

# NEWTEK BUSINESS SERVICES INC

## FORM DEF 14A (Proxy Statement (definitive))

Filed 04/25/11 for the Period Ending 05/25/11

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

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934  
(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**NEWTEK BUSINESS SERVICES, INC.**

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) 

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Form, Schedule or Registration Statement No.:

(3) 

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Filing Party:

(4) 

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Date Filed:  

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**NEWTEK BUSINESS SERVICES, INC.**

**1440 Broadway  
17<sup>th</sup> Floor  
New York, New York 10018**

April 25, 2011

Dear Shareholder:

We invite you to attend the Annual Meeting of Shareholders (the "Annual Meeting") of Newtek Business Services, Inc. (the "Company") to be held at the offices of the Company at 1440 Broadway, 17<sup>th</sup> Floor, New York, NY 10018 on Wednesday, May 25, 2011 at 9:00 a.m., local time.

The attached Notice of Annual Meeting and Proxy Statement describe the formal business to be transacted at the Annual Meeting. Also enclosed is a Proxy Card and the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

As an integral part of the Annual Meeting, we will report on the operations of the Company. Directors and Officers of the Company and a representative of the Company's independent accountants will be present to respond to any questions that our shareholders may have. Detailed information concerning our activities and operating performance is contained in our enclosed Annual Report.

**YOUR VOTE IS IMPORTANT, REGARDLESS OF THE NUMBER OF SHARES YOU OWN.** On behalf of the Board of Directors, we urge you to please sign, date and return the enclosed proxy card in the enclosed postage-prepaid envelope or vote by telephone or Internet as soon as possible even if you currently plan to attend the Annual Meeting. This will not prevent you from voting in person, but will assure that your vote is counted if you are unable to attend the Annual Meeting.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Barry Sloane", with a long horizontal line extending to the right.

Barry Sloane  
Chairman, President and Chief Executive Officer

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NEWTEK BUSINESS SERVICES, INC.  
1440 Broadway  
17<sup>th</sup> Floor  
New York, New York 10018  
(212) 356-9500

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**  
**To Be Held on May 25, 2011**

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**NOTICE IS HEREBY GIVEN** that the Annual Meeting of Shareholders (the "Annual Meeting") of Newtek Business Services, Inc. (the "Company") will be held at the offices of the Company at 1440 Broadway, 17<sup>th</sup> Floor, New York, NY 10018 on Wednesday, May 25, 2011 at 9:00 a.m., local time.

The Annual Meeting is for the following purposes, which are more completely described in the accompanying Proxy Statement:

1. To elect four directors of the Company, each to serve on the Board of Directors until the Company's Annual Meeting of Shareholders in 2012 and until his successor is duly elected and qualified;
2. To ratify the appointment of the Company's independent registered accounting firm (independent auditors) for the year ended December 31, 2011;
3. To conduct an advisory vote on the compensation of our named executive officers;
4. To conduct an advisory vote on the frequency of holding future advisory votes on the compensation of our named executive officers; and
5. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

The Board of Directors is not aware of any other business to come before the Annual Meeting.

Any action may be taken on any one of the foregoing proposals at the Annual Meeting or any adjournments thereof. Shareholders of record at the close of business on April 14, 2011 are entitled to vote at the Annual Meeting and any adjournment thereof.

We ask that you fill in and sign the enclosed proxy card which is solicited by the Board of Directors and to mail it promptly in the enclosed envelope. You may also cast your vote by telephone or Internet as shown on the Proxy Card. The proxy will not be used if you attend and vote at the Annual Meeting in person.

BY ORDER OF THE BOARD OF DIRECTORS



BARRY SLOANE  
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE  
OFFICER

New York, New York  
April 25, 2011

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**IMPORTANT: THE PROMPT RETURN OF PROXIES WILL SAVE YOUR COMPANY THE EXPENSE OF A FURTHER REQUEST FOR PROXIES IN ORDER TO INSURE A QUORUM. A SELF-ADDRESSED ENVELOPE IS ENCLOSED FOR YOUR CONVENIENCE. NO POSTAGE IS REQUIRED IF MAILED WITHIN THE UNITED STATES.**

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**PROXY STATEMENT  
NEWTEK BUSINESS SERVICES, INC.**

**1440 Broadway  
17<sup>th</sup> Floor  
New York, New York 10018  
(212) 356-9500**

**ANNUAL MEETING OF SHAREHOLDERS  
May 25, 2011**

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**INTRODUCTION**

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This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Newtek Business Services, Inc. (the "Company") for the Annual Meeting of Shareholders (the "Annual Meeting") to be held at the offices of the Company at 1440 Broadway, 17<sup>th</sup> Floor, New York, NY 10018 on Wednesday, May 25, 2011 at 9:00 a.m., local time. The accompanying Notice of Annual Meeting and this Proxy Statement, together with the enclosed Proxy Card, are first being mailed to shareholders on or about April 25, 2011.

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**VOTING AND REVOCATION OF PROXIES**

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Proxies solicited by the Board of Directors of the Company will be voted in accordance with the direction given therein. If any other matters are properly brought before the Annual Meeting as to which proxies confer discretionary authority, the persons named in the proxy will vote the shares represented thereby on such matters as determined by a majority of the Board of Directors. The proxies solicited by the Board of Directors confer discretionary authority on the persons named therein to vote with respect to the election of any person as a director where the nominee is unable to serve or for good cause will not serve, with respect to matters incident to the conduct of the Annual Meeting and with respect to any other matter presented at the Annual Meeting if notice of such matter has not been delivered to the Company within a reasonable time before the date of this Proxy Statement. Proxies marked as abstentions will not be counted as votes cast. In addition, shares held in street name which have been designated by brokers on proxy cards as not voted ("broker no votes") will not be counted as votes cast. Proxies marked as abstentions or as broker no votes, however, will be treated as shares present for purposes of determining whether a quorum is present.

**How Do You Exercise Your Rights to Vote on the Proposals and Elect Directors?**

You may vote using any of the following methods:

- **By Mail** – Shareholders of record may submit proxies by completing, signing and dating each proxy card received and returning it in the prepaid envelope. Sign your name exactly as it appears on the proxy. If you return your signed proxy but do not indicate your voting preferences, your shares will be voted on your behalf "FOR" the election of the nominees for director, "FOR" the ratification of the independent registered public accounting firm for 2011, "FOR" the resolution approving the compensation of our named executive officers and "FOR" advisory votes on the compensation of our named executive officers to occur every third year. Shareholders who hold shares beneficially in street name may provide voting instructions by mail by completing, signing and dating the voting instruction forms provided by their brokers, banks or other nominees.
- **By Telephone** – Shareholders of record may submit proxies by following the telephone voting instructions on each proxy card. Most shareholders who hold shares beneficially in street name may provide voting instructions by telephone by calling the number specified on the voting instruction form provided by their brokers, banks or nominees. Please check the voting instruction form for telephone voting availability. Please be aware that if you submit voting instructions by telephone, you may incur costs such as telephone access charges for which you will be responsible. The telephone voting facilities will close at 11:59 p.m., Eastern Daylight Time, the day before the meeting date.

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- **By Internet** – Shareholders of record with internet access may submit proxies by following the internet voting instructions on their proxy cards. Most shareholders who hold shares beneficially in street name may provide voting instructions by accessing the website specified on the voting instruction form provided by their brokers, banks or nominees. Please check the voting instruction form for internet voting availability. Please be aware that if you vote over the internet, you may incur costs such as internet access charges for which you will be responsible. The internet voting facilities will close at 11:59 p.m., Eastern Daylight Time, the day before the meeting date.
  - **In Person at the Annual Meeting** – Shares held in your name as the shareholder of record may be voted at the Annual Meeting. Shares held beneficially in street name may be voted in person only if you obtain a legal proxy from the broker, bank or nominee that holds your shares giving you the right to vote the shares. *Even if you plan to attend the Annual Meeting, we recommend that you also submit your proxy or voting instructions or vote by telephone or the internet so that your vote will be counted if you later decide not to attend the meeting.*

Shareholders who execute the enclosed proxy card retain the right to revoke such proxies at any time prior to exercise. Unless so revoked, the shares represented by properly executed proxies will be voted at the Annual Meeting and all adjournments thereof. Proxies may be revoked at any time prior to exercise by written notice to the Secretary of the Company or by the filing of a properly executed, later-dated proxy. A proxy will not be voted if a shareholder attends the Annual Meeting and votes in person. The presence of a shareholder at the Annual Meeting alone will not revoke such shareholder's proxy.

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## VOTING SECURITIES

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The securities which can be voted at the Annual Meeting consist of the Company's common shares, \$0.02 par value per share ("Common Shares"). Shareholders of record as of the close of business on April 14, 2011 (the "Record Date") are entitled to one vote for each Common Share then held on all matters. As of the Record Date, 35,715,648 Common Shares were issued and outstanding (excluding treasury shares which do not vote). The presence, in person or by proxy, of at least a majority of the total number of Common Shares outstanding and entitled to vote will be necessary to constitute a quorum at the Annual Meeting.

Persons and groups owning in excess of 5% of Company's Common Shares are required to file certain reports regarding such ownership with the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act").

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## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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The table below shows the number of our Common Shares beneficially owned as of the Record Date by:

- each person or group known by us to beneficially own more than 5% of our outstanding Common Shares;
- each director and nominee for director;
- each executive officer named in the Summary Compensation Table set forth in the "Executive Compensation;" section; and
- all of our current directors and executive officers of the Company as a group.

