities that may be similar or dissimilar to the business of the Company and the Company Sister Entities and its or their respective Affiliates (each, a “Corporate Opportunity”), independently or with others, whether currently existing or hereafter created, and the pursuit of any such Corporate Opportunity shall not be deemed wrongful or improper or give rise to any liability of the Member or its Affiliates to the Company, any Company Sister Entities, any other Member or any of its or their respective Affiliates and (ii) the Company, the Company Sister Entities, any other Member and its or their respective Affiliates shall not have any right to participate in such other Corporate Opportunity or to receive or share in any income or profits derived therefrom; provided that the foregoing notwithstanding, nothing contained in this Section 4.4 shall limit the confidentiality obligations under Section 3.9. No Member or any of its Affiliates shall be obligated to present any Corporate Opportunity to any other Member, the Company or the Company Sister Entities even if such Corporate Opportunity is of a character that, if presented to such Member, the Company or such Company Sister Entities, could be taken by such Person.

ARTICLE 4

BOOKS AND RECORDS; REPORTING REQUIREMENTS; MEMBER MEETINGS

4.1 *Books of Account; Independent Auditors*.

(d) The Managing Member shall keep or cause to be kept full, true and complete books of account and other records showing the assets, liabilities, costs, expenditures and receipts of the Company and such other matters as the Managing Member and the Company’s independent certified public accountant shall deem advisable. The books of account and records of the Company shall be kept in accordance with generally accepted accounting principles applicable to the Company and as in effect from time to time, applied on a consistent basis.

(e) The books of account and records of the Company shall be audited as of the end of each Fiscal Year by a public accounting firm of national standing in the United States selected by the Managing Member.

4.2 *Information and Audit Rights*. The books of account and records of the Company shall be the property of the Company. The Managing Member shall permit any authorized representatives designated by any Member to visit and inspect any of the properties of the Company, including its books of account and records, and to discuss its affairs, finances and accounts with the Company’s officers (or, as applicable, the relevant officers the Managing Member), all at such times as such Member may reasonably request. The Managing Member, on reasonable advance written notice and in coordination with Blackstone and NRZ as to timing and

location, shall call in-person meetings of the Members on a quarterly basis to discuss the status and performance of the Portfolio, to review the policies with respect to charged-off Loans and other matters related to the Company. The Managing Member shall ensure that appropriate representatives of the Servicer are present at such meetings to discuss servicing and related matters. The Managing Member shall distribute to the Members in advance of each such meeting such written materials (including, without limitation, any relevant servicing reports or other financial information not previously delivered to the Members pursuant to Section 5.3) that are material (as reasonably determined by the Managing Member) to the anticipated discussions.

4.3 *Reporting Requirements.* The Managing Member shall (a) on a monthly basis, provide to the Members the information provided to the Company by the Servicer under the Servicing Agreement and by the servicers under the Non-Securitization Servicing Agreement as soon as available as soon as available, and (b) promptly upon receipt thereof, provide to the Members a copy of each other report submitted to the Company by independent public accountants or other Persons in connection with any annual, interim, or special audit or other work completed by them of the books of the Company.

4.4 *Financial Statements.* The Managing Member, at Company expense, shall cause to be delivered to each Member (in each case, (a) prepared in accordance with GAAP (subject to the absence of footnote disclosures and year-end audit adjustments) and (b) accompanied by a certificate signed by a natural person designated by the Managing Member stating that such financial report is, to the best of its or her knowledge, true and accurate): (i) as soon as available, but in any event within 120 days after the close of the Company's Fiscal Year or otherwise as promptly as practicable, audited consolidated financial statements of the Company and the Company Trust on a combined basis with the Purchaser Entities (which consolidate the Purchaser Entity Trusts) for the Fiscal Year then ended (including a balance sheet and statements of income and cash flows), together with each Member's closing Capital Account in the Company as of the end of such period and the manner of the calculation thereof, and (ii) as soon as available, but in any event within 60 days after March 31, June 30 and September 30 of each Fiscal Year or otherwise as promptly as practicable, unaudited consolidated financial statements of the Company and the Company Trust on a combined basis with the Purchaser Entities (which consolidate the Purchaser Entity Trusts) for the quarter then ended (including a balance sheet and statements of income and cash flows), together with each Member's closing Capital Account in the Company as of the end of such period and the manner of the calculation thereof. With reasonable promptness, the Company shall deliver to each Member, as long as such Member or any of its Affiliates holds any Interest in the Company, such further information with respect to the business, affairs and financial condition of the Company or any other Company Related Entity as from time to time may be reasonably requested by any Member. The requesting Member shall pay the cost and expense of providing all such information.

4.5 *Actions Without a Meeting and Telephonic Meetings.* All actions requiring the consent of the Members provided for herein may be taken by written consent without a meeting, or any meeting thereof may be called by the Managing Member and held by means of a conference telephone that includes all Members that hold a Membership Percentage equal to or in excess of 10%. Any action that may be taken by the Members without a meeting shall be

effective only if the written consent or consents are in writing, set forth the action so taken, and are signed by all the Members that are entitled to consent to such action.

ARTICLE 5

CAPITAL CONTRIBUTIONS

5.1 *Members' Capital Contributions.*

(a) Initial Capital Contributions. Each original member of the Company contributed its Initial Capital Contribution to the Company at the request of the Managing Member. Each Member funded its Initial Capital Contribution contemporaneous with the Loan Purchase Closing. The Managing Member has caused the Initial Capital Contributions to be used to pay the Purchase Price allocable to the Loans acquired by the Company Trust and to pay the other allocable amounts contemplated in the definition of the Equity Commitment Amount. No later than ten (10) days following the final determination of the Post-Closing Adjustment in accordance with the Purchase Agreement, to the extent any portion of the estimated equity portion of the Closing Cash Consideration has not been used by the Company, the Managing Member shall distribute such portion to the Members in proportion to their respective Membership Percentages.

The Managing Member shall promptly provide the Members with written notice of any changes in its estimates pursuant to the proviso in the immediately prior paragraph. The Managing Member shall also provide to the Members copies of all calculations, adjustments and statements delivered or received pursuant to Section 3.02 of the Purchase Agreement.