The number of shares beneficially owned by each 5% holder, director or executive officer is determined by the rules of the SEC, and the information does not necessarily indicate beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares over which the person or entity has sole or shared voting power or investment power and also any shares that the person or entity can acquire within 60 days of the Record Date through the exercise of any stock option or any other rights. For purposes of computing the percentage of outstanding Common Shares held by each person or entity, any shares that the person or entity has the right to acquire within 60 days after the Record Date are deemed to be outstanding with respect to such person or entity but are not deemed to be outstanding for the purpose of computing the percentage of ownership of any other person or entity. Unless otherwise indicated, each person or entity has sole investment and voting power (or shares such power with his or her spouse) over the shares set forth in the following table. The inclusion in the table below of any shares deemed beneficially owned does not constitute an admission of beneficial ownership of those shares. As of the

Record Date there were 35,715,648 Common Shares issued and outstanding (excluding treasury shares which do not vote).

<u>Name and Address of Beneficial Owner (1)</u>	<u>Shares Owned</u>	<u>Right to Acquire (2)</u>	<u>Total Beneficial Ownership (3)</u>	<u>Percent of Class</u>
David C. Beck	170,654	114,685	210,339	*
Craig J. Brunet	83,384	260,600	283,384	*
Seth A. Cohen	50,193	200,000	200,193	*
Salvatore F. Mulia	55,695	102,780	84,475	*
Jeffrey G. Rubin <sup>(4)</sup>	4,291,505	—	4,291,505	11.68%
Barry Sloane	4,660,506	400,000	4,660,506	12.63%
Sam Kirschner	—	75,000	—	—
All current directors and executive Officers as a group (7 persons)			5,500,675	14.98%

\* Less than 1% of total Common Shares outstanding as of the Record Date.

- (1) Unless otherwise stated, the address of each person listed is c/o Newtek Business Services, Inc., 1440 Broadway, 17th Floor, New York, New York 10018.
- (2) Number of shares underlying stock options which are exercisable as of the Record Date or which become exercisable 60 days thereafter and number of shares subject to future vesting under restricted stock awards.
- (3) As of the Record Date.
- (4) Resigned as President March 7, 2008

## REQUIRED VOTE

Under “Proposal I—Election of Directors,” each director is elected by a plurality of the shares cast at the Annual Meeting. Abstentions and shares not represented at the annual meeting will have no effect on the election of directors. Brokers are not entitled to vote on director elections, and thus broker non-votes are not treated as votes cast and will have no effect on the election of directors.

The matter described in “Proposal II—Ratification of Independent Auditors” is required to be approved by the affirmative vote of the majority of shares present and voted in person or by proxy at the annual meeting and entitled to vote on the matter. Abstentions will have no effect on the vote on this proposal. Brokers may vote in their discretion on this proposal on behalf of clients who have not furnished voting instructions.

With respect to “Proposal III—Advisory Vote on Compensation of Named Executive Officers,” the affirmative vote of a majority of shares present and voted in person or by proxy at the annual meeting and entitled to vote on this matter will be taken as the consensus of shareholders on the compensation of our named executive officers. Voting for Proposal III is being conducted on an advisory basis and, therefore, the voting results will not be binding on the Company, the Board of Directors or the Compensation, Corporate Governance and Nominating Committee. Abstentions will have no effect on the voting for this proposal and brokers may not vote shares for which they have not received instructions.

With respect to “Proposal IV—Advisory Vote on Frequency of Executive Compensation Vote,” we are asking shareholders whether the advisory vote on executive compensation should occur every three years, every two years or every year. The frequency option that receives the greatest number of votes will be the frequency approved by shareholders. Voting on Proposal IV is being conducted on an advisory basis and, therefore, the voting results will not be binding on the Company, the Board of Directors or the Compensation, Corporate Governance and

Nominating Committee. Abstentions will have no effect on the voting for this proposal and brokers may not vote shares for which they have not received instructions.

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## PROPOSAL I – ELECTION OF DIRECTORS

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The full Board of Directors currently consists of four directors all of whom serve for one year terms.

The nominees for election to the Board of Directors are as follows:

David C. Beck

Sam Kirschner

Salvatore F. Mulia

Barry Sloane

The election of all four directors will take place at the Annual Meeting, each of whom will serve until the Company's Annual Meeting in 2012 and until his successor is duly elected and qualified.

**The Board of Directors recommends a vote “FOR” the nominees named below as directors of the Company.**

### **Nominees for Election 2011 Annual Meeting:**

David C. Beck

Age: 68

Director since: 2002

Mr. Beck has been Managing Director of Copia Capital, LLC (“Copia”), a private equity investment firm, since September 1998. Prior to founding Copia in 1998, Mr. Beck was CEO of Universal Savings Bank, Milwaukee, WI and First Interstate Corporation of Wisconsin, a publicly traded company. Mr. Beck also served as Chairman of Universal Savings Bank's holding company, Universal Saving Banc Holdings, Inc., from November 2002 until September 2009. He is a certified public accountant. Mr. Beck serves as Chairman of the Company's Audit Committee and serves on the Compensation, Corporate Governance and Nominating Committee.

Sam Kirschner

Age: 62

Director since: 2010

Mr. Kirschner has, since he co-founded MayerCap, LLC in 2003, been a Managing Member of the company. MayerCap, LLC manages investments in hedge funds, as a fund-of-funds, and is headquartered in New York City. MayerCap, LLC places particular emphasis on investing in newer and smaller hedge funds. Mr. Kirschner has also been since 1986 president of Nexus Family Business Consulting where he has specialized in advising owners, boards and senior executive of major family-owned businesses and large domestic and foreign banks on matters of succession planning, estate planning and strategic mergers and acquisitions. He has also consulted on the identification and recruitment of senior executives. Mr. Kirschner holds a Ph.D. in clinical psychology and has taught at both New York University School of Continuing & Professional Studies and the Wharton School of Business at the University of Pennsylvania. Mr. Kirschner serves both the Company's Compensation, Corporate Governance and Nominating Committee and the Audit Committee.

Salvatore F. Mulia

Age: 63

Director since: 2005

Mr. Mulia has been a financial advisor at RTM Financial Services, Westport, CT, with an emphasis on leasing and lending advisory services since February 2003. From February 2001 to February 2003, Mr. Mulia was Executive Vice President of Pitney Bowes Capital Corp, Shelton, CT, which was engaged in providing financial services to business customers. Prior to that, Mr. Mulia held senior management positions within General Electric's Financial Services Division, GE Capital Corporation (“GECC”), and from 1980 through 1993 he was responsible for developing new products and business initiatives in financial services. During his tenure at GECC Mr. Mulia was a principal in GEVEST, GECC's investment banking unit, where he headed syndication and led acquisition teams which acquired leasing companies with combined assets of \$3 billion including: TransAmerica Leasing, Chase Manhattan's leasing subsidiary and LeaseAmerica. Mr. Mulia serves as Chairman of the Company's Compensation, Corporate Governance and Nominating Committee and serves on the Audit Committee.

Mr. Sloane is the Chairman of the Board of Directors, Chief Executive Officer and President of the Company and has been an executive officer of each of the Company-sponsored certified capital companies for more than five years. From September 1993 through July 1995, Mr. Sloane was a Managing Director of Smith Barney, Inc. While there, he directed the Commercial and Residential Real Estate Securitization Unit, and was national sales manager for institutional mortgage and asset backed securities sales. From April 1991 through September 1993, Mr. Sloane was founder and President of Aegis Capital Markets, a consumer loan origination and securitization business which was eventually taken public with the name of "Aegis Consumer Funding." From October 1988 through March 1991, Mr. Sloane was Senior Vice President of Donaldson, Lufkin and Jenrette, where he was responsible for directing sales of mortgage-backed securities. From August 1982 to September 1988 Mr. Sloane was a senior mortgage security salesman and trader for Bear Stearns, L.F. Rothschild, E.F. Hutton and Paine Webber.

### **The Board and Board Meetings**

Newtek's Board of Directors and management are committed to responsible corporate governance to ensure that Newtek is managed for the long-term benefit of its shareholders. To that end, the Board of Directors and management periodically review and update, as appropriate, Newtek's corporate governance policies and practices. In doing so, the Board and management review published guidelines and recommendations of institutional shareholder organizations and current best practices of similarly situated public companies. The Board of Directors and management also regularly evaluate and, when appropriate, revise Newtek's corporate governance policies and practices in accordance with the requirements of the Sarbanes-Oxley Act of 2002 and the rules and listing standards issued by the SEC and The NASDAQ® Stock Market, Inc. ("NASDAQ").

During the fiscal year ended December 31, 2010, the Board of Directors held a total of 9 meetings. Each director attended at least 75% of the total number of meetings of the Board of Directors and at least 75% of the meetings of all committees on which he served.

### **Corporate Governance Guidelines**

The Company has adopted corporate governance guidelines titled "Governance Guidelines" which are available at our new website: [www.thesba.com](http://www.thesba.com). The Governance Guidelines are also available in print to any shareholder who requests them. These principles were adopted by the Board of Directors to best ensure that the Board is independent from management, that the Board adequately performs its function as the overseer of management and to help ensure that the interests of the Board and management align with the interests of the shareholders.

On an annual basis, each director and executive officer is obligated to complete a Directors' and Officers' Questionnaire which requires disclosure of any transactions with the Company in which the Director or executive officer, or any member of his or her immediate family, have a direct or indirect material interest.

### **Committees of the Board of Directors**

The Board of Directors currently has two standing committees: the Audit Committee and the Compensation, Corporate Governance and Nominating Committee. Each member of these committees is independent as defined by applicable NASDAQ and SEC rules. Each of the committees has a written charter approved by the Board of Directors, which is available on our website at [www.thesba.com](http://www.thesba.com).

The Board of Directors' Audit Committee consists of Messrs. Beck as Chair, Mulia and Kirschner, all of whom are non-employee directors, and operates pursuant to its written Charter. The Audit Committee held 8 meetings during the year ended December 31, 2010. The Audit Committee is authorized to examine and approve the audit report prepared by the independent auditors of the Company, to review and select the independent auditors to be engaged by the Company, to review the internal audit function and internal accounting controls and to review and approve conflict of interest transactions and audit policies.

Director Beck, Chair of the Audit Committee, has been determined by the Board of Directors to be a "financial expert" and "independent" under applicable rules of the SEC and NASDAQ. In addition, the Board of Directors has determined that all members of the Audit Committee are "financially literate" as that term is defined by applicable NASDAQ and SEC rules.

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The Company's Compensation, Corporate Governance and Nominating Committee consists of Messrs. Mulia, as Chair, Beck and Kirschner, all of whom are "non-employee directors" within the meaning of the federal securities laws. The Compensation, Corporate Governance and Nominating Committee evaluates the compensation and benefits of the directors, officers and employees, recommends changes, and monitors and evaluates employee performance. The Compensation, Corporate Governance and Nominating Committee met 4 times during the year ended December 31, 2010. The Compensation, Corporate Governance and Nominating Committee is generally responsible for identifying corporate governance issues, creating corporate governance policies, identifying and recommending potential candidates for election to the Board and reviewing executive and director compensation and performance.

### **Director Independence**

The Board of Directors is required by the Governance Guidelines to have a majority of members who meet the applicable independence requirements of the NASDAQ and any applicable rule or law. Each of the following non-employee Directors is independent and has no relationship to the Company, except as a director and shareholder.

David C. Beck

Salvatore F. Mulia

Sam Kirschner

The Board of Directors has determined that each of the current directors, with the exception of Mr. Sloane, qualifies as "independent" as defined by applicable NASDAQ and SEC rules. In making this determination, the Board has concluded that none of these members has a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. It is the policy of the Board of Directors to hold executive sessions of the independent directors meeting without management at regular intervals and as requested by a director. David C. Beck presides over these meetings of the independent directors. All members of the Board of Directors are encouraged to attend the Annual Meeting of Shareholders. In 2010, Mr. Sloane, Mr. Kirschner, Mr. Beck and Mr. Mulia attended the Annual Meeting of Shareholders.

### **Leadership Structure**

Mr. Sloane serves as our Chairman of the Board and as our President and Chief Executive Officer. Mr. Sloan has served as Chairman and Chief Executive Officer since 1999. We continue to believe that our leadership structure is appropriate since Mr. Sloane has over 25 years of experience in our industry or related businesses, and under his leadership our management team has executed a strategy that has significantly improved our earnings growth, cash flow stability and competitiveness.

### **Board Risk Oversight**

While management is responsible for identifying, assessing and managing risk, our Board is responsible for risk oversight with a focus on the most significant risks facing the company. The Board's risk oversight includes, but is not limited to, the following risks:

1. Strategic;
2. Operational;
3. Compliance; and
4. Reputational.

At the end of each year, management and the Board jointly develop a list of major risks that the Company prioritizes in the following year. In 2010 the Board focused on the following areas of risk:

- Management compensation and succession planning;
- Determining Newtek's long-term growth;
- Strategic and Operational Planning, including acquisitions and the evaluation of the Company's capital structure and long term debt financing; and
- Legal and regulatory compliance.

The Board has delegated responsibility for the oversight of specific risks to each of its Board committees. The Audit committee oversees risks associated with the Company's financial statements and financial reporting, mergers and acquisitions, credit and liquidity, information technology, security and litigation issues. The Compensation, Corporate Governance and Nominating Committee considers the risks associated with:

- Compensation policies and practices;
- Management resources, structure, succession planning and management development;
- Overall governance practices and the structure and leadership of the Board; and
- Related person transactions and the code of conduct for all employees, officers and directors.

The Board is kept informed of each committee's risk oversight and any other activities deemed to engender risk via periodic reports from management and the committee chairs. Our Board recognizes the importance of risk oversight, and its role is consistent with the Board's leadership structure, the CEO and the senior management of Newtek. Our senior management is responsible for assessing and managing Newtek's risk exposure and the Board and committees of the Board provide the oversight consistent with those efforts.

### **Director Nominations**

In considering whether to recommend any particular candidate for inclusion in the Board of Directors' slate of recommended director nominees, the Compensation, Corporate Governance and Nominating Committee applies the criteria set forth in the Governance Guidelines. These criteria include the candidate's integrity, business acumen, knowledge of our business and industry, experience, diligence, absence of conflicts of interest and the ability to act in the interest of all shareholders. The committee does not assign specific weights to particular criteria, and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will best allow the Board to fulfill its responsibilities.

Shareholders may recommend individuals to the Compensation, Corporate Governance and Nominating Committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the shareholder or group of shareholders making the recommendation has beneficially owned our Common Shares for at least a year as of the date such recommendation is made. The recommendation should be sent to the Compensation, Corporate Governance and Nominating Committee, c/o Matthew G. Ash, Secretary, Newtek Business Services, Inc., 1440 Broadway, 17<sup>th</sup> Floor, New York, New York 10018. Assuming that appropriate biographical and background material has been provided on a timely basis, the committee will evaluate shareholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates recommended by our Board or others. If the Board of Directors determines to nominate a shareholder-recommended candidate and recommends his or her election, then his or her name will be included in the proposal for election for the next annual meeting. No recommendations for individuals to be considered as nominees were received by the Company prior to this Annual Meeting.

Shareholders also have the right under our Bylaws to nominate director candidates, without any action or recommendation on the part of the Compensation, Corporate Governance and Nominating Committee or the Board, by following the procedures set forth under "Shareholder Proposals" below. Candidates nominated by shareholders in accordance with the procedures set forth in our Bylaws may be included in our proxy statement and solicitation for the next annual meeting.

### **Compensation Committee Interlocks and Insider Participation**

All members of the Compensation, Corporate Governance and Nominating Committee are independent directors, and none of them are present or past employees or paid officers of ours or any of our subsidiaries. No member of the Compensation, Corporate Governance and Nominating Committee has had any relationship with us requiring disclosure as a related party transaction under Item 404 of Regulation S-K. None of our executive officers has served on the board or compensation committee (or other committee serving an equivalent function) of any other entity, one of whose executive officers has served on our Board or Compensation, Corporate Governance and Nominating Committee.

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## **Our Code of Ethics**

We have adopted a code of ethics, referred to as our Code of Conduct, which applies to all directors and employees, including the principal executive, financial and accounting officers. A copy of the Code of Conduct will be made available upon request directed to the executive offices of the Company and may be viewed on our web site ( [www.thesba.com](http://www.thesba.com) ). In addition, we intend to post on our website all disclosures that are required by law or NASDAQ listing standards concerning any amendments to, or waivers from, any provision of the Code, including any that apply to our principal executive officer and principal financial and accounting officer.

The Audit Committee or the Board of Directors reviews all potential related party transactions on an ongoing basis, and all such transactions must be approved by the Audit Committee or the Board of Directors. We have not adopted written procedures for review of, or standards for approval of, these transactions, but instead the Audit Committee or the Board of Directors intends to review such transactions on a case by case basis. In addition, the Compensation, Corporate Governance and Nominating Committee or the Board of Directors reviews and approves all compensation-related policies involving our directors and executive officers.

A major shareholder of the Company and former President, Jeffrey Rubin, earns gross residual payments on merchant processing revenue he and his companies generate for the Company, which is paid directly and indirectly through entities in which he has a material interest. During the years ended December 31, 2010, 2009 and 2008, the Company paid him and his related entities approximately \$1,180,000, \$532,000 and \$99,000, respectively. We anticipate that Mr. Rubin and his related entities will continue to earn payments on the merchant processing revenue he generates for the Company in 2011.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who own more than 10% of a registered class of our equity securities, to file with the SEC and the NASDAQ initial reports of ownership and reports of changes in ownership of Common Shares of the Company. Officers, directors and greater than 10% shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on Forms 3 and 4 provided to Newtek by its directors and executive officers and greater than 10% shareholders during 2010, it appears that all such required reports were timely filed.

## **Director Compensation**

The Board has adopted a plan for compensation of non-employee directors which gives effect to the time and effort required of each of them in the performance of their duties. All compensation was paid in cash during the year ended December 31, 2010 and is set forth in the table below. For the period beginning November 10, 2010 and for the succeeding year, Directors are paid on the following schedule:

- for participation on the Board: \$50,000;
- as chair of the Compensation, Corporate Governance and Nominating Committee: \$20,000;
- as chair of the Audit Committee: \$20,000; and
- as committee member: \$5,000.

The Company did not grant any non-cash compensation to its directors during 2010. The compensation plan for directors was changed in August 2009 so amounts shown below for the year 2009 reflect payments under the previous compensation plan as well.

## Director Summary Compensation Table <sup>(1)</sup>

	Fees Earned or Paid in Cash (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
David C. Beck	57,772	—	—	—	—	—	57,772
Salvatore F. Mulia	54,772	—	—	—	—	—	54,772
Sam Kirschner	26,618	—	—	—	—	—	26,618
Gordon Schroeder <sup>(2)</sup>	16,154	—	—	—	—	—	16,154

- (1) Barry Sloane, the Company's Chairman, Chief Executive Officer and President, is not included in this table as he was an employee of the Company in 2010 and thus received no compensation for his services as a Director. The compensation received by Mr. Sloane as an employee of the Company is shown in the Summary Compensation Table on page 14, below.
- (2) Term expired May 26, 2010.