(b) Mandatory Capital Contributions. No Member shall be required to make additional Capital Contributions to the Company, except (i) as determined by the unanimous consent of the Members, (ii) as determined by the Managing Member to be necessary in order to pay any amount due and payable by the Company for the Post-Closing Adjustment or to pay any Fees and Expenses, (iii) for costs incurred by the Company if the Company is required to repurchase a Loan in connection with a breach of any representation or warranty made in the Loan Purchase Agreement, (iv) for payment of any indemnity obligations set forth in the second sentence of Section 11(a) of the Purchase Agreement, dated as of March [31], 2016, between SpringCastle Holdings, LLC, Springleaf Acquisition Corporation, certain of the Members and certain other parties named therein, (v) as necessary to fulfill the Company's obligations under this Agreement to indemnify the Covered Persons pursuant to Section 4.2 (subject to Section 4.2(j)), (vi) for payments required to be made by the Company under Section 10 of the Co-Borrower Agreement, or (vii) as necessary to fulfill of any payment obligations of the Company under that certain Letter Agreement regarding Post-Closing Obligations between Servicer and SpringCastle Companies, dated as of [March 31], 2016, by and among the Company, SpringCastle America, LLC, SpringCastle Credit, LLC and SFI (a "Mandatory Capital Contribution"). No Member shall be required to make any Mandatory Capital Contribution for an Ongoing Fee and Expense pursuant to clause (ii) above if Net Cash Flow is available for a Distribution, either on the date the Managing Member becomes aware of the need for such Mandatory Capital Contribution (the "Contribution Determination Date") or during the period ending on the earlier of either (x) the first Payment Date (as such term is defined in the Servicing Agreement) after the Contribution

Determination Date or (y) 30 days after the Contribution Determination Date, in which event the Net Cash Flow will be used to fund such Ongoing Fee and Expense that would otherwise constitute a Mandatory Capital Contribution. Any additional Capital Contributions required to be made by the Members pursuant to this Section 6.1(b) shall be made by the Members pro rata in proportion to their respective Membership Percentages. If the Members by unanimous consent or the Managing Member shall request a Mandatory Capital Contribution from the Members in accordance with this Section 6.01(b), the Members shall receive written notice of the anticipated funding date of such Mandatory Capital Contribution at least thirty (30) days (or any such shorter period (x) as may be necessary to enable the Company to fulfill its obligations with respect to which such Mandatory Capital Contribution is required to be made or (y) as the Members may agree) prior to such anticipated funding date, provided that the Managing Member shall have the ability to call for a Mandatory Capital Contribution in advance for reasonably estimated costs and expenses that are the subject of such Mandatory Capital Contribution.

(c) Dilution for Failure to Fund a Mandatory Capital Contribution. If at any time or times any Member fails to make timely its pro rata share of Mandatory Capital Contributions in accordance with Section 6.1(b), and such failure shall continue beyond five (5) days after notice from the Managing Member with respect to the failure to make a Mandatory Capital Contribution, and after the Managing Member has made its own Capital Contribution, such Member shall be deemed to be a “Non-Participating Member”; provided, that if the Managing Member has not made its own Mandatory Capital Contribution and any other Member has made its Mandatory Capital Contribution, then the Managing Member shall be deemed to be a Non-Participating Member. In such event, in addition to any other remedies that may be available at law or in equity, including pursuant to this Agreement, the Members making their full Mandatory Capital Contribution (the “Participating Members”) may, at their election, contribute to the Company, pro rata according to their Membership Percentages, an amount equal to any or all of all or any part of the amount which the Non-Participating Member failed to contribute to the Company (the “Shortfall Amount”), in which case the amount so contributed shall be deemed a Capital Contribution by the Participating Members as of the date made. In the event that the Participating Members make a Capital Contribution pursuant to this Section 6.1(c), the Membership Percentage of the Non-Participating Member shall be reduced to an amount equal to the fraction, expressed as a percentage, the numerator of which is the Capital Contributions of such Member and the denominator of which is the sum of (i) the Capital Contributions of all Members prior to the subject Mandatory Capital Contribution, (ii) any such Mandatory Capital Contributions funded by the Members (not including any Shortfall Amount funded by the Participating Members), and (iii) the Shortfall Amount funded by the Participating Members.

(d) The funding by the Participating Members of any Shortfall Amount shall not be deemed to limit any indemnification claim for costs or damages (including reasonable attorneys’ fees) payable by the Non-Participating Member in accordance with Section 4.3, and the Members agree that the Participating Members shall be entitled to reimbursement by the Non-Participating Member for any Shortfall Amount funded by the Participating Members.

5.2 *No Liability for Capital Contributions.* No Member shall be personally liable to any other Member for the payment of any Capital Contribution of any other Member.

ARTICLE 6

CAPITAL ACCOUNTS; ALLOCATION AND DETERMINATION OF NET PROFITS AND NET LOSS

6.1 *Capital Accounts.* A capital account shall be established and maintained for each Member on the books of the Company (each Member's capital account being hereinafter referred to as such Member's "Capital Account") and shall initially equal (x) in the case of the Members on the date hereof, the amount set forth opposite such Member's name on Schedule I hereto, and (y) in the case of any other Member, the total amount of capital contributed by such Member to the Company upon admission to the Company, and throughout the term of the Company shall be (i) increased by the amount of (A) Net Profits allocated to such Member pursuant to Section 7.2 hereof, (B) any additional Capital Contributions contributed by such Member, and (C) the amount of any Company liabilities assumed by such Member or which are secured by any property distributed to such Member and (ii) decreased by (A) the amount of Net Loss allocated to such Member pursuant to Section 7.2 hereof, (B) the amount of distributions in cash and the fair market value of distributions of property made to such Member, and (C) the amount of any liabilities of such Member assumed by the Company or which are secured by any property contributed by such Member to the Company. In determining the amount of any liabilities for purposes of this Section 7.1 there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

6.2 *Allocation of Net Profits and Net Loss.* Subject to any special allocations required by Sections 7.6 and 7.7, Net Profits or Net Loss shall be allocated among the Members to be shared by them on a pro rata basis in accordance with their Membership Percentages.

6.3 *No Interest on Capital Accounts.* Except as expressly set forth in this Agreement, the Company shall not pay to any Member, and no Member shall be entitled to receive, interest on the amount of its Capital Account.

6.4 *Allocation of Income and Loss for Tax Purposes.* Except as otherwise provided in this Section 7.4, for Federal income tax purposes, all items of income, gain, deduction or loss for any year shall be allocated in accordance with the manner in which such items of income, gain, deduction or loss affected the amounts which were either charged or credited to the Capital Accounts of the Members for such year. To the extent that any items of income, gain, deduction or loss are attributable to property for which the Tax Basis differs from its Book Basis, such items shall be allocated among the Members for Federal income tax purposes in accordance with section 704(c) of the Code so as to take account of any such difference.

6.5 *Determination by the Tax Matters Partner.* All matters concerning the allocation of Net Profits and Net Losses among the Members, including the tax treatment thereof, and accounting procedures, not specifically and expressly provided for by the terms of this Agreement shall be determined by the Tax Matters Partner in consultation with the Managing Member. Notwithstanding the foregoing, without the prior consent of a Member, no such

allocation methodology shall be made that has a material adverse effect to such Member if such effect on such Member, as compared to the effect of the allocation methodology on other Members, is materially disproportionate, assuming for these purposes that all such Members are similarly situated for federal and state income (and all other) tax purposes; provided, however, that no such consent shall be required in any circumstance in which the Tax Matters Partner in consultation with the Managing Member determines that such tax determination is required by law to be made. Any determination made pursuant to this Section 7.5 shall be final and conclusive as to all of the Members.