## EXECUTIVE COMPENSATION — COMPENSATION DISCUSSION AND ANALYSIS

### Executive Officers Of The Registrant

The executive officers of Newtek, and their ages, as of April 14, 2011, are as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Barry Sloane	51	Chairman, President and Chief Executive Officer
Craig J. Brunet	62	Executive Vice President, Chief Information Officer
Seth A. Cohen	48	Chief Financial Officer

Mr. Sloane's biographical information can be found under "Proposal I — Election of Directors" above.

Mr. Brunet has served as Executive Vice President and Chief Information Officer since January 1, 2008. Mr. Brunet previously served as Executive Vice President Strategic Planning and Marketing since July 2006 and as Chairman and Chief Executive Officer of the Company's Harvest Strategies subsidiary since June 2001. From 1984 – 1989, Mr. Brunet served as Director of Strategic Planning for AT&T, where he managed all special development and modifications to standard AT&T products to include non-standard pricing, terms and conditions, hardware and software strategic initiatives, FCC Tariffs, as well as joint venture and/or integration requirements for the top 50 AT&T accounts. In 1989, Mr. Brunet joined Entergy Corporation as Executive Vice President responsible for managing and directing the overall Entergy System retail and wholesale marketing effort including strategy development, policy preparation and administration, market development and market analysis and research. During his tenure with Entergy, he served as Chairman of the Strategic Planning Committee of the Electric Power Research Institute (EPRI) and served on the Board of Directors of Entergy Enterprises guiding decisions on unregulated activities including strategic acquisition and investments in generation, distribution and new technology assets domestically and internationally. From 1993 – 1996, Mr. Brunet served as Chairman, CEO and President of First Pacific Networks, a leader in the initial development and deployment of broadband technologies in the United States and Europe. During this period, he was also Chairman of the Board of Credit Depot Corporation, a publicly traded multi-state mortgage company and served as Chairman of both the audit committee and compensation committee.

Mr. Cohen has served as Chief Financial Officer since August 31, 2007 and Senior Vice President Finance since March 30, 2007. Mr. Cohen has previously served as Executive Vice President of Capital Markets for the Company since January 2005 and Vice President for Capital Markets for the Company since June 2000. Mr. Cohen has twenty years experience in corporate and municipal finance. Prior to Newtek, from September 1998 to May 2000, Mr. Cohen was Director of the Mayor's Office of Pensions and Public Finance for the City of New York.

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## **Overview of Compensation Program**

The Compensation, Corporate Governance and Nominating Committee (for purposes of this analysis, the “Committee” or “we”) of the Board of Directors is responsible for establishing, implementing, administering and continually monitoring compliance with the Company’s compensation philosophy. The Committee attempts to ensure that the total compensation paid to the senior executives is fair, reasonable, competitive and in the overall best interests of the Company and its shareholders.

The individuals who served as the Company’s Chief Executive Officer and Chief Financial Officer during 2010, as well as the other individuals included in the Summary Compensation Table below, are referred to below as the “named executive officers”.

### **Compensation Philosophy and Objectives**

All of our compensation programs are designed to attract and retain key employees and to motivate them to achieve, and reward them for achieving, superior performance. Different programs are geared to shorter - and longer-term performance, with the goal of increasing shareholder value over the long-term. Executive compensation programs impact all employees by setting general levels of compensation and helping to create an environment of goals, rewards and expectations. Because we believe the performance of every employee is important to our success, we are mindful of the effect of executive compensation and incentive programs on all of our employees.

We believe that the compensation of our executives should reflect their success as a management team, rather than as individuals, in attaining key operating objectives, such as growth of sales, growth of operating earnings and earnings per share and growth or maintenance of market share and long-term competitive advantage, and ultimately, in attaining an increased market price for our stock. We believe that the performance of our executives in managing our Company, considered in light of general economic and specific company, industry and competitive conditions, should be the basis for determining their overall compensation. We also believe that their compensation should not be based on the short-term performance of our stock, whether favorable or unfavorable, but rather that the price of our stock will, in the long-term, reflect our operating performance and, ultimately, the management of the Company by our executives. We seek to have the long-term performance of our stock reflected in executive compensation through our equity incentive programs, including stock options and restricted stock awards.

### **Role of Executive Officers in Compensation Decisions**

The Committee supervises the design and implementation of compensation policies for all executive officers (which include the named executive officers) and overall incentive equity awards to all employees of the Company. Decisions regarding the non-equity compensation of executive officers, other than named executive officers, are made by the Chief Executive Officer within the compensation philosophy set by the Committee. Decisions regarding the non-equity compensation of named executive officers are made by the Chief Executive Officer and the Committee for consistency with the Company’s compensation policies.

The Chief Executive Officer semi-annually reviews the performance of each member of the senior executive team, including named executive officers (other than himself whose performance is reviewed by the Committee). The conclusions reached and recommendations based on these reviews, including with respect to salary adjustments and annual award amounts, are then presented to the Committee by the Chief Executive Officer. The Committee will review the recommendations for consistency with the Company’s compensation policies.

### **Setting Executive Compensation**

During the course of each fiscal year, it has been the practice of the Chief Executive Officer to review the history of all the elements of each executive officer’s total compensation and the Chief Executive Officer may also compare the compensation of the executive officers with that of the executive officers in an appropriate market comparison group of companies with a capitalization similar to that of the Company. We seek to set compensation levels that are perceived as fair, internally and externally, and competitive with overall compensation levels at other companies in our industry, including larger companies from which we may want to recruit employees. However,

the Company does not establish individual objectives in the range of comparative data for each individual or for each element of compensation. Typically, the Chief Executive Officer sets compensation with respect to the executive officers who report to him and presents it to the Committee for conformity with the Company's overall compensation policies. The named executive officers are not present at the time of these deliberations. The Committee then performs a similar review of the Chief Executive Officer's total compensation and makes compensation decisions with respect to such officer, who does not participate in that determination.

We choose to pay each element of compensation in order to attract and retain the necessary executive talent, reward annual performance and provide incentive for balanced focus on long-term strategic goals as well as short-term performance. The amount of each element of compensation is determined by or under the direction of our Committee, which uses the following factors to determine the amount of salary and other benefits to pay each named executive officer:

- performance against corporate and individual objectives for the year;
- difficulty of achieving desired results in the coming year;
- value of their unique skills and capabilities to support long-term performance;
- performance of their general management responsibilities; and
- contribution as a member of the executive management team.

At this point in the Company's development, we do not establish individual goals but focus on the overall profitable growth of our business. This entails an emphasis on discouraging excessive risk taking and leverage generally.

Based on the foregoing objectives, we have structured the Company's annual and long-term incentive-based cash and non-cash executive compensation to motivate executives to achieve the business goals set by the Company and reward the executives for achieving such goals.

There is no pre-established policy or target for the allocation between either cash or non-cash compensation. Historically and in 2010 we granted a majority of total compensation to executive officers in the form of cash compensation.

For the year ended December 31, 2010, the principal components of compensation for named executive officers were:

- base salary;
- performance-based incentive compensation based on the Company's and the executive's performance;
- equity based, long term compensation for a limited number of senior level executives, other than the named executive officers; and
- retirement and other benefits made available to all employees.

### **Base Salary**

The Company provides named executive officers and other employees with base salary to compensate them for services rendered during the fiscal year. Executive base salaries continue to reflect our operating philosophy, our performance driven corporate culture and business direction, with each salary determined by the skills, experience and performance level of the individual executive, and the needs and resources of the Company. Base salaries are targeted to market levels based on reviews of published salary surveys and the closest related peer company compensation since we do not believe that Newtek has any peer companies. Base salary ranges for named executive officers are determined for each executive based on his or her position and responsibility by using market data from published salary surveys such as Equilar, and the Company generally attempts to fix each named executive officer's salary within the range. We believe that the Company's most direct competitors for executive talent are not necessarily restricted to those companies that are included in the peer company index used to compare shareholder returns, but encompass a broader group of companies engaged in the recruitment and retention of executive talent in competition with the Company.

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During the review of base salaries for senior level executives, including the named executive officers, we primarily consider:

- an internal review of each executive's compensation both individually and relative to other executive officers;
- individual performance of the executive; and
- a review of the Company's revenue growth, net income and cash flow metrics relative to the Company's annual plan as established by the Board.

Salary levels are typically considered annually as part of the Company's performance review process as well as upon a promotion or other change in job responsibility. Merit based increases to salaries are based on the Chief Executive Officer's assessment of the individual's performance. Merit based increases to the salaries of named executive officers other than the Chief Executive Officer are recommended by the Chief Executive Officer and confirmed by the Committee.

### **Annual Bonus**

Annual bonuses may be awarded to executive officers under the Company's cash bonus plan. The Company creates a bonus pool based on annually determined percentage of the salaries of all employees which it accrues as an expense. Payments under the plan are based on the Company's overall performance as determined by the Chief Executive Officer and the Committee. The Committee determines any bonus for the Chief Executive Officer based on, among other things, a review of the Company's revenue growth, net income and cash flow metrics relative to the Company's annual plans as established by the Board. After the Committee has fixed an amount for the annual bonus pool, the Chief Executive Officer in consultation with the Committee with respect to the named executive officers, or in consultation with the named executive officers and other executive officers with respect to lower level employees, determines annual bonuses for other employees based on such employee's performance. Factors considered include the achievement of business plans, defined goals and performance relative to other companies of a similar size and business strategy. The mix and weighting of the factors vary, depending on the business segment and the executive's responsibilities. The level of achievement and overall contribution by the executive determines the level of bonus.