6.6 *Tax Considerations.*

(c) The provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with section 1.704-1(b) of the Treasury Regulations and shall be interpreted and applied in a manner consistent with such regulation. The Tax Matters Partner in consultation with the Managing Member shall be authorized to make appropriate amendments to the allocations of items pursuant to Article 7 if necessary in order to comply with section 704 of the Code or applicable Treasury Regulations thereunder; provided, that no such change shall have an adverse effect upon the amount distributable to any Member pursuant to this Agreement.

(d) Qualified Income Offset. Notwithstanding any other provision set forth in Section 7.2, no item of deduction or loss shall be allocated to a Member to the extent the allocation would cause a negative balance in such Member's Capital Account (after taking into account the adjustments, allocations and distributions described in sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Treasury Regulations) that exceeds the amount that such Member would be required to reimburse the Company pursuant to this paragraph or under applicable law. In the event some but not all of the Members would otherwise have such excess Capital Account deficits as a consequence of such an allocation of loss or deduction, the limitation set forth in this Section 7.6(b) shall be applied on a Member by Member basis so as to allocate the maximum permissible deduction or loss to each Member under section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations. In the event any loss or deduction shall be specially allocated to a Member pursuant to the preceding sentence, an equal amount of income or gain of the Company shall be specially allocated to such Member prior to any other allocation pursuant to Section 7.2. This Section 7.6(b) is intended to constitute a "qualified income offset" in accordance with section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations, and shall be interpreted consistently therewith.

(e) Minimum Gain Chargeback. The Company shall allocate items of income and gain among the Members at such times and in such amounts as necessary to satisfy the minimum gain chargeback requirements of Treasury Regulations Sections 1.704-2(f) and 1.704-2(i)(4).

(f) Member Minimum Gain Chargeback. Except as otherwise provided in Section 1.704-2(i)(4) of the Treasury Regulations, notwithstanding any other provision of Article 7, if there is a net decrease in Member Nonrecourse Debt Minimum Gain attributable to a Member Nonrecourse Debt during the applicable period, each Member who has a share of the Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Section 1.704-2(i)(5) of the Treasury Regulations, shall be

pecially allocated items of Company income and gain for such period (and if necessary, subsequent periods) in an amount equal to such Member's share of the net decrease in Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Treasury Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Sections 1.704-2(i)(4) and 1.704-2(j)(2) of the Treasury Regulations. This Section 7.6(d) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(i)(4) of the Treasury Regulations and shall be interpreted consistently therewith.

(g) Nonrecourse Deductions. Nonrecourse Deductions for any applicable period shall be specially allocated among the Members in accordance with their Membership Percentages, except to the extent that the Code and Treasury Regulations require that such deductions be allocated in some other manner. Any Member Nonrecourse Deductions for any applicable period shall be specially allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Treasury Regulations Section 1.704-2(i)(1).

(h) Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Company asset, pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Treasury Regulations Section 1.704 1(b)(2)(iv)(m)(2) or 1.704 1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Member in complete liquidation of such Member's Interest in the Company, the amount of such adjustment to Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be specially allocated to the Members in accordance with their Interests in the Company in the event Treasury Regulations Section 1.704 1(b)(2)(iv)(m)(2) applies, or to the Member to whom such distribution was made in the event Treasury Regulations Section 1.704 1(b)(2)(iv)(m)(4) applies.

6.7 *Transfer of Interests*. If all or any part of a Member's Interest in the Company is transferred in accordance with this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it is related to such transferred Interest; provided, however, that each item of income, gain, loss, deduction or credit of the Company for such taxable year will be allocated among the Members in accordance with any method permitted by Code Section 706(d) and the Treasury Regulations thereunder in order to take into account the Members' varying interests in the Company during such taxable year.

6.8 *No Withdrawal*. No Member shall be entitled to withdraw any part of such Member's Capital Contributions or Capital Account or to receive any distribution from the Company, except as expressly provided in this Agreement.

ARTICLE 7 DISTRIBUTIONS

7.1 Distributions.

(a) Amounts and Timing. All Net Cash Flow will be distributed to the Members pro rata, based on their respective Membership Percentages (“Distributions”). The Managing Member shall cause the Company Trust to distribute cash to the Company for purposes of the foregoing, as frequently as the Managing Member shall reasonably determine (provided that the Managing Member shall cause distributions to be made at least monthly, except, upon consultation with Blackstone, where circumstances reasonably require that a monthly distribution not be made), subject to adjustment for corrections (if any). The Reserves may include expenses incurred as of the date hereof and reasonably foreseeable expenses. The Reserves shall not include amounts for transactions unrelated to the Portfolio unless otherwise agreed to by unanimous consent of the Members.

(b) Limited Recourse. The Members shall look solely to the assets of the Company for any distributions, whether liquidating distributions or otherwise. If the assets of the Company remaining after the payment or discharge, or the provision for payment or discharge, of the debts, obligations, and other liabilities of the Company are insufficient to make any distributions, no Member shall have any recourse against the separate assets of any other Member (except as otherwise expressly provided in any other agreement to which a Member is a party).

7.2 *Form of Distributions*. Any distribution made pursuant to this Agreement may be made in cash or, with the unanimous consent of the Members, in kind. The Managing Member shall use its best efforts to make distributions in kind on a proportionate basis among those Members receiving distributions.

7.3 *Withholding*. The Tax Matters Partner in consultation with the Managing Member shall withhold, or cause to be withheld, from distributions, payments, or with respect to allocations, to the Members and shall pay over to any federal, state, local or foreign government any amounts required to be so withheld pursuant to the Code or any provisions of any other federal, state, local or foreign law and shall allocate any such amounts to the Member with respect to which such amount was withheld. The payment by the Company of any such amount to a government shall be treated as a distribution to the Member with respect to which such amount was withheld. If the Tax Matters Partner in consultation with the Managing Member determines that the Company lacks sufficient funds to make distributions in an aggregate amount that would allow for any such withholding, the Member for whom such withholding is to be made shall pay to the Company cash or immediately available funds in the amount needed by the Company to satisfy such withholding liability within ten (10) days after being so notified in writing by the Company. In the event that any Member fails to timely make any such payment, such Member shall be in default and shall indemnify and hold the Company and the other Members harmless for any costs, penalties, payments or damages incurred by the Company or the other Members as a result of such failure (including any taxes owed by the Company or such other Members as a result of the receipt of such amounts). The Company shall have the authority to apply any distributions to which such defaulting Member would otherwise be entitled towards the satisfaction of amounts owed to the Company or the other Members by such defaulting Member pursuant to this Section 8.3. Payments made by any Member pursuant to this Section 8.3 shall not be considered capital contributions and shall not increase the Capital Account of the Member making such payment.