### **Equity Based Compensation**

From time to time, at the discretion of the Committee, the Company grants equity-based awards, such as stock options or restricted stock to the named executive officers and other employees to create a clear and strong alignment between compensation and shareholder return and to enable the named executive officers and other employees to develop and maintain a stock ownership position in the company that will vest over time and act as an incentive for the employee to remain with the Company. Restricted stock and options may be granted pursuant to the Company's 2003 Stock Incentive Plan or its 2010 Stock Incentive Plan. The Company's 2000 Incentive Stock and Deferred Compensation Plan expired in 2010 in accordance with its terms. During the Company's early years of operation, through approximately 2005, we relied more frequently than at present on equity-based awards due to the limited resources available to the Company to attract and retain qualified employees and executives. During that period the Company paid very little in the form of cash bonuses and using instead equity-based awards. Currently, the cash flow of the Company permits a more balanced approach, allowing a combination of cash and equity awards to implement the Company's compensation policies.

Under applicable accounting rules, we are required to measure the value of equity awards based on the fair value of the award on the grant date. The cost is recognized in our statement of operations over the period during which an employee is required to provide service in exchange for the award, which is usually the vesting period.

Options are awarded at the average of the highest and lowest sale price of the Company's Common Shares on the NASDAQ market on the date of the grant (the "Market Value"). In certain limited circumstances, the Committee may grant options to an executive at an exercise price in excess of the Market Value of the Company's Common Shares on the grant date. The Committee has never granted options with an exercise price that is less than the Market Value of the Company's Common Shares on the grant date, nor has it granted options which are priced on a date other than the grant date.

Options granted by the Committee typically vest over the first two to five years of the ten-year option term, although in certain cases we have granted options that have vested immediately. Vesting rights cease upon

termination of employment and vested options granted prior to 2008 may be exercised within one year of termination (other than termination for cause) and those granted in 2008 and subsequent which have vested have 90 days after termination in which to exercise. Prior to the exercise of an option, the holder has no rights as a shareholder with respect to the shares subject to such option, including voting rights and the right to receive dividends or dividend equivalents.

Upon a change of control, or if earlier, the execution of an agreement to effect a change of control, all options and restricted stock awards under the Company's 2000 Incentive Stock and Deferred Compensation Plan, its 2003 Stock Incentive Plan and its 2010 Stock Incentive Plan become fully vested and immediately exercisable, notwithstanding any other provision of the plan or any agreement.

During 2010, upon the recommendation of the Chief Executive Officer, long term equity awards were approved by the Committee for three senior executives of the Company. These awards do not vest until July 2014 and are fully forfeited in the event of the termination of the employment of the executive whether for cause or otherwise.

### **Benefits and Perquisites**

Our executives are generally not entitled to benefits that are not available to all of our employees. In this regard, it should be noted that we do not provide pension arrangements, post-retirement health coverage or similar benefits for our executives or employees. The Committee periodically reviews the levels of benefits provided to executive officers. The named executive officers participate in the Company's 401(k) savings plan and other benefit plans on the same basis as other similarly situated employees. The Company has adopted a match for the Company's 401(k) savings plan which consists of a discretionary match of 50% of the first 2% of employee contributions up to a maximum of 1% of the employee's compensation. At the Company's discretion the match may be in the form of cash or Common Shares. For 2010 a match Company shares valued at \$87,748 was approved and paid in March 2010.

The perquisites we provided in fiscal 2010 are as follows. We paid the premiums on life insurance policies for and certain travel costs for Mr. Sloane our Chief Executive Officer in the amount of \$19,133.

### **Compensation of the Chief Executive Officer**

The Committee determined the compensation for Barry Sloane, Chairman, Chief Executive Officer and President for 2010. While recognizing the Chief Executive Officer's leadership in building a highly talented management team and in driving the Company forward, Mr. Sloane's salary was maintained at \$350,000 for 2010 to which was added a bonus of \$250,000 which was paid \$125,000 in 2010 and \$125,000 in 2011. Mr. Sloane received no bonus in 2008 or 2009. The Committee has determined that this salary and bonus package is less than the competitive labor market median for someone with his skills and talents, it nonetheless is reflective of the Company's current cash and financial position and the status of the Company's Common Shares. Mr. Sloane's base compensation has remained unchanged since 2005.

### **Compensation of the Other Named Executive Officers**

Based upon the recommendations of the Chief Executive, the Committee approved the 2010 compensation for Craig J. Brunet, Senior Vice President and Chief Information Officer, and Seth A. Cohen, Chief Financial Officer. As with the Chief Executive Officer, Mr. Brunet's and Mr. Cohen's base salaries were maintained at their 2009 levels in 2010, \$276,000 and \$240,000, respectively. The Chief Executive Officer and the Committee have determined that these compensation packages are consistent with the competitive labor market median for people with their skills and talents and are reflective of the Company's current cash and financial positions and the status of the Company's Common Shares.

### **Conclusion**

Attracting and retaining talented and motivated management and employees is essential to creating long-term shareholder value. Offering a competitive, performance-based compensation program helps to achieve this objective by aligning the interests of the executive officers and other key employees with those of shareholders. We believe that the Company's 2010 compensation program met those objectives.

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## COMPENSATION RISK ASSESSMENT

Our Compensation, Corporate Governance and Nominating Committee aims to establish company-wide compensation policies and practices that reward contributions to long-term stockholder value and do not promote unnecessary or excessive risk-taking. In furtherance of this objective, the Committee conducted an assessment of our compensation arrangements, including those for our named executive officers. The assessment process included, among other things, a review of our (1) compensation philosophy, (2) compensation mix and (3) cash and equity-based incentive plans.

In its review, among other factors, the Committee considered the following:

- Our revenue model and our cash incentive plan encourage our employees to focus on creating a stable, predictable stream of revenue over multiple years, rather than focusing on current year revenue at the expense of succeeding years.
- The Committee believes that the distribution of compensation among our core compensation elements has effectively balanced short-term performance and long-term performance.
- Our cash and equity-based incentive awards in conjunction with management efforts focus on both near-term and long-term goals.
- Our cash and equity-based incentive awards contain a range of performance levels and payouts, to discourage executives from taking risky actions to meet a single target with an all or nothing result of compensation or no compensation.
- Our executives are encouraged to hold a meaningful number of shares of our common stock pursuant to our stock ownership policy.

Based upon this assessment, our Compensation, Corporate Governance and Nominating Committee believes that our company-wide compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on us.

## COMPENSATION COMMITTEE REPORT

The Compensation, Corporate Governance and Nominating Committee of the Company has reviewed and discussed the foregoing Compensation Discussion and Analysis for fiscal 2010 required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation, Corporate Governance and Nominating Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

### THE COMPENSATION, CORPORATE GOVERNANCE AND NOMINATING COMMITTEE

Salvatore F. Mulia, Chairman  
David C. Beck  
Sam Kirschner

## SUMMARY COMPENSATION TABLE

The following tables set forth the aggregate compensation earned by the Company's Chief Executive Officer, Chief Financial Officer and next most highly compensated executive officers during 2010 and the two previous years which we refer to as named executive officers.

<u>Name and Principal Position</u>	<u>Year</u>	<u>Salary (\$)</u>	<u>Bonus (\$)</u>	<u>Stock Awards (\$)<sup>(6)</sup></u>	<u>Option Awards (\$)<sup>(6)</sup></u>	<u>Non-Equity Incentive Plan Compensation (\$)</u>	<u>Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)</u>	<u>All other compensation (in excess of \$10,000) (\$)</u>	<u>Total (\$)</u>
<b>Barry Sloane, CEO, PRES., CHR.</b>	2010	350,000	250,000 <sup>(1)</sup>	—	—	—	—	—	600,000
	2009	350,000	—	—	—	—	—	—	350,000
	2008	350,000	—	—	—	—	—	—	350,000
<b>Seth A. Cohen, CFO, SVP</b>	2010	240,000	35,900 <sup>(5)</sup>	—	—	—	—	—	275,900
	2009	240,000	48,250 <sup>(2)</sup>	—	—	—	—	—	288,250
	2008	240,833	—	—	52,000 <sup>(4)</sup>	—	—	—	292,833
<b>Craig J. Brunet, CIO, EVP</b>	2010	276,000	41,400 <sup>(5)</sup>	13,250 <sup>(6)</sup>	—	—	—	—	330,650
	2009	276,000	26,500 <sup>(2)</sup>	—	—	—	—	—	302,500
	2008	276,000	60,000 <sup>(1)</sup>	—	52,000 <sup>(4)</sup>	—	—	—	328,000
<b>Jeffrey G. Rubin, President<sup>(3)</sup></b>	2010	—	—	—	—	—	—	—	—
	2009	—	—	—	—	—	—	—	—
	2008	53,290	—	—	—	—	—	—	53,290

- (1) Cash bonus awarded for 2010 performance, \$125,000 of which was and paid in 2010 and \$125,000 was paid in the first quarter of 2011.
- (2) Cash bonus awarded for 2009 performance and paid in 2010.
- (3) Resigned March 7, 2008.
- (4) 10 year options with 2 year vesting.
- (5) Cash bonus awarded for 2010 performance and paid in 2011.
- (6) The value reported for Stock and Option Awards is the aggregate grant date fair value of options or restricted stock awards granted to the named executive officers in the years shown, determined in accordance with FASB ASC Topic 718, disregarding adjustments for forfeiture assumptions. The assumptions for making the valuation determinations are set forth in the footnote titled "Stock-Based Compensation" to our financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010

### Equity Compensation Plans

The following table provides information as of December 31, 2010 with respect to our Common Shares that may be issued under our equity compensation plans.

<u>Plan Category</u>	<u>Number of Securities to be issued upon Exercise of Outstanding Options, Warrants and Rights</u>	<u>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights</u>	<u>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans</u>
Equity Compensation Plans Approved by Shareholders <sup>(1)</sup>	1,256,403	\$ 1.24	2,279,120
Equity Compensation Plans Not Approved by Shareholders	—	—	—
<b>Total</b>	<b>1,256,403</b>	<b>\$ 1.24</b>	<b>2,279,120</b>

- (1) Consists of 2,600,000 Common Shares under the Company's 2000 Stock Incentive and Deferred Compensation Plan, 1,000,000 Common Shares under the Company's 2003 Stock Incentive Plan and 1,650,000 Common Shares under the Company's 2010 Stock Incentive Plan.

### Grants Of Plan Based Awards

The following reflects all grants to our named executive officers made in the fiscal year ended December 31, 2010.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan		Grant Dated Fair Value of Stock and Option Awards
		Awards (#)		
Barry Sloane, CEO, PRES., CHR	—	—	—	—
Seth A. Cohen, CFO, SVP	—	—	—	—
Craig J. Brunet, CIO, EVP	August 11, 2010	10,600 <sup>(1)</sup>	\$	13,250

- (1) Craig J. Brunet was awarded 10,600 shares of restricted Common Shares under the Company's 2003 Stock Incentive Plan, all of which vest on the earliest of the following to occur: (a) July 1, 2014; (b) a Change in Control (as defined in the plan) of the Company; or (c) his death or total disability.

### Outstanding Equity Awards At 2010 Year End

The following table reflects all outstanding equity awards held by our named executive officers as of December 31, 2010:

Name	Option Awards (1)					Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that have not Vested (\$)
Barry Sloane, CEO, PRES	—	—	—	—	—	—	—	—	—
Craig J. Brunet, CIO, EVP	100,000 <sup>(1)</sup>	—	—	1.57	12/21/15	—	—	—	—
	100,000 <sup>(1)</sup>	—	—	1.50	05/18/18	—	—	10,600 <sup>(2)</sup>	18,232
Seth A. Cohen, CFO, SVP	50,000 <sup>(1)</sup>	—	—	1.57	12/21/15	—	—	—	—
	100,000	—	—	1.50	05/15/18	—	—	—	—

\* calculated at closing price of stock on December 31, 2010 (\$1.72).

(1) These options are fully vested.

(2) These shares of restricted stock shall vest on the earliest of the following to occur: (a) July 1, 2014; (b) a Change in Control (as defined in the plan) of the Company; or (c) his death or total disability.

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## OPTIONS EXERCISED AND STOCK VESTED

There were no stock options exercised or restricted shares vested during 2010 for the named executive officers.

### Employment Agreements

The Company has entered into separate employment agreements with the following three executive officers:

- Barry Sloane, as Chairman, Chief Executive Officer and President;
- Craig J. Brunet, as Executive Vice President and Chief Information Officer; and
- Seth a. Cohen, Chief Financial Officer.

Barry Sloane, as Chairman and Chief Executive Officer, is responsible for implementing the policies adopted by the Company's Board of Directors.

Mr. Sloane's employment agreement provides for:

- A twelve month term through March 31, 2012 at an annual base salary of \$350,000;
- at least one annual salary review by the Board of Directors;
- participation in any discretionary bonus plan established for senior executives;
- retirement and medical plans, customary fringe benefits, vacation and sick leave; and
- \$2 million of split-dollar life insurance coverage.

Mr. Brunet's employment agreement provides for:

- A twelve month term through March 31, 2012 at an annual base salary of \$276,000;
- at least one annual salary review by the Board of Directors;
- participation in any discretionary bonus plan established for senior executives; and
- retirement and medical plans, customary fringe benefits, vacation and sick leave.

Mr. Cohen's employment agreement provides for:

- a twelve month term through March 31, 2012 at an annual base salary of \$240,000;
- at least one annual salary review by the Board of Directors;
- participation in any discretionary bonus plan established for senior executives; and
- retirement and medical plans, customary fringe benefits, vacation and sick leave.

### Payments upon Change of Control

Mr. Sloane's employment agreement provides for a payment in the event of non renewal of his employment in an amount equal to one and one half (1.5) times, or in the case of a change of control or termination other than for cause of the agreement an amount equal to two (2) times, the sum of (i) the executive's base salary in effect at the time of termination, plus (ii) the amount of any incentive compensation paid with respect to the immediately preceding fiscal year.

Each of Mr. Brunet's and Mr. Cohen's employment agreements provides for a payment in the case of non-renewal or termination other than for cause of the agreement equal to one (1) times the sum of (i) the executive's base salary in effect at the time of termination, plus (ii) the amount of any incentive compensation paid with respect to the immediately preceding fiscal year. Each of the employment agreements provides for a payment in the case of a termination concurrent with a change of control equal to one (1) times the sum of (i) the executive's base salary in effect at the time of termination, plus (ii) the amount of any incentive compensation paid with respect to the immediately preceding fiscal year.

Each employment agreement contains a non-competition provision that requires the employee to devote substantially his full business time and efforts to the performance of the employee's duties under the agreement. The employee is not prohibited, however, from:

- serving on the boards of directors of, and holding offices or positions in, companies or organizations which, in the opinion of the Board of Directors, will not present conflicts of interest with the Company; or
- investing in any business dissimilar from the Company's or, solely as a passive or minority investor, in any business.

Under each of the employment agreements, the Company may terminate an employee's employment for "just cause" as defined in the agreement, and upon the termination, no severance benefits are available. If the employee voluntarily terminates his employment for "good reason" as defined in the agreement, or the employee's employment terminates during the term of the agreement due to death, disability, or retirement after age 62, the employee will be entitled to a continuation of his salary and benefits from the date of termination through the remaining term of the agreement. The employee is able to voluntarily terminate his agreement by providing 60 days written notice to the Board of Directors, in which case the employee is entitled to receive only his compensation, vested rights, and benefits up to the date of termination.

### Post Termination Payments

The table below reflects the amount of compensation that would be payable to the executive officers under existing arrangements if the hypothetical termination of employment events described above had occurred on December 31, 2010, given their compensation and service levels as of such date. All payments are payable by the Company in a lump sum unless otherwise noted.

These benefits are in addition to benefits available regardless of the occurrence of such an event, such as currently exercisable stock options, and benefits generally available to salaried employees, such as distributions under the Company's 401(k) plan, disability benefits, and accrued vacation pay. In addition, in connection with any termination of Mr. Sloane's employment, the Company may determine to enter into an agreement or to establish an arrangement providing additional benefits or amounts, or altering the terms of benefits described below, as the Compensation, Corporate Governance and Nominating Committee deems appropriate.

The actual amounts that would be paid upon Mr. Sloane's, Mr. Cohen's and Mr. Brunet's termination of employment can be determined only at the time of their separation from the Company.

Name	Post Termination Payments		
	Change in Control with Termination	Change in Control with Change in Duties	Other Non-Renewal or Termination without Cause
<b>Barry Sloane, CEO, PRES, CHR</b>	\$ 950,000	\$ 712,500	\$ 712,500
<b>Craig Brunet, CIO, EVP</b>	\$ 315,750	\$ 315,750	\$ 315,750
<b>Seth Cohen, CFO, SVP</b>	\$ 288,250	\$ 288,250	\$ 288,250

### Nonqualified Deferred Compensation

The Company did not have any nonqualified deferred compensation in the year ended December 31, 2010.

### Pension Benefits

The Company had no obligation under pension benefit plans to the named executive officers as of December 31, 2010.

## Tax and Accounting Implications

### *Deductibility of Executive Compensation*

As part of its role, the Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code, which provides that the Company may not deduct compensation of more than \$1,000,000 that is paid to certain individuals. The Company believes that compensation paid by the Company is generally fully deductible for federal income tax purposes. However, in certain situations, the Committee may, in the future, approve compensation that will not meet these requirements in order to ensure competitive levels of total compensation for its executive officers.

### *Accounting for Stock-Based Compensation*

Beginning on January 1, 2006, the Company began accounting for stock-based payments including its Stock Option Plan, Long-Term Stock Grant Program, Restricted Stock Program and Stock Award Program in accordance with the requirements of FASB Statement 123(R).

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## PROPOSAL II – RATIFICATION OF INDEPENDENT AUDITORS

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The Audit Committee of the Board has reappointed J.H. Cohn LLP as our independent registered accounting firm to audit our consolidated financial statements for the fiscal year ending December 31, 2011, and the Audit Committee has asked that this selection be ratified by our shareholders.

Representatives of J.H. Cohn LLP are invited to the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

The ratification of the selection of J.H. Cohn LLP as our independent accountants for the fiscal year ending December 31, 2011, will require the affirmative vote of the holders of a majority of the Common Shares present at the Annual Meeting, in person or represented by proxy, and entitled to vote. In determining whether the proposal has received the requisite number of affirmative votes, broker non-votes will be disregarded and will have no effect on the outcome of the vote. In the event this Proposal is not approved, the Audit Committee will take such fact into account in selecting the Company's independent accountants for the year ending December 31, 2012 but Committee is not bound by the outcome of the vote.