ARTICLE 8
TRANSFER OF COMPANY INTERESTS; ADMISSION OF NEW MEMBERS

8.1 *Transfer of Company Interest.*

(a) Subject to Sections 9.1(b), (c) and (d), no Member will be permitted to (i) sell, exchange, transfer, assign, participate, pledge or otherwise dispose of (a “Transfer”) or (ii) give, encumber, assign, pledge, mortgage, hypothecate or otherwise use as collateral or other security all or any part of its Interest without the written consent of the other Members; provided, that (but subject to Sections 9.1(b), (c), (d) and (e)) (A) a Member may Transfer all or part of its Interest (the “Transferred Interest”) to an Affiliate at any time, but in the event of the Transfer of the Interest of a Member (the “Transferring Member”) to an Affiliate, the Transferring Member shall remain liable for all obligations applicable to the Transferred Interest; provided, further, that if the Transferring Member requests the consent of the other Members (the “Non-Transferring Members”) to approve the release of the Transferring Member from any future obligations applicable to the Transferred Interest, the Non-Transferring Members shall not unreasonably withhold, condition or delay their consent to such release (provided that the proposed replacement member has a creditworthiness substantially similar to, or greater than, the creditworthiness of the Transferring Member), and (B) the Transfer of the Interest of a Member to a third party purchaser in a bona fide transaction will be permitted (subject to the next following sentence), if (i) the Transferring Member provides written notice to the Non-Transferring Members of its desire to sell the offered Interests (the “Offered Interests”), and (ii) the Non-Transferring Members either (x) offer to purchase all of such Offered Interests within twenty (20) days of receipt of such notice (the “Exercise Period”) at a price that is rejected by the Transferring Member, (y) choose not to offer to purchase the Offered Interests within the Exercise Period, or (z) with respect to Non-Transferring Members who have made an offer which has been accepted by the Transferring Member (such price in clause (x) or (z), the “Price Floor”), fail to consummate the purchase of the Offered Interests within thirty (30) days of the expiry of the Exercise Period negotiating in good faith (such date, the “Negotiation Period End-Date”); provided that, if the applicable Members are actively negotiating in good faith as of such initial Negotiation Period End-Date, the Negotiation Period End-Date shall be extended until the sixtieth (60th) day following the expiry of the Exercise Period. The Transferring Member will have ninety (90) days following the later of the expiry of the Exercise Period and the Negotiation Period End-Date to sell such Offered Interests to a third party at a price at least equal to the 105% of the Price Floor, if one exists, and if no such Price Floor exists, at any price; provided, that in the event of any Transfer, each of the Members consents to the identity of the proposed transferee (the “Proposed Transferee”), such consent not to be unreasonably withheld, conditioned or delayed if the Proposed Transferee has a creditworthiness substantially similar to, or greater than, the creditworthiness of the Transferring Member (provided that the Members acknowledge and agree that if (x) the Members (other than the Transferring Member) have reasonable concerns about such Proposed Transferee’s ability to fulfill the obligations of the Managing Member or (y) there is material litigation pending between any such Members and the Proposed Transferee, then in each case the Members may take into account whether such Proposed Transferee shall become the Successor Managing Member in determining whether to provide or withhold its consent). Each Non-Transferring Member will have the right to purchase

all of the Offered Interests offered to be sold by the Transferring Member. Each Non-Transferring Member exercising its right of first offer and for which the Transferring Member has accepted the price offered by such Non-Transferring Member will have until the Negotiation Period End-Date to consummate the purchase of the Offered Interests. The right of first offer shall not apply to the Transfer of Interests to any Affiliate of the Transferring Member. In the event more than one Non-Transferring Member elects to purchase the Offered Interests, the portion of the Offered Interests to be purchased by such Non-Transferring Members shall be determined on a pro rata basis in accordance with such Non-Transferring Members' respective Interests. Notwithstanding anything to the contrary, (i) NRZ may not Transfer any Interest to a third party purchaser under Section 9.1(a)(B) without the consent of Blackstone (in its sole discretion), until the earlier of (I) three (3) years from the date hereof, and (II) the Blackstone Aggregate ROI Achievement Date; and (ii) Blackstone may not Transfer any Interest to a third party purchaser under Section 9.1(a)(B) without the consent of NRZ (in its sole discretion), until the earlier of (I) three (3) years from the date hereof, and (II) the NRZ Aggregate ROI Achievement Date.

(b) The Managing Member shall no longer be entitled to remain Managing Member if, collectively with its Affiliates, it owns a Membership Percentage of less than 10% of the aggregate Interests of all Members, unless the Managing Member obtains the prior written consent of Blackstone and NRZ to retain its role of Managing Member despite its ownership, collectively with its Affiliates, of a Membership Percentage less than 10% of the aggregate Interests of all Members. Except in connection with the sale by the Managing Member and its Affiliates, collectively, of their entire Interest in the Company in accordance with the terms of this Agreement, the Managing Member may not transfer its right to act as the Managing Member to any Person that is not a wholly owned direct or indirect subsidiary without the prior written consent of Blackstone and NRZ.

(c) The rights of each Member set forth in Sections 3.1(c), 3.2(a), 3.5, 5.2, and 5.3, and the rights of each Member to Transfer its Interest to a third party purchaser in a bona fide transaction under Section 9.1(a), are non-transferable; provided, that each Member may transfer such rights, to the extent held by such Member, to one transferee that together with its Affiliates would hold an aggregate Membership Percentage equal to or greater than 10% of the aggregate Interests of all Members following such transfer.

(d) No Member may Transfer all or part of its Interest, and any such attempted Transfer shall be void ab initio, unless the following conditions are met:

(i) prior to and as a condition of such Transfer, the Transferring Member obtains a certification from the prospective transferee, in which the prospective transferee certifies that the representations and warranties set forth in Section 3.8(n) and (o) are true and will be true, to the extent they refer to future occurrences, in all respects;

(ii) after giving effect to such transaction, there are (A) no more than 15 Members of the Company and (B) no more than 95 beneficial owners of the Company or any entity owned by the Company for purposes of section 1.7704-1(h) of the Treasury Regulations, including as a beneficial owner with respect to an entity owned by the Company a holder of

“notes” which have been issued by such entity (and not otherwise retained by such entity), which notes were not issued pursuant to a “will” level opinion as to their treatment as debt for Federal income tax purposes; and

(iii) after giving effect to such Transfer, the Company would not be required to register as an investment company under, or otherwise be in violation of, the Investment Company Act of 1940 or any rules or regulations promulgated thereunder.