**THE BOARD BELIEVES THAT A VOTE FOR THE PROPOSAL TO RATIFY THE APPOINTMENT OF THE INDEPENDENT ACCOUNTANTS AS DESCRIBED ABOVE IS IN THE BEST INTERESTS OF OUR SHAREHOLDERS AND RECOMMENDS A VOTE "FOR" SUCH PROPOSAL.**

## PRINCIPAL ACCOUNTING FEES AND SERVICES

### **Audit Fees and Services**

J. H. Cohn LLP served as the Company's independent accounting firm for the years ended December 31, 2008, December 31, 2009 and December 31, 2010.

Fees for professional services rendered to the Company by J. H. Cohn LLP during the fiscal years ended December 31, 2010 were as follows (in thousands):

Audit Fees	\$850,000
Audit Related Fees	9,450
Tax Fees	—
All Other Fees	13,500
Total Fees	<u>\$872,950</u>

Fees for professional services rendered to the Company by J. H. Cohn LLP during the fiscal year ended December 31, 2009 were as follows (in thousands):

Audit Fees	\$806
Audit Related Fees	60
Tax Fees	—
All Other Fees	—
Total Fees	<u>\$866</u>

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*Audit Fees:* The audit fees for the fiscal years ended December 31, 2010 and 2009 were for professional services rendered in connection with the audit of the Company's annual financial statements, assistance with review of documents filed with the SEC, consents and other services required to be performed by our independent registered public accounting firm.

*Audit-Related Fees:* The audit-related fees during the fiscal years ended December 31, 2010 and 2009 were for assurance and related services associated with the audit.

*Tax Fees:* No fees were billed to the Company by J. H. Cohn LLP during the fiscal years ended December 31, 2010 and 2009 for professional services rendered in connection with tax compliance, tax advice, and tax planning.

*All Other Fees:* All other fees billed to the Company by J. H. Cohn LLP during the fiscal years ended December 31, 2010 and 2009 for non-audit services and assurance and related services for attestations not required by law.

In accordance with the Audit Committee Charter, all of the foregoing audit and non-audit fees paid to and the related services provided by J.H. Cohn LLP were pre-approved by the Audit Committee. In addition, it is the policy of the Audit Committee not to engage our independent accountants to perform any non-audit services specifically prohibited by law or regulation.

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## REPORT OF THE AUDIT COMMITTEE

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The Board of Directors, through its Audit Committee, and in accordance with its written Charter, reviews the audit function, internal controls and financial statements of the Company. The Committee consists solely of directors who are not Company employees and are considered "independent" under applicable rules of the Securities and Exchange Commission and the NASDAQ Stock Market. In 2010, the Audit Committee convened 8 times to discuss with management and the independent auditors their respective accounting, auditing and financial reporting responsibilities with respect to the fiscal years 2010 and 2009.

In connection with the December 31, 2010 financial statements of the Company, the Audit Committee: (1) reviewed and discussed the audited and interim unaudited financial statements with management; (2) discussed with the auditors the matters required by AU section 380 and the independence of the auditors; and (3) received and discussed with the auditors the matters required by Independence Standards Board Statement No. 1. In discharging these oversight responsibilities as to the audit process, the Committee obtained from the independent auditors a formal written statement describing all relationships between the auditor and the Company that might bear on the auditors' independence and discussed with the auditors any relationships that may impact their objectivity and independence. Based upon these procedures and discussions with Company management, the Audit Committee considered whether it was necessary to exclude J.H. Cohn LLP from performing any work for the Company separate and apart from auditing the Company's financial statements. After a thorough analysis, the Audit Committee concluded that at this time there was no conflict that would jeopardize auditor independence and that it is satisfied as to the auditors' independence. The committee also discussed with management and the independent auditors the quality and adequacy of the Company's internal controls.

The Audit Committee, with and without management present, discussed and reviewed the results of the independent auditors' examination of the financial statements. The Audit Committee reviewed the audited financial statements of the Company as of and for the fiscal year ended December 31, 2010, with management and the independent auditors. Based upon these reviews and the resulting discussions, the Audit Committee recommended to the Board that the Company's audited financial statements be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2010, for filing with the Securities and Exchange Commission.

Date: April 25, 2011

Respectfully submitted,  
David C. Beck, Chairman  
Salvatore F. Mulia  
Sam Kirschner

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### **PROPOSAL III – ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS**

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Pursuant to the Securities and Exchange Commission rules adopted under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), we are conducting a shareholder advisory vote on the compensation paid to our named executive officers. Although the vote is advisory and is not binding on the Board, the Company or the Compensation, Corporate Governance and Nominating Committee, the Compensation, Corporate Governance and Nominating Committee will take into account the outcome of the vote when considering future executive compensation decisions.

This proposal, commonly referred to as a “say-on-pay” proposal, gives shareholders the opportunity to express their views on the compensation of our named executive officers and the executive compensation philosophy, policies and programs described in this proxy statement. We ask that you support the compensation of our named executive officers as disclosed under the heading “Executive Compensation”, including the “Compensation Discussion and Analysis” section and the accompanying compensation tables and related narrative disclosure.

As described in the Compensation Discussion and Analysis section, we seek to provide a compensation package that attracts and retains executive talent and to motivate them to achieve, and reward them for achieving, superior performance. We believe that our compensation program strikes the appropriate balance between utilizing responsible, measured pay practices and effectively incentivizing our named executive officers to dedicate themselves fully to value creation for our shareholders.

You are encouraged to read the detailed information under “Executive Compensation” beginning on page 9 of this proxy statement for additional details about our executive compensation programs.

The Board strongly endorses the Company’s executive compensation program and recommends that shareholders vote in favor of the following resolution:

RESOLVED, that the shareholders of Newtek Business Services, Inc. hereby approve on an advisory basis, the compensation paid to the Company’s named executive officers, as disclosed pursuant to Item 402 of Regulation S-K to the Company’s Proxy Statement for the 2011 Annual Meeting of Shareholders, including the Compensation Discussion and Analysis compensation tables and narrative discussion.

#### **THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE “FOR” THE APPROVAL OF THE RESOLUTION RELATED TO COMPENSATION OF NAMED EXECUTIVE OFFICERS**

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### **PROPOSAL IV – ADVISORY VOTE ON FREQUENCY OF EXECUTIVE COMPENSATION VOTE**

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Pursuant to the Securities and Exchange Commission rules adopted under the Dodd-Frank Act, we are conducting a shareholder advisory vote on the frequency of the “say-on-pay vote” contained in Proposal III.

In particular, we are asking whether shareholders would prefer that the “say-on-pay” advisory vote occur every three years, every two years or every year. The option of one year, two years or three years that receives the highest number of votes cast by the Company’s shareholders will be taken as the consensus of the Shareholders on this matter. However, because the vote is advisory, it is not binding on the Board or the Company in any way and the Board may for reasons it deems in the best interests of the Company determine to present the matter to Shareholders on a more or less frequent schedule.

After careful consideration of this proposal, the Board has determined that an advisory vote that occurs every third year is the most appropriate alternative for the Company, and therefore, the Board recommends that you vote for a three-year interval for the advisory vote on executive compensation. Please note that you are not being asked to approve or disapprove the Board’s recommendation, but rather to indicate your own choice of one, two or three years for this proposal.

In formulating its recommendation, the Board considered that a tri-annual advisory vote on executive compensation will allow the Company's shareholders to provide us with direct input on our compensation philosophy, politics and practices as disclosed in the proxy statement but will also give enough time for the decisions of the Board and the policies implemented to have effect. Additionally, the Board believes that such a frequency is consistent with the Board's desire to implement "best practices" with respect to corporate governance. We understand that Shareholders may have different views as to what is the best approach for the Company and we look forward to hearing from shareholders on this proposal.

When casting your vote on your preferred voting frequency for advisory vote of named executive officer compensation, you may choose one of the following four frequency options: "1 year," "2 years," "3 years," or "abstain".

RESOLVED, that the option of once every year, two years or three years that receives the highest number of votes cast for this resolution will be determined to be the preferred frequency with which the Company is to hold an advisory vote of the shareholders on the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis compensation tables and narrative discussion.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE "SAY-ON-PAY VOTE"  
BE TAKEN EVERY "THREE YEARS"**

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**OTHER MATTERS**

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The Board of Directors is not aware of any business to come before the Annual Meeting other than those matters described above in this Proxy Statement and matters incident to the conduct of the Annual Meeting. Properly executed proxies in the accompanying form that have not been revoked confer discretionary authority on the persons named therein to vote at the direction of a majority of the Board of Directors on any other matters presented at the Annual Meeting. Under SEC rules, if a Shareholder does not notify the Company within a reasonable time before the date of this Proxy Statement of such Shareholder's intent to present a proposal at the Annual Meeting, the persons named in the accompanying proxy may exercise such discretionary voting authority if the proposal is raised at the Annual Meeting, without any discussion of the matter in this Proxy Statement.

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**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS  
FOR THE ANNUAL MEETING TO BE HELD ON WEDNESDAY, MAY 25, 2011**

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The Proxy Statement and Annual Report for the year ended December 31, 2010 are available at the special website:  
<http://www.amstock.com/proxyservices/viewmaterial.asp?CoNumber=11363>.

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**ADDITIONAL INFORMATION**

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We file annual, quarterly and current reports, proxy statements and other information with the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may read and copy any reports, statements or other information we file at the SEC's Public Reference Room in Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information on the Public Reference Room. Our SEC filings are also available to the public from commercial document retrieval services and on the web site maintained by the SEC at [www.sec.gov](http://www.sec.gov). **A copy of our 2010 Annual Report on Form 10-K, as filed with the SEC (but excluding exhibits), is available on our website, [www.Thesba.com](http://www.Thesba.com). A complete copy of our 10-K, including exhibits if requested, may be obtained without charge, upon written request directed to Newtek Business Services, Inc., 1440 Broadway, 17th Floor, New York, NY 10018, Attention: Secretary.**

The SEC has adopted rules that permit companies and intermediaries such as brokers to satisfy delivery requirements for proxy materials with respect to two or more shareholders sharing the same address. This process, which is commonly referred to as "householding," potentially provides extra convenience for shareholders and cost savings for companies. The Company and some brokers household proxy materials, delivering a single copy of the proxy materials to multiple shareholders sharing an address unless contrary instructions have been received from the affected shareholders.

Once you have received notice from your broker or the Company that they or the Company will be householding materials to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding, please notify your broker if your shares are held in a brokerage account or the Company if you hold registered shares. You can notify the Company by sending a written request to, Newtek Business Services, Inc., 1440 Broadway, 17th Floor, New York, NY 10018, Attention: Chief Legal Officer or call (212) 356-9500. Promptly upon receipt by us of such a request from a shareholder, separate proxy materials will be delivered to the requesting shareholder. Shareholders who currently receive multiple copies of the proxy statement at their addresses and would like to request "householding" of their communications should contact their brokers.

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### **CONFIDENTIALITY OF PROXIES**

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The Company's policy is that proxies identifying individual shareholders are private except as necessary to determine compliance with law, to assert or defend legal claims, in a contested proxy solicitation or in the event that a shareholder makes a written comment on a proxy card or an attachment to it.

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### **COSTS OF PROXY SOLICITATION; SHAREHOLDER COMMUNICATIONS**

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The cost of solicitation of proxies will be borne by the Company. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy material to the beneficial owners of Common Shares. In addition to solicitations by mail, directors, officers and regular employees of the Company may solicit proxies personally, by telephone or by email without additional compensation.

Shareholders may send written communications to the Board of Directors to the attention of the Board of Directors, c/o Newtek Business Services, Inc., 1440 Broadway, 17th floor, New York, New York 10018. Shareholder communications must be signed by the shareholder and identify the number of Common Shares held by the shareholder. Each properly submitted shareholder communication will be provided to the Board of Directors at its next meeting or, if such communication requires more immediate attention, it will be forwarded to the Directors promptly after receipt.

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### **SHAREHOLDER PROPOSALS**

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In order to be eligible for inclusion in the proxy statement and proxy relating to the 2012 Annual Meeting of Shareholders of the Company, which will be held on or about May 25, 2012, any shareholder proposal to take action at such meeting must be received by the Secretary of the Company at 1440 Broadway, 17th Floor, New York, New York 10018 no later than January 24, 2012. Nothing in this paragraph shall be deemed to require the Company to include in its proxy statement and proxy relating to the 2012 Annual Meeting of Shareholders, or to consider and vote upon at any such meeting, any shareholder proposal which does not meet all of the requirements established by the Securities and Exchange Commission ("SEC") or the Company's Restated Certificate of Incorporation or Bylaws in effect at the time such proposal is received.

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By order of the Board of Directors,

Matthew G. Ash, Secretary

ANNUAL MEETING OF SHAREHOLDERS OF

NEWTEK BUSINESS SERVICES, INC.

May 25, 2011

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL :

The Notice of Meeting, Proxy Statement, Proxy Card are available at http://www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=11363

Please sign, date and mail your proxy card in the envelope provided as soon as possible.

i Please detach along perforated line and mail in the envelope provided. i

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THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE ELECTION OF THE FOUR DIRECTORS NOMINATED, "FOR" PROPOSALS 2 AND 3, AND FOR A "3 YEARS" FREQUENCY IN PROPOSAL 4.

PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE [X]

1. Election of Four Directors for a one year term (except as marked to the contrary):

[ ] FOR ALL NOMINEES

[ ] WITHHOLD AUTHORITY FOR ALL NOMINEES

[ ] FOR ALL EXCEPT (See instructions below)

NOMINEES:

- [ ] David C. Beck
[ ] Sam Kirschner
[ ] Salvatore F. Mulia
[ ] Barry Sloane

2. The ratification of J.H. Cohn LLP as the independent registered public accounting firm for the fiscal year ending December 31, 2011. [ ] FOR [ ] AGAINST [ ] ABSTAIN

3. The approval of the compensation of the named executive officers. [ ] FOR [ ] AGAINST [ ] ABSTAIN

4. The approval of the frequency of a shareholder vote to approve the compensation of the named executive officers. [ ] 1 year [ ] 2 years [ ] 3 years [ ] ABSTAIN

The undersigned acknowledges receipt from the Company before the execution of this proxy of the Notice of Annual Meeting of Shareholders, a Proxy Statement for the Annual Meeting of Shareholders and the 2010 Annual Report to Shareholders.

INSTRUCTIONS: To withhold authority to vote for any individual nominee(s), mark "FOR ALL EXCEPT" and fill in the circle next to each nominee you wish to withhold.

Check here if you plan to attend the Annual Meeting: [ ]

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. [ ]

Signature of Shareholder [ ] Date: [ ]

Signature of Shareholder [ ] Date: [ ]

Note: Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.



**NEWTEK BUSINESS SERVICES, INC.**

**ANNUAL MEETING OF SHAREHOLDERS**

**May 25, 2011**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned shareholder of Newtek Business Services, Inc. (the "Company") hereby appoints Barry Sloane and David C. Beck, or either of them, with full powers of substitution, as attorneys and proxies for the undersigned, to vote all Common Shares of the Company which the undersigned is entitled to vote at the Annual Meeting of Shareholders, to be held at the New York City office of the Company, 1440 Broadway, 17th Floor, New York, NY 10018 on Wednesday, May 25, 2011 at 9:00 a.m., local time, and at any and all adjournments thereof, as indicated below and as determined by a majority of the Board of Directors with respect to such other matters as may come before the Annual Meeting.

**This proxy will be voted as directed, but if no instructions are specified, this proxy will be voted for the election of the named nominees, for each of propositions 2 and 3, and for a 3 year frequency for shareholder votes on executive compensation in proposition 4. If any other business is presented at the Annual Meeting as to which this proxy confers discretionary authority, this proxy will be voted by those named in this proxy as determined by a majority of the Board of Directors. At the present time, the Board of Directors knows of no other business to be presented at the Annual Meeting.**

(Continued and to be signed on the reverse side.)

**ANNUAL MEETING OF SHAREHOLDERS OF  
NEWTEK BUSINESS SERVICES, INC.**

**May 25, 2011**

**PROXY VOTING INSTRUCTIONS**

**INTERNET** - Access “ [www.voteproxy.com](http://www.voteproxy.com) ” and follow the on-screen instructions. Have your proxy card available when you access the web page.

**TELEPHONE** - Call toll-free **1-800-PROXIES** (1-800-776-9437) in the United States or **1-718-921-8500** from foreign countries from any touch-tone telephone and follow the instructions. Have your proxy card available when you call.

Vote online/phone until 11:59 PM EST the day before the meeting.

**MAIL** - Sign, date and mail your proxy card in the envelope provided as soon as possible.

**IN PERSON** - You may vote your shares in person by attending the Annual Meeting.

<b>COMPANY NUMBER</b>	
<b>ACCOUNT NUMBER</b>	

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIAL** : The Notice of meeting, proxy statement and proxy card are available at <http://www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=11363>

i Please detach along perforated line and mail in the envelope provided IF you are not voting via telephone or the Internet. i

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**THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” THE ELECTION OF THE FOUR DIRECTORS NOMINATED, “FOR” PROPOSALS 2 AND 3, AND FOR A “3 YEARS” FREQUENCY IN PROPOSAL 4.**

**PLEASE SIGN, DATE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE**

- |  |   |  |  |
|--|---|--|--|
| <p>1. Election of Four Directors for a one year term (except as marked to the contrary):</p> <p><input type="checkbox"/> <b>FOR ALL NOMINEES</b></p> <p><input type="checkbox"/> <b>WITHHOLD AUTHORITY FOR ALL NOMINEES</b></p> <p><input type="checkbox"/> <b>FOR ALL EXCEPT</b><br/>(See instructions below)</p> | <p><b>NOMINEES:</b></p> <p><input type="radio"/> David C. Beck</p> <p><input type="radio"/> Sam Kirschner</p> <p><input type="radio"/> Salvatore F. Mulia</p> <p><input type="radio"/> Barry Sloane</p> | <p>2. The ratification of J.H. Cohn LLP as the independent registered public accounting firm for the fiscal year ending December 31, 2011. <input type="checkbox"/></p> <p>3. The approval of the compensation of the named executive officers. <input type="checkbox"/></p> <p>4. The approval of the frequency of a shareholder vote to approve the compensation of the named executive officers. <input type="checkbox"/></p> | <p>FOR AGAINST ABSTAIN</p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>FOR AGAINST ABSTAIN</p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>1 year 2 years 3 years ABSTAIN</p> <p><input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> |
|--|---|--|--|

The undersigned acknowledges receipt from the Company before the execution of this proxy of the Notice of Annual Meeting of Shareholders, a Proxy Statement for the Annual Meeting of Shareholders and the 2010 Annual Report to Shareholders.

**INSTRUCTIONS:** To withhold authority to vote for any individual nominee(s), mark “FOR ALL EXCEPT ” and fill in the circle next to each nominee you wish to withhold, as shown here: ●

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method.

Check here if you plan to attend the Annual Meeting:

Signature of Shareholder  Date:

Signature of Shareholder  Date:

**Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.