(e) In the event of a purported Transfer by a Member of any Interest in violation of the provisions of this Agreement, such purported Transfer shall be void, and the Company will not give effect to such Transfer.

8.2 *Reserved.*

8.3 *Tag-Along Rights.*

(t) If one or more of the Members (the “Tag-Along Seller”) proposes to Transfer, in a single transaction or in a series of related transactions, all or any portion of its Interest to a Person or Persons other than a Member or an Affiliate of a Member (such person, a “Tag-Along Purchaser”) such that NRZ or Blackstone, as applicable, either individually or in the aggregate, will have transferred (measured on a cumulative basis from the Closing Date) aggregate Interests equal to or in excess of 20% of the total issued and outstanding Interests (any such Transfer, a “Tag-Along Sale”), then the other Members (each a “Tag-Along Offeree” and collectively, the “Tag-Along Offerees”), shall have the right (the “Tag-Along Right”) to require that the proposed Tag-Along Purchaser to purchase from the Tag-Along Offerees, on the same terms and conditions as apply to the Tag-Along Seller, the Interest equal to the number derived by multiplying (x) the total Interest that the proposed Tag-Along Purchaser has agreed or committed to purchase from the Tag-Along Seller, by (y) a fraction, the numerator of which is the total Interest owned by such Tag-Along Offeree, and the denominator of which is the aggregate Interest owned by such Tag-Along Seller and all Tag-Along Offerees (the “Tagged Interest”). A Transfer shall be deemed to be occurring in a related transaction if an agreement by NRZ or Blackstone, as applicable, to sell any portion of its Interest is made within 3 months of the completion of any previous Transfer by NRZ or Blackstone, as applicable.

(u) The Tag-Along Seller shall notify the Tag-Along Offerees in writing in the event such Tag-Along Seller proposes to make a Transfer or series of Transfers giving rise to a Tag-Along Right at least thirty (30) days prior to the date on which such Tag-Along Seller expects to consummate any such Transfer (the “Sale Notice”), which notice shall specify the Interest that the Tag-Along Purchaser intends to purchase in such Transfer, together with the material terms and conditions of such proposed Transfer (including, without limitation, the price and form of consideration). The Tag-Along Right may be exercised by any Tag-Along Offeree by delivery of a written notice to the Tag-Along Seller and the Company (the “Tag-Along Notice”) within thirty (30) days following receipt of the Sale Notice from such Tag-Along Seller. The Tag-Along Notice shall state the Interest that such Tag-Along Offeree proposes to include in such Transfer to the proposed Tag-Along Purchaser (not to exceed the number as determined above).

(v) Upon the delivery of the Tag-Along Notice, the Tag-Along Offerees that exercise the Tag-Along Right shall be obligated to sell the Tagged Interest set forth in the Sale Notice on the terms set forth therein and shall execute and/or deliver all instruments, documents and agreements required to be delivered pursuant to such terms.

(w) At the closing of the Transfer to any Tag-Along Purchaser pursuant to this Section 9.3, the Tag-Along Purchaser shall remit to the Tag-Along Seller and each Tag-Along Offeree that has exercised its Tag-Along Rights, if any, the consideration to be paid for the Interest being purchased by the Tag-Along Purchaser from such Tag-Along Seller and Tag-Along Offeree pursuant to this Section 9.3, minus, in each case, any Holdback Amount (which Holdback Amount shall be allocated pro rata among the Tag-Along Seller and the Tag Along Offerees based on the Interest sold by each) against delivery of the Interest and the compliance by such Tag-Along Offeree with any other conditions to closing generally applicable to the Tag-Along Seller.

(x) Notwithstanding anything else to the contrary contained herein, the Tag-Along Sellers may at any time prior to consummation of a Tag-Along Sale terminate the proposed Tag-Along Sale.

(y) The fees and expenses of the Tag-Along Seller incurred in connection with a Tag-Along Sale and for the benefit of all Tag-Along Offerees that exercise the Tag-Along Right (it being understood that costs incurred by or on behalf of the Tag-Along Seller for its sole benefit will not be considered to be for the benefit of all Tag-Along Offerees) shall be shared by the Tag-Along Seller and the Tag-Along Offerees that exercise the Tag-Along Right on a pro rata basis, based on the consideration received by the Tag-Along Seller and the Tag-Along Offerees that exercise the Tag-Along Right; *provided*, that no Tag-Along Offeree shall be obligated to make any out-of-pocket expenditure prior to the consummation of the Tag-Along Sale.

8.4 *Dissolution or Bankruptcy of a Member.* Upon the dissolution or bankruptcy of a Member, such Member's executors, administrators or legal representatives shall have all the rights of a Member (except as provided by the last sentence of this Section 9.4) for the purpose of settling or managing such Member's estate, including such power as such Member possessed to substitute a successor as a transferee of such Member's Interest in the Company and to join with such transferee in making the application to substitute such transferee as a Member. However, except as provided in this Section 9.4, such executors, administrators or legal representatives will not have the right to become a Member in the place of their predecessor in interest unless the Managing Member shall so consent.

8.5 *Additional Members.* Any proposed transferee under this Article 9 shall be admitted as a member (an "Additional Member") upon (i) such proposed transferee executing a joinder agreement to this Agreement substantially in the form of the Joinder Agreement attached as Exhibit A hereto, (ii) if requested by the Managing Member, receipt by the Company of an opinion of legal counsel to such proposed transferee, reasonably acceptable to the Managing Member, (x) as to the enforceability of this Agreement against such proposed transferee, (y) to the effect that such Transfer will not cause the Company or any entity owned by the Company to be or become characterized for Federal income tax purposes as an association or publicly traded

partnership taxable as a corporation; and (z) such transfer not resulting in any violation of or failure to comply with applicable federal and state securities laws, and (iii) such proposed transferee complying with the applicable conditions with respect to such admission as an Additional Member.

ARTICLE 9

DISSOLUTION; LIQUIDATION

9.1 *Dissolution.*

(a) The Company shall be dissolved and its affairs shall be wound up upon the first to occur of the following: (i) upon the consent of the Managing Member and the consent of Blackstone and NRZ pursuant to Section 3.2(a)(iv) to dissolve the Company; and (ii) upon the entry of a decree of judicial dissolution under Section 18-802 of the Company Law.

(b) The Managing Member shall cause the Certificate of Formation of the Company to be canceled when the Company is dissolved. All Members at the time of dissolution shall execute such documents as the Managing Member deems necessary or desirable to cause the complete dissolution of the Company. So long as there shall remain at least one Member, the withdrawal, bankruptcy or dissolution of any Member shall not cause a dissolution of the Company.

9.2 *Liquidation.*

(z) In the event of dissolution, the Managing Member shall conduct only such activities as are necessary to wind up the affairs of the Company (including the sale of the assets of the Company in an orderly manner), and the assets of the Company shall be applied in the manner, and in the order of priority, set forth in Section 18-804 of the Company Law.

(aa) The existence of the Company shall terminate when (i) all of the assets of the Company, after payment of or due provision for all debts, liabilities and obligations of the Company, shall have been distributed to the Members in the manner provided for in this Agreement, and (ii) the Certificate of Formation shall have been canceled in the manner required by the Company Act.

(bb) In the event of dissolution of the Company, distributions shall be made to Members in accordance with each Member's Membership Percentage. Notwithstanding anything set forth in this Agreement to the contrary, in the event that any Member's Capital Account (or, as the case may be, the Capital Account of the Member whose interest is "liquidated") has a deficit balance, such Member(s) shall have no obligation to restore such deficit balance or otherwise contribute to the capital of the Company.

ARTICLE 10 CERTAIN TAX MATTERS

10.1 *Company Tax Returns.* The Tax Matters Partner shall cause to be prepared and filed with the appropriate authorities the informational tax returns necessary for the preparation of the Members federal, state and local income tax and information returns after the close of each taxable year of the Company. The Tax Matters Partner shall send or cause to be sent to each Member as soon as reasonably practicable after the end of each taxable year (or taxable period if less than a year), such information as is necessary to complete such Member's federal and state income tax or informational returns for that year; provided, however the Tax Matters Partner shall use good faith efforts to provide the Members (a) as soon as reasonably practicable and no later than sixty (60) days after the end of each taxable year (or taxable period if less than a year) estimates of income, gain, loss and deduction (and other items as requested) anticipated to be reported on the federal, state and local Schedule K-1s for such taxable year and (b) quarterly estimates (or projected estimates) of income, gain, loss and deduction (i) on or before March 31 for the first calendar quarter, (ii) on or before May 31 for the second calendar quarter, (iii) on or before August 30 for the third calendar quarter, and (iv) on or before October 31, followed by an updated estimate on or before November 30, for the fourth calendar quarter.

10.2 *Designation of Tax Matters Partner.* The Members designate NRZ as the "Tax Matters Partner" under section 6231(a)(7) of the Code, and, upon effectiveness of Section 1101(c)(1) of the Bipartisan Budget Act of 2015, the "partnership representative" within the meaning of Section 6223(a) of the Code, to manage administrative tax proceedings conducted at the Company level by the Internal Revenue Service with respect to Company matters, and NRZ shall act in the same capacities with respect to corresponding provisions of state and local law. The Tax Matters Partner is specifically directed and authorized to take whatever steps it, in his or her sole discretion, deems necessary or desirable to perfect such designations, including, without limitation, filing any forms or documents with the Internal Revenue Service and taking such other action as may from time to time be required under Treasury Regulations except that the Company shall not elect to be classified as other than a partnership for income tax purposes without the unanimous consent of the Members; provided further, that no such election shall be made if it would violate any indenture to which any entity owned by the Company may be subject. Expenses of such administrative proceedings undertaken by the Tax Matters Partner shall be deemed Company expenses.

10.3 *Material Tax Election and Tax Decisions.* Except as otherwise provided herein, and subject to Section 3.2, the Tax Matters Member in consultation with the Managing Member may make any tax election provided under the Code or any provision of state, local or foreign tax law, and shall, to the fullest extent permitted by law be absolved from all liability for any and all consequences to any previously admitted or subsequently admitted Members resulting from its making or failing to make any such election. In addition, all such material decisions and other matters concerning the computation and allocation of items of income, gain, loss, deduction and credits among the Members, and accounting procedures not specifically and expressly provided for by the terms of this Agreement shall be determined by the Tax Matters Member in consultation with the Managing Member. Notwithstanding the foregoing, without the prior

consent of a Member, no election or tax determination shall be made that has a material adverse effect to such Member if such effect on such Member, as compared to the effect of the election or tax determination on other Members, is materially disproportionate, assuming for these purposes that all such Members are similarly situated for federal and state income (and all other) tax purposes; provided, however, that no such consent shall be required in any circumstance in which the Tax Matters Partner in consultation with the Managing Member determines that such election or tax determination is required by law to be made. Any determination made pursuant to this Section 11.3 shall be conclusive and binding on all Members.

10.4 *Partnership Classification.* Notwithstanding anything in this Agreement to the contrary, the Tax Matters Partner in consultation with the Managing Member shall be authorized to interpret any provision of this Agreement in such manner necessary to prevent the Company or any entity owned by the Company from being treated as a publicly traded partnership taxable as a corporation for federal income tax purposes.

ARTICLE 11 MISCELLANEOUS

11.1 *Compliance with Applicable Laws and Rules.* No business or activity shall be conducted by the Company that is forbidden by or contrary to any applicable law or to the rules or regulations lawfully promulgated thereunder. If any of the terms, conditions or other provisions of this Agreement shall be in conflict with any thereof, such terms, conditions or other provisions shall be deemed modified so as to conform therewith.

11.2 *Effect of Certain Provisions of the Company Law.* Except to the extent otherwise provided for herein, the Managing Member shall act as “manager” (as defined in the Company Law) throughout the term of the Company, and no elections or further designations of a manager or a managing member of the Company shall be held or made.

11.3 *Further Assurances.* Each party to this Agreement agrees to execute, acknowledge, deliver, file and record such further certificates, amendments, instruments and documents, and to do all such other acts and things, as may be required by law or as, in the opinion of the Managing Member, may be necessary or advisable to carry out the intents and purposes of this Agreement.

11.4 *Notices.* Any notice or other communication required or permitted to be given hereunder shall be in writing, and shall be effective (a) when transmitted by facsimile or electronic mail (with an acknowledgment of receipt) or personally delivered on a business day during normal business hours, (b) on the business day following the date of dispatch by overnight courier of national reputation or (c) on the fifth business day following the date of mailing by registered or certified mail, return receipt requested, in each case addressed to the Company or the Members at the address of the Members set forth in Schedule I.

11.5 *Amendments.* Amendments may be made to this Agreement from time to time by (and only by) the unanimous written consent of all the Members, subject to the right of the Managing Member to update Schedule I in accordance with Section 3.3.

11.6 *Severability.* In the event that any one or more of the provisions contained in this Agreement is held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

11.7 *Headings and Captions.* All headings and captions contained in this Agreement and the table of contents hereto are inserted for convenience only and shall not be deemed a part of this Agreement.

11.8 *Variation of Pronouns.* All pronouns and all variations thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the person may require.

11.9 *Counterparts.* This Agreement may be executed in counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement.

11.10 *GOVERNING LAW.* THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES THEREOF.

11.11 *Entire Agreement; No Third Party Beneficiaries.* This Agreement supersedes all prior agreements among the parties with respect to the subject matter hereof and contains the entire agreement among the parties with respect to such subject matter. It is understood and agreed among the parties that this Agreement and the covenants made herein are made expressly and solely for the benefit of the parties hereto, and that no other Person (other than the Covered Persons, who shall be third party beneficiaries solely for the purposes of Section 4.2), shall be entitled or be deemed to be entitled to any benefits or rights hereunder or be authorized or entitled to enforce any rights, claims or remedies hereunder or by reason hereof.

11.12 *Waivers.* No waiver of any provision hereof by any party hereto shall be deemed a waiver by any other party nor shall any such waiver by any party be deemed a continuing waiver of any matter by such party. No amendment, modification, supplement, discharge or waiver hereof or hereunder shall require the consent of any person not a party to this Agreement.

11.13 *Legal Counsel Relationship.* Each of the Company and the Members acknowledges and agrees that Sidley Austin LLP ("Sidley") has represented the Company and NRZ in connection with this Agreement and other transactions related hereto (the "Transactions"). Except for Sidley's representation of the Company and NRZ with respect to the Transactions, in no event shall an attorney-client relationship exist between Sidley, on the one hand, and Blackstone and its Affiliates, on the other hand. Each of the Members further agrees and consents that Sidley shall be permitted to render legal advice and to provide legal services to NRZ and to the Company from time to time, and each of the Members covenants and agrees that such representation of NRZ or the Company by Sidley from time to time shall not disqualify Sidley from providing legal advice and legal services to NRZ or any of their Affiliates in matters related or unrelated to this Agreement and the Transactions. Each of the parties to this Agreement hereby agrees, on its own behalf and on behalf of its directors, member, partners,

officers, employees and Affiliates, that Sidley may serve as counsel to NRZ and their Affiliates, on the one hand, and the Company and Blackstone, on the other hand, in connection with the negotiation, preparation, execution and delivery of this Agreement and the consummation of the Transactions, and each of the parties hereto hereby consents thereto and waives any conflict of interest arising therefrom, and each of such parties shall cause any Affiliate thereof to consent and waive any conflict of interest arising from such representation.

11.14 *Equitable Relief*. The Members hereby confirm that damages at law may be an inadequate remedy for a breach or threatened breach of this Agreement and agree that, in the event of a breach or threatened breach of any provision hereof, the respective rights and obligations hereunder shall be enforceable by specific performance, injunction or other equitable remedy (without the need to prove inadequacy of monetary damages), but, nothing herein contained is intended to, nor shall it, limit or affect any right or rights at law or by statute or otherwise of a Member aggrieved as against the other for a breach or threatened breach of any provision hereof, it being the intention by this Section 12.14 to make clear the agreement of the Members that the respective rights and obligations of the Members hereunder shall be enforceable in equity as well as at law or otherwise and that the mention herein of any particular remedy shall not preclude a Member from any other remedy it or he might have, either in law or in equity.

11.15 *Expenses*.

Each Member will bear its own fees and expenses with respect to the negotiation by it of this Agreement.

11.16 *Waiver of Action for Partition*. Each of the Members irrevocably waives during the term of the Company any right that such Member may have to maintain an action for partition with respect to the property of the Company.

11.17 *Successors and Assigns*. Except as otherwise provided herein, all of the terms and provisions of this Agreement shall inure to the benefit of and be binding upon each of the parties hereto and their respective permitted transferees, successors and assigns; provided, however, that no Transfer by any Member shall be made except in accordance with the provisions of Article 9. The covenants and obligations set forth in Section 3.6 and Section 3.9 shall survive any Transfer by a Member for a period of two years following such Transfer.

11.18 *Certain Portfolio Company Matters*. Notwithstanding anything to the contrary provided elsewhere herein, none of the provisions of this Agreement shall in any way limit the activities of The Blackstone Group L.P. and its Affiliates and their portfolio companies in their businesses as distinct from the business of Blackstone Tactical Opportunities Advisors L.L.C.; provided that Confidential Information is not made available to or obtained by officers, directors, members or employees of The Blackstone Group L.P. or its Affiliates and their portfolio companies who are not involved in the business of Blackstone Tactical Opportunities Advisors L.L.C. ("Non-BTOA Persons"). Should the Confidential Information be accessible to or made available to any Non-BTOA Persons, such Non-BTOA Persons shall be bound by this Agreement

in accordance with its terms. Blackstone shall be responsible for any breach of this Section 12.18 by any Non-BTOA Person.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement and agreed to be bound by the terms hereof.

NRZ CONSUMER LLC

By: /s/ Nicola Santoro, Jr.
Name: Nicola Santoro, Jr.
Title: Chief Financial Officer

BTO WILLOW HOLDINGS, L.P., a Delaware limited partnership
By: BTO Holdco Manager, L.L.C., a Delaware limited liability company, as its
General Partner

By: /s/ Christopher J. James
Name: Christopher J. James
Title: Authorized Person

BTO WILLOW HOLDINGS II, L.P., a Delaware limited partnership
By: BTO Holdco Manager – NQ L.L.C., a Delaware limited liability company, as its
General Partner

By: /s/ Christopher J. James
Name: Christopher J. James
Title: Authorized Person

BLACKSTONE FAMILY TACTICAL OPPORTUNITIES INVESTMENT
PARTNERSHIP – NQ – ESC L.P., a Delaware limited partnership
By: BTO – NQ Side-by-Side GP L.L.C., a Delaware limited liability company, as its
General Partner

By: /s/ Christopher J. James
Name: Christopher J. James
Title: Authorized Person

Schedule I

Interests

<u>Member and Address</u>	<u>Membership Percentage</u>

NRZ Consumer LLC c/o Fortress Investment Group 1345 Avenue of the Americas New York, New York 10105 Facsimile: 212-798-6060 Email: kriis@fortress.com	53.5%

BTO Willow Holdings, L.P c/o The Blackstone Group 345 Park Avenue New York, NY 10154 Attention: Jasvinder Khaira E-mail: Khaira@blackstone.com	23%

With copies to:

Christopher James
Managing Director
The Blackstone Group
345 Park Avenue
New York, NY 10154
E-mail:
jamesc@blackstone.com

Kevin Kelly
Senior Vice President
The Blackstone Group
345 Park Avenue
New York, NY 10154
E-mail:
Kevin.Kelly@Blackstone.com

and:

David S. Katz
Willkie Farr & Gallagher LLP
1875 K Street, NW
Washington, DC 20006
E-mail: dkatz@willkie.com

BTO Willow Holdings II L.P.
c/o The Blackstone Group
345 Park Avenue
New York, NY 10154
Attention: Jasvinder Khaira
E-mail:
Khaira@blackstone.com

23.4312625%

With copies to:

Christopher James
Managing Director
The Blackstone Group
345 Park Avenue
New York, NY 10154
E-mail:
jamesc@blackstone.com

Kevin Kelly
Senior Vice President
The Blackstone Group
345 Park Avenue
New York, NY 10154
E-mail:
Kevin.Kelly@Blackstone.com

and:

David S. Katz
Willkie Farr & Gallagher LLP
1875 K Street, NW
Washington, DC 20006
E-mail: dkatz@willkie.com

Blackstone Family Tactical Opportunities
Investment Partnership – NQ – ESC L.P.
c/o The Blackstone Group
345 Park Avenue
New York, NY 10154
Attention: Jasvinder Khaira
E-mail:
Khaira@blackstone.com

With copies to:

Christopher James
Managing Director
The Blackstone Group
345 Park Avenue
New York, NY 10154
E-mail:
jamesc@blackstone.com

Kevin Kelly
Senior Vice President
The Blackstone Group
345 Park Avenue
New York, NY 10154
E-mail:
Kevin.Kelly@Blackstone.com

and:

David S. Katz
Willkie Farr & Gallagher LLP
1875 K Street, NW
Washington, DC 20006
E-mail: dkatz@willkie.com

0.0687375%

Exhibit A

Form of Joinder Agreement

This JOINDER AGREEMENT (this “Agreement”), dated as of [____], is made and entered into by and between [____] (“Transferor”), and [____] (“Transferee”).

Preliminary Statements

This Agreement is the Joinder Agreement attached as an Exhibit to the Second Amended and Restated Limited Liability Company Agreement of SpringCastle Acquisition LLC (the “Company”), effective as of March 31, 2016 (as the same may be amended, modified or restated from time to time, the “LLC Agreement”). Capitalized terms used herein that are not defined have the meanings assigned to such terms in the LLC Agreement.

Transferor is the beneficial and record holder of the Interests set forth opposite such Member’s name on Schedule I hereto.

Transferor has agreed to Transfer to Transferee, and Transferee has agreed to acquire from Transferor, [____] (the “Transferred Interest”).

Pursuant to certain provisions of the LLC Agreement, among other things, it a condition precedent to the valid transfer of the Transferred Interest that Transferor and Transferee execute this Agreement and deliver the same (in execution form) to the Company.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, hereto agree as follows:

1. Representations and Warranties. Transferee hereby represents and warrants to Transferor and the Company, as of the date hereof, as follows:

(a) Transferee has (i) received a copy of the LLC Agreement, (ii) had an opportunity to review and consider the LLC Agreement and its terms and (iii) had the opportunity to consult with counsel and other advisors selected by Transferee regarding the LLC Agreement and this Agreement.

(b) Transferee has reviewed the representations and warranties set forth in Section 3.8 of the LLC Agreement and all such representations and warranties, as they relate to the Transferee, are true, correct and complete in all respects.

(c) If: (i) a natural person, Transferee has full legal capacity to enter into and perform his or her obligations hereunder and under the LLC Agreement; or (ii) a Person (other than an individual), Transferee is authorized, empowered and qualified to execute and deliver this Agreement and the LLC Agreement and to acquire and hold the Transferred Interest.

(d) Transferee is not acquiring the Transferred Interest as a result of or subsequent to any advertisement, article, notice or other communication published in any newspaper, magazine

or similar media or broadcast over television or radio, any seminar or meeting, or any other means of general solicitation by a Person not previously known to Transferee in connection with investments in securities generally.

(e) Transferee has not engaged any broker or other Person that is entitled to a commission, fee or other remuneration as a result of the execution, delivery or performance of this Agreement or the LLC Agreement.

(f) This Agreement has been duly executed and delivered by Transferee and constitutes, and will constitute, as the case may be, his or its legal, valid and binding obligations, enforceable against Transferee in accordance with its terms.

2. Joinder. Transferee, in order to become the owner of the Transferred Interests, hereby agrees that from and after the Effective Time (as defined below), Transferee shall be deemed to be a Member of the Company and a party to the LLC Agreement and shall be entitled to all the benefits and subject to all the obligations of the Transferor pertaining to the Transferred Interest thereunder, and the Transferred Interest shall be subject to all the restrictions and conditions applicable thereto as set forth therein.

3. Effective Time. This Agreement shall take effect (the "Effective Time") immediately upon (i) execution by both Transferor and Transferee and delivery to the Company pursuant to the terms set forth in the LLC Agreement and (ii) satisfaction of the other conditions to transfer of the Transferred Interests set forth in the LLC Agreement. Each party represents and warrants to the Company that the transfer of the Transferred Interests is in compliance with the conditions to transfer set forth in the LLC Agreement.

4. Counterparts. This Agreement may be executed in counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement.

5. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO THE CONFLICTS OF LAW PRINCIPLES THEREOF.

6. Third Party Beneficiary. The parties acknowledge and agree that the Company is an express third party beneficiary of this Agreement, with the right to enforce the same against the parties hereto, and no other Person may rely upon or enforce this Agreement or any rights hereunder.

7. Amendment. This Agreement may not be amended or modified, nor may any provision hereof be waived, except in a written instrument duly executed and delivered by the Transferor and Transferee and acknowledged and agreed to by the Company.

8. Successors and Assigns; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, executors, successors and permitted assigns. No party hereto may assign or otherwise transfer this Agreement or any interest herein or any right, remedy, duty or obligation hereunder, whether

voluntarily or involuntarily, by operation of law or otherwise, without the express written consent of the other parties hereto and the Company.

9. Headings and Captions. All headings and captions contained in this Agreement and the table of contents hereto are inserted for convenience only and shall not be deemed a part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first noted above.

TRANSFEROR

[_____]

By:
Name:
Title:

TRANSFeree

[_____]

By:
Name:
Title:

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Michael Nierenberg, certify that:

1. I have reviewed this quarterly report on Form 10-Q of New Residential 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 officers 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 officers 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.

May 4, 2016

/s/ Michael Nierenberg

Michael Nierenberg

Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Nicola Santoro, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of New Residential 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 officers 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 officers 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.

May 4, 2016

/s/ Nicola Santoro, Jr.

Nicola Santoro, Jr.

Chief Financial Officer

**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 Quarterly Report on Form 10-Q of New Residential Investment Corp. (the “Company”) for the quarterly period ended March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Michael Nierenberg, 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
- (1) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 4, 2016

/s/ Michael Nierenberg

Michael Nierenberg

Chief Executive Officer

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.

**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 Quarterly Report on Form 10-Q of New Residential Investment Corp. (the “Company”) for the quarterly period ended March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Nicola Santoro, Jr., 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 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.

May 4, 2016

/s/ Nicola Santoro, Jr.

Nicola Santoro, Jr.

Chief Financial Officer

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